

USD/SGD	10	11	1.61	5 - Jun	200
USD/SGD	150	200	1.2	5 - Jun	200
XAU/USD	24	25	63.		1
USD/SGD	45	46	7.75	5 - Jun	12
USD/SGD	16	18	144.	5 - Jun	46
USD/SGD	50	52	112.	5 - Jun	18
USD/SGD	15	16	112.	5 - Jun	53
USD/SGD	60	64	93.	5 - Jun	16
USD/SGD	450	455	1.55	5 - Jun	64
USD/SGD	80	82	48.		
USD/SGD	10	12	11.		

SELL	03247	12	175	BUY	DANL
DONE	clear	50	@ 1.2175		
VAGAU=O Buy 50 of 50					
SELL	03293	50	122		
DONE	clear	50			

USD/CHF	63	3			
USD/SGD	1.61	1.6111	DANL		
OFFER	Sell 1	@ 1.6111	DANL		
03254	Sell 1	@ 1.6111	DANL		
03255	Sell 1	@ 1.6111	DANL		
off					

XAU/USD	63.	25	63.	XAU/USD	
OFFER	Sell 1	@ 63.25	DANL		
03244	Sell 1	@ 63.25	BALA		
03251	Sell 3	@ 63.25	BALA		
off					

EUR/USD	1.28	1.28			
11	2	2			
send	quit				

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The battle over e-FX market share: bucking the trend?



Although the FX portals have become well established now, the battle over market share still continues between the banks and the portals with both claiming they are winning. As Frances Maguire reports, it still remains a case of 'horses for courses'

Research carried out by Barclays Capital at the beginning of this year shows a new trend emerging in the eFX market. The survey it carried out indicates that electronic trading users are reverting back to single bank systems for the pre and post-trade services that the banks offer. Barclays Capital surveyed a total of 800 financial professionals who use electronic platforms to trade products such as foreign exchange, fixed income and commodities and found that users preferred single-dealer trading platforms over multi-dealer systems.

Nearly 50% of respondents indicated that they use only single-dealer platforms for electronic execution. Only 16% use multi-dealer platforms exclusively, while 34% execute on both types.

This bucks the belief that, for FX electronic execution, the single bank, or proprietary, systems were losing out to the growth of multi-dealer portals, such as FXall, Currenex, Hotspot and Lava due to the growing regulatory need to prove best execution. According to the annual research carried out by US consultancy Greenwich Associates in April, use of the

single bank platforms fell from 51% in 2004 to 39% in 2005, while use of multi-bank portals remained static, at 63% and 62% in the same period.

Reversal of trend

But Holden Sibley, chief operating officer within Barclays Capital's e-commerce team, which carried the survey, says the results show a definite reversal of the trend.

He says: "In FX there has been a proliferation of both multi-dealer and single dealer platforms in the past few years. A couple of years ago it was a close race between those two camps, but in the past 18 months there has been more of a shift towards single dealer platforms and Barclays Capital has contributed to that shift."

The survey also found that while banks and other electronic execution providers, including Barclays Capital, have delivered certain complementary products on one platform, 56% of e-trading users would like to see more asset classes available on a single trading platform.



Holden Sibley

"Clients want trade ideas and research provided to them, as well, but on balance, our survey suggested that to most clients post-trade was more important in selecting a platform than pre-trade, after execution speed, stability and competitive pricing."



key things that we were striving to get a firmer grasp on with this survey was what particular aspects of multi-asset class trading our clients are most interested in."

"We're not expecting, and nor are our clients telling us, that they want to do all five asset classes together. In FX in particular a significant number of our users use our platform not as a primary asset class – FX may not be the primary asset class but they are a fixed income or equity customer needing to do some FX conversions for trading in those other products."

Multi-asset class trading

Mr Sibley says that the survey was carried out to ascertain its customers' cross-asset trading needs. He says: *"Our strategy has been very much orientated towards multi-asset class trading. We've had a central e-commerce organisation for a few years, which is geared towards bringing together our offerings across asset classes not only from a sales and marketing standpoint, but from the view of product development. We are gradually bringing together the technology platforms across asset classes. One of the*

According to the survey, liquidity and stability were listed as the main motivators for choosing an electronic platform, while other factors, such as cost of execution, strength of dealer relationship and connectivity options all ranked secondary to core execution capability.

Post-trade functionality

Post-trade services are more important to users than pre-trade functionality. While post-trade functionality is still evolving, capabilities such as straight-through processing and online trade affirmations

are among the key priorities for Barclays Capital's clients. A total of 78% of respondents said that overall post trade functionality was very important for influencing their choice of platform.

