

HSBC FX Time-Weighted Average Price (TWAP) Algorithm

Innovative Access to HSBC's Unique Network of FX Liquidity



What the Algorithm aims to achieve

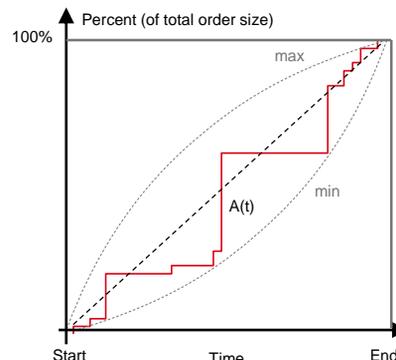
The HSBC FX Time-Weighted Average Price (TWAP) Algorithm aims to achieve an execution price close to the time-weighted average mid price observed in the primary market during the execution period specified by the client. The Algorithm seeks to minimise slippage against this benchmark by either remaining passive or crossing the spread opportunistically in reaction to short-term market asymmetries. Executions are designed to minimise transaction costs and footprint by executing the order across HSBC's unique network of FX Liquidity Pools, whilst efficiently maintaining the TWAP schedule and aiming to achieve full completion at the client-specified End Time.

Specify the following parameters to meet your execution requirements

Trade parameters: ◆ Currency Pair ◆ Execution Currency ◆ Direction ◆ Order Size

Algorithm-specific parameters:

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|---|
| Start/End Time |
| By default, the Algorithm starts immediately and expires at date roll time of the corresponding currency pair (typically 5 pm EST). The client has the option to specify a later Start Time and/or an earlier End Time. In any case, if the order is not completed by the End Time, a partial fill is returned. |
| Limit Price (optional) |
| If specified, the Algorithm will consume liquidity at prices no worse than the Limit Price. This may prevent the TWAP algorithm from achieving full completion. |
| Liquidity Pool |
| Choose which FX Liquidity Pools (Market and/or HSBC liquidity) to interact with, balancing the trade-off between execution cost and information leakage. |
| Execution Style |
| Choose between Passive, Neutral and Aggressive Styles according to your level of market volatility risk aversion. |



Three different Execution Styles for different scenarios

| | |
|------------|---|
| Passive | <ul style="list-style-type: none">◆ Use this Style when comfortable to take on the risk of market volatility, and aiming to minimise execution cost◆ Allows greatest flexibility for the Algorithm to vary order slice size executed per unit of time. The Passive Style aims to minimise price-taker behaviour whilst minimising slippage |
| Neutral | <ul style="list-style-type: none">◆ Use this Style when there is a perceived equilibrium of buying and selling behaviour in the market so as to articulate deviations from the target execution trajectory in a balanced manner |
| Aggressive | <ul style="list-style-type: none">◆ Use this Style when trying to strictly adhere to the TWAP schedule, resulting in relatively equal order portions being executed in relatively equal time intervals◆ Expected to cross the spread most frequently amongst the three Styles |

Amendment: during the execution, you are able to amend the Order Size, End Time, Limit Price, Liquidity Pool or Execution Style should your requirements change.

Execution risk

The execution risk associated with the use of the HSBC FX Time-Weighted Average Price Algorithm resides with the client, not HSBC. If a Limit Price is specified and the market price moves considerably or liquidity is insufficient during the execution of the order, the Algorithm may not achieve full completion. Due to uncertainty of legged executions for illiquid currency pairs, there may be market conditions in which HSBC is not able to guarantee the Limit Price on child fills. Execution will ultimately always be liquidity-dependent, eg if the market becomes distressed, the Algorithm may fail to complete the order before the End Time. HSBC may be active in the market with its own orders at the same time of a client order. Although HSBC and client orders are treated independently, they may interact in the market and compete for the same liquidity.

Please contact us for further information: fxalgo@hsbc.com

HSBC FX TWAP Algorithm on Evolve

EURUSD ↔ i TWAP ▼ ×

Search for a counterparty ↻ ▼

EUR 10,000,000.00

SPOT 11 Jan 19 📅

CLIENT SELL EUR CLIENT BUY EUR

EXECUTION START

Immediate Set Time

Duration:
01:00:00

Expiry Date: (Optional) 📅 Expiry Time: hh:mm:ss Expiry Time Zone: Local (UTC+0) ▼

TCA REPORT

HSBC BestX BestX Waiver

EXECUTION STYLE

Neutral Passive Aggressive

LIQUIDITY POOL i

HSBC Only All Market

RATE

Set Price (Optional)

Review

Disclaimer

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