

FXIC New York draws 400 to discuss Regulation, Technology, and Marketing

By Dick Pirozzolo

Some 400 members of the FX community from the Americas, Europe and Asia gathered at the Shift Forex's FXIC New York this summer for a round of panel discussions on regulation, technology and marketing and for informal gatherings at the Grand Hyatt Hotel.



Photograph: Seth Friedman Photography

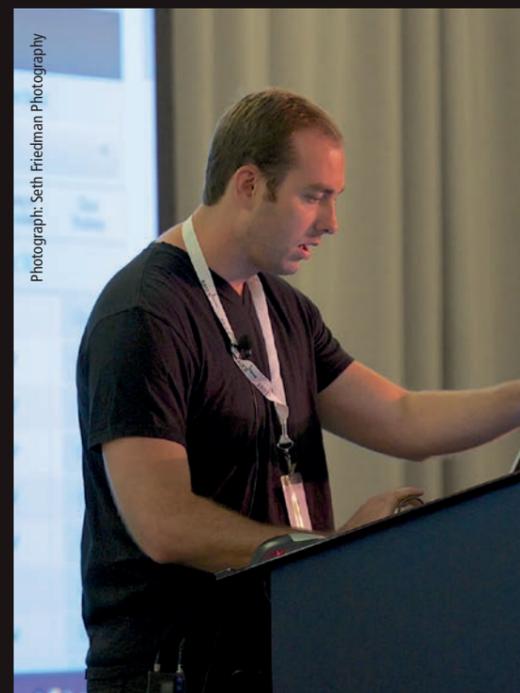
James Sinclair, Market Factory; Robert Savage, ccTrack; Jamil Nazarali, Citadel Execution Services; William Goodbody, KCG Hotspot; Kevin McPartland, Greenwich Associates on the "FX Market Structure: The Equity Market Nexus" panel moderated by Jack Drohan, Drohan Lee (not shown) at FXIC NYC 2014

During a panel discussion on regulation John ("Jack") P. Drohan III, whose New York law firm Drohan Lee practices commodities and derivatives law said retail FX used to be "the Wild West." and that regulation helps to "legitimize the business." Drohan's firm has advised a large portion of the global FX community for over 20 years, including many of the world's largest currency funds, electronic brokerage platforms, banks, and intermediaries.

Following his panel, Drohan commented, "I think all sectors are looking for regulatory clarity. Most of my clients are larger institutions and are happy to comply with rules as long as they are clear. For example, folks in the industry complain about the slow progress in implementing of Dodd Frank on the forex side, and we may not be expecting clearing of foreign exchange options until next year."

When comes to regulation, technology has increased the trading speeds to a point that makes it easier to obfuscate fraudulent activity. Drohan points out, "If it was illegal then, it is not legal now just because the speed increases. Some of the algorithms are coded for practices such as front running customer orders, placing false prices out there or spoofing that have been illegal for years. What is harder now is enforcement."

Clearing has some worried. Explained Drohan, "Nasdaq recently announced that is getting into FX clearing. That makes for about seven or eight clearers on non-deliverable forwards. A lot of people are concerned about the resulting fragmentation. When FX was traded OTC, the banks were able to evaluate counterparty default risk on a case-by-case basis. Fragmented clearing poses systemic risks as well as solutions."



Photograph: Seth Friedman Photography

Chris Ivey, Equametrics, presenting the company's RIZM algorithmic trading product at the "Innovator's Inquisition" session at Shift Forex's FXIC NYC 2014

Rod Drown, senior managing director, Global Products and Services at Cantor Exchange, added, "Jack Drohan is predicting that retail OTC FX in the U.S. will be further regulated by Dodd-Frank thus forcing retail FX traders to find non-OTC trading alternatives." The Cantor Exchange, for example, is a Designated Contract Market (DCM) regulated by the CFTC that accepts OTC FX traders.

DISRUPTION OF FX MARKETS

Andrew Ralich, co-founder and CEO of oneZero Financial Systems in Cambridge commented on whether he thought foreign exchange markets continue to be disrupted by new market entrants, trading models, regulations and other factors.