Mr Sibley says: *"There are a series of post-trade considerations that we asked clients about – including straight through processing and account allocations. From the STP perspective, clients are looking for a firm that can provide trade feedback into their own risk management systems. We've connected to a multitude of clients' in-house systems and have found this to be a big win for clients because trades done on BARX no longer have to be double-keyed by the client into their own systems. There are other important aspects such as integration with prime brokerage, and being able to provide consolidated voice and electronic blotters."*

Research and trade ideas remain important to clients. An overall pre-trade offering incorporating research, news and trade ideas is still a valued complement to execution capabilities for a majority of clients.

However, Sibley says that no pre-trade service stood out on its own as a key differentiator in the way that various post-trade services did. He adds: *"Clients want trade ideas and research provided to them, as well, but on balance, our survey suggested that to most clients post-trade was more important in selecting a platform than pre-trade, after execution speed, stability and competitive pricing. But at this point in the game, several years into it, many providers are getting there on the execution front so what is needed now is make those offerings sticky and this is done through adding value by offering pre-trade and post-trade services."*

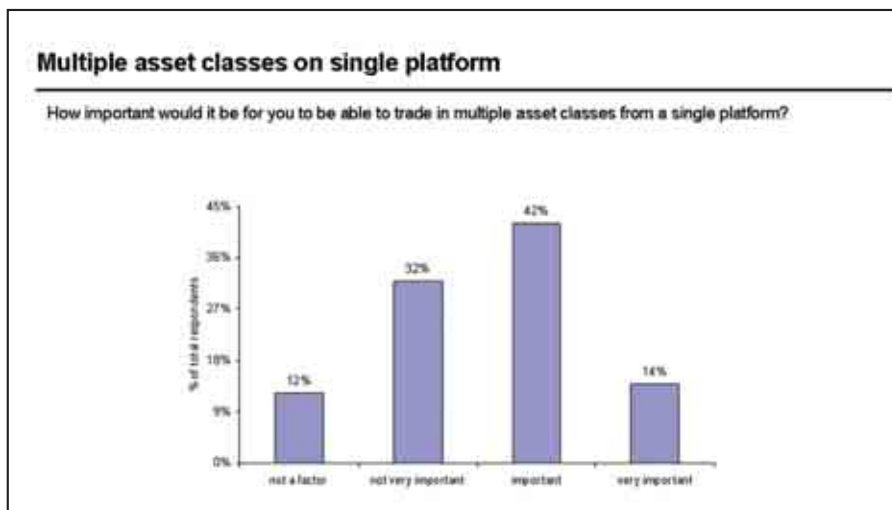


Figure 1



Pre-trade, execution and post-trade considerations

How important are the following in influencing your choice of electronic trading platform?

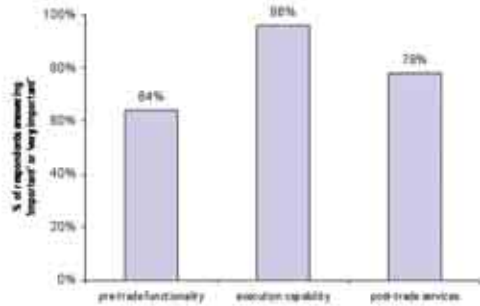


Figure 2

Battle far from over

Mr Sibley believes that both multi-bank and single bank portals will continue to exist side by side but that the battle is far from over as the banks are fighting back with more reasons for customers to stay in terms of post-trade services and now that the focus is turning increasingly towards cross-asset trading, which the banks can offer. He says: *“There are lots of different types of clients in the FX market and certain types of clients might be more disposed to multi-dealer platforms, so I don’t think they will ever disappear entirely. However, our belief is that if we can provide a combination of liquidity and functionality on our platform that is superior to what the multi-dealers are providing, then clients will always be attracted to that.”*

Role of multi-bank portals

However, Mark Warms, global head of sales and marketing at FXall, says that the multi-bank portal offers more post-trade services than ever before. He says: *“We have a multitude of pre and post-trade services. We have connected to hundreds of different treasury and portfolio management systems, delivering seamless flow of trade details between FXall and clients’ in-house systems. We did that by investing in proprietary connectivity tools and building an integration team globally. No other*

institution has matched the level of integration with the various systems that we have.”

FXall’s post-trade workflow tools include cross-currency netting, the ability to do multiple allocations, support for internal dealing, the ability to do a trade then roll that trade forward later. On the post-trade side, it offers services such as automated confirmations, settlement instructions, payment netting and messaging to third parties such as custodians and prime brokers.

