HSBC FX Volume-Weighted Average Price (VWAP) Algorithm

Innovative Access to HSBC’s Unique Network of FX Liquidity

What the Algorithm aims to achieve
The HSBC FX Volume-Weighted Average Price (VWAP) Algorithm aims to trade along a target execution trajectory derived from the historical average primary market volume profile. The Algorithm is therefore expected to achieve an average fill price close to the primary market volume-weighted average mid price observed during the trading period of the order. The Algorithm breaks up the total Order Size into smaller slices and places them through time across HSBC’s unique network of FX Liquidity Pools, with a view to maximizing fill probability, minimizing transaction costs and reducing market footprint, whilst ensuring the order gets executed at the End Time specified by the client. All volume calculations make use of HSBC’s proprietary FX Market Volume Index.

Specify the following parameters to meet your execution requirements
Trade parameters:
- Currency Pair
- Execution Currency
- Direction
- Order Size

Algorithm-specific parameters:
- Start/End Time
- Limit Price (optional)
- Liquidity Pool
- Execution Style

Three different Execution Styles for different scenarios

Passive
- Use this Style to tolerate larger deviations from the target execution trajectory allowing greatest flexibility for the Algorithm to vary order slice size executed per unit of time and explore market interest from the passive side
- Expected to cross the spread least frequently amongst the three Styles

Neutral
- Use this Style to articulate deviations from the target execution trajectory in a balanced manner

Aggressive
- Use this Style to strictly adhere to the target execution trajectory, thus reducing the associated volatility risk
- 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 Volume-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