

EBS Market

EBS Market, EBS BrokerTec's flagship central limit order book electronic trading platform, supporting spot FX currencies, precious metals and non-deliverable forwards (NDFs), expanded its core currencies to include the offshore Chinese renminbi (CNH) back in 2010. Since then, EBS has built a large and diverse trading community of more than 100 institutions trading daily, and developed multiple trading order types, features and functions for CNH. Darryl Hooker, Co-Head of EBS BrokerTec Markets, outlines how the currency has taken off to become the 'major minor' currency it is today.

When did you decide to expand the number of currencies on EBS Market to include the offshore Chinese renminbi (CNH)?

DH: CNH went live on the platform in August 2010; however, initially it was not liquid enough to be really interesting to the electronic trading community. This is normal for a currency of that level of maturity, yet once they get to a certain tipping point in terms of volumes and counterparties, these currencies very quickly look to the efficiencies of electronic trading platforms.

After about two years, CNH really became a lot more interesting and having been a top 15 currency pair, it is now one of the top three currencies on the EBS platforms.

How long did it take for the currency to take hold?

DH: In 2013 we changed the CNH pricing convention on EBS from five pips to one pip to acknowledge the growing interest and increased maturity in the product. Following this we began a strategic focus which we started to implement in January 2014. In the first three months of

our effort we grew our volume tenfold. Having been under 10% of the market, two years later EBS is now the major venue globally for spot dollar/CNH with around 65-70% market share. We act as a source of information, for central banks and regulators, for example supplying data to the IMF.

What key features of your electronic trading platform are you now able to bring to CNH trading?

DH: In 2014 we launched our most successful order type – the Iceberg. Iceberg orders allow you

| | | | | | |
|---------|------|-----|-------|------|--------|
| USD/CNH | 6.66 | 57 | 62 | 6.66 | 08-Jan |
| | 48 | 3 | 57 | 62 | 8 |
| | 50 | 2 | | | 4 |
| | | Bid | Offer | | |
| | | | | | 71 |
| | | | | | 50 |

to show just a small part of a large order to the market. This reduces the footprint and impact of the trade on the market. It has become a very popular feature with CNH traders globally, with 40% of manual orders executed through Icebergs.

This has significantly helped EBS to further grow our volume, with CNH being the second largest currency pair in this order type. It has greatly assisted EBS's volume growth which has increased fourfold since the first quarter in 2014.

What customer segments are interested in trading CNH and how are you able to appeal to your different customer types and enable them to enter the market?

DH: EBS BrokerTec is distributed amongst a global network of counterparties who access the platform from over 50 countries. The client base is diverse – from

large institutional clients to smaller regional banks and non-bank participants.

EBS Market provides a market of natural interest and acts as a primary market source of reference and price execution.

More recently EBS BrokerTec developed EBS Direct, which is a relationship-based trading platform. While EBS Market is fully anonymous, EBS Direct is fully disclosed. Liquidity providers offer tailored pricing to liquidity consumers - the relationship-based method of this platform often facilitates clients who have poor credit lines.

Additionally, we allowed the trade increment sizes to be smaller on EBS Direct – a tenth of the size on EBS Market – meaning we could accommodate customers with smaller interests.



Darryl Hooker

"The rapid growth of CNH over the last two years on EBS is testament that the currency is continuing to develop on the global stage."

These complementary venues allow for multiple methods of execution, thereby allowing EBS to best facilitate a customer's trading requirements.

How do you see future developments for CNH?

DH: EBS is unique among platforms in having a dedicated global CNH adoption team, with six staff focusing exclusively on CNH. This focus has enabled EBS to adapt to new developments in the CNH market, which we expect to continue.

We are also in the process of developing new analytic capabilities which provide total cost analysis on trading, enabling us to outline the best opportunities for this rapidly growing currency to our customers. Cascading down from this, we are making renminbi products available on our corporate treasury and institutional platforms, a recent expansion of the EBS offering.

The rapid growth of CNH over the last two years on EBS is testament that the currency is continuing to develop on the global stage. I believe the end-point is in sight; however I do not expect we will see full liberalisation of the renminbi before 2018-2020.



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|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| EBS BNKA TID Jan 06 15:37:38 Page 1 | | | | | |
| USD/CNH | 6.66 | 57 | 62 | 6.66 | 08-Jan |
| | 48 | 3 | 57 | 62 | 8 |
| | 50 | 2 | | | 4 |
| | | Bid | Offer | | |
| | | | | | 71 |
| | | | | | 50 |
| EUR/CNH | 7.1757 | - | 63 | | |
| CNH/JPY | 17.8187 | - | 8245 | | |
| AUD/USDD | 0.70225 | - | 240 | | |
| AUD/JPYD | 82.861 | - | 903 | | |
| USD/MXND | 17.601 | - | 613 | | |
| GBP/USD | 1.50490 | - | 505 | | |
| EUR/USD | 1.07095 | - | 125 | | |
| USD/JPY | 117.325 | - | 345 | | |
| EUR/JPY | 128.755 | - | 765 | | |
| EUR/CHF | 1.08575 | - | 610 | | |
| Resting Orders: | 0 | | | Clear All | Off All |
| Trader Deals | | | | | |
| 14:07 | BUY | 1 | 6.6651 | BNK1 | USD/CNH |
| 15:00 | SELL | 1 | 6.6661 | BBB1 | USD/CNH |
| 15:10 | BUY | 1 | 6.6662 | TDBL | USD/CNH |
| 15:11 | BUY | 1 | 6.66623 | ABD2 | USD/CNH |
| 15:37 | SELL | 1 | 6.6664 | MEIT | USD/CNH |
| EBS Deals | | | | | |
| 14:07 | 6.6651 | Paid | | USD/CNH | |
| 15:00 | 6.6661 | Paid | | USD/CNH | |
| 15:10 | 6.6662 | Given | | USD/CNH | |
| 15:37 | 6.6664 | Given | | USD/CNH | |
| USD/CNH | 6.66 | 57 | 62 | 6.66 | 08-Jan |
| | 49 | 3 | 57 | 62 | 8 |
| | 25 | 2 | | | 4 |
| | | Bid | Offer | | |
| | | | | | 68 |
| | | | | | 25 |
| EUR/USD | 1.07 | 09 ⁵ | 11 ⁵ | 1.07 | 08-Jan |
| | 07 ⁰ | 16 | 09 ⁵ | 12 ⁵ | 7 |
| | 50 | 10 | | | 5 |
| | | Bid | Offer | | |
| | | | | | 15 ⁰ |
| | | | | | 50 |
| USD/CHF | 1.00 | 05 ⁰ | 08 ⁵ | 1.00 | 08-Jan |
| | 00 ⁰ | 2 | 05 ⁰ | 08 ⁵ | 3 |
| | 50 | 6 | | | 4 |
| | | Bid | Offer | | |
| | | | | | 13 ⁵ |
| | | | | | 50 |
| USD/RUB | 82. | 5000 | 5200 | 82. | 07-Jan |
| | 4400 | 2 | 5000 | 5200 | 3 |
| | 50 | 3 | | | 4 |
| | | Bid | Offer | | |
| | | | | | 5975 |
| | | | | | 50 |
| USD/JPY | 117. | 32 ⁵ | 34 ⁵ | 117. | 08-Jan |
| | 27 ⁵ | 5 | 32 ⁵ | 34 ⁵ | 6 |
| | 25 | 4 | | | 7 |
| | | Bid | Offer | | |
| | | | | | 39 ⁵ |
| | | | | | 25 |