Says Mr Warms: *“Crucially, we offer the customers the ability to access prices from multiple banks. Most large institutions have multiple relationships and, where they do have multiple relationships, they prefer to use a multi-bank system.”* Warms also believes that multi-bank portals will continue to have a crucial role to play for the larger players. He says: *“If you are a small player and you do most of your business with a single bank there is an advantage to using a single bank platform but for large institutions that is simply not the case.”*

But so long as FX trading remains primarily a bi-product of trading another asset class, banks, such as Barclays Capital believe that they can increase their ‘stickiness’ and claw back market share by adding value in other areas to keep trading with a single dealer platform attractive.



Mark Warms

“Most large institutions have multiple relationships and, where they do have multiple relationships, they prefer to use a multi-bank system”

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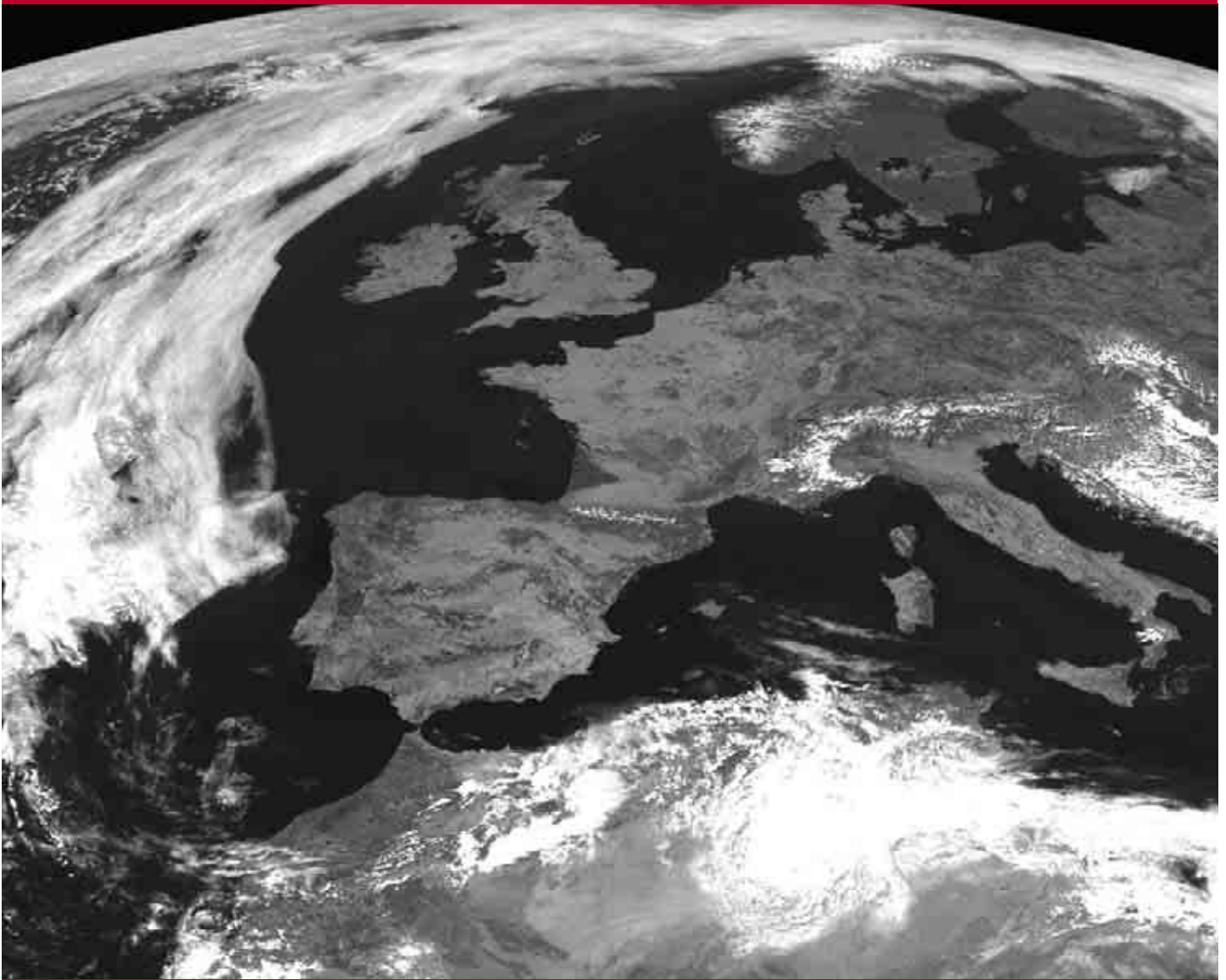
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