Ralich put it this way, "Markets are being disrupted in every business, unless you are running a mousetrap

company. This is especially so with FX, which is a heavily technology driven market. The big change? There are a lot of new technology players in FX where traditionally, innovation has come from only a few providers. There is also some convergence going on with brokers providing technology. People in our industry now often wonder when making infrastructure decisions - are you a technology provider or are you a broker trying to build technology?"

oneZero Financial began as an MT4 Bridge company and evolved into a hub for the retail industry, providing connectivity to front-end components, liquidity providers and access via numerous trading platforms, but Ralich notes, most retail volume is still driven by MetaTrader4.

In the past, increasing volume and volatility drove technological

developments. "With volumes down by as much as 20% in 2014, there seems to be a shift. Now, whenever there is a lull, people start to explore creative technical solutions," noted Ralich.

Matt Miller, Shift Forex COO, echoed Ralich's views saying, "There's definitely a convergence between brokerage and technology companies happening. It's one of the reason's Shift has stayed technology agnostic so that we can differentiate and work with anyone to provide optimal solutions for our clients."

INNOVATOR'S INQUISITION PANEL

To showcase some of those new solutions, Miller moderated an Innovator's Inquisition panel a la the popular ABC-TV series Shark Tank. Introducing their latest innovations were Chris Ivey of Equametrics, known for automated drag-and-

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drop trading strategies for anyone, Travis Dahm of CurrentDesk, Fully integrated back office and CRM technology, and Bjarni Kristjansson of Fireball FX, automated trading strategies for institutions.

Travis Dahm, director of business development for CurrentDesk in Tulsa, Oklahoma, pitched its automated broker management system product CurrentBusiness. Dahm told e-Forex, "The inquisitor question that stands out most was, 'How are we going to sustain our business as the FX brokerage market is shrinking, new brokers are not starting and existing brokers are being acquired by the major market share holders?' I pointed out that, CurrentBusiness is not specifically for new brokers and should not be boxed into that category. The majority of our clients were existing brokers when they started using CurrentBusiness. I think sometimes we forget that the whole world exists and only focus only on our local region."

CurrentDesk streamlines key processes that are done manually or by using a variety of unrelated tools starting from lead and client management via CRM though marketing analytics, to back office, treasury and compliance operations.

BUILDING RELATIONSHIPS

Events such as FXIC build relationships within the forex community. Individual companies are also fostering relationships as part of their marketing. Jubin Pejman, managing director of FCM360, a leading forex hosting company and infrastructure provider noted, "We've developed a partner program that helps the FX community engage with all of our current clients and helps foster relationships for our clients around the world. For example, a lot of



Peter Burton, Shift Forex; Evgeni Mitkov, Proflow Capital (back to camera); Steven Reiter, Sentry Derivatives, Jon Najarian, OptionMonster discuss options at FXIC NYC 2014

traders need access to liquidity and brokers and the sell-side guys need upstream liquidity and private label services. Apart from the handful of top, top firms, most FX brokers don't have the budgets, connections and resources in one place to provide access to liquidity, private label software and risk management in addition to infrastructure services. No other hosting company does what we are doing."

FCM360, an FXIC NY sponsor, pioneered Micro Pops or Points of Presence (POP) in Tokyo to make FX trading more accessible and less costly to markets in Asia. Micro Pops help pricing and execution for traders and brokers located in Asia by decreasing the latencies back to liquidity providers. In addition to proximity hosting in Tokyo's TY3, FCM360 hosting includes New York's NY4, Chicago's CHI2 and London's LD4, which gives clients access to low-cost Financial Cloud-based hosting packages, bare metal hosting services, customized proximity hosting, MT4 broker services and cross-connects to multitude of liquidity providers among other products.



Ian McAfee, CEO of Shift Forex, sees the FXIC event series as an extension of the firm's global FX consulting work, adding, "We are now working on FXIC Shanghai 2014 for December 9-10 with our partner FX Shell, an FX market specialist firm in Shanghai."

Based in Boston, Dick Pirozzolo covers financial services, technology and foreign exchange. He is a member of the Foreign Press Association of New York and serves on the editorial board of Boston Global Forum whose aim is to foster international collaboration on vital current issues.