

HSBC FX Implementation Shortfall (IS) Algorithm

Innovative Access to HSBC's Unique Network of FX Liquidity



What the Algorithm aims to achieve

The HSBC FX Implementation Shortfall (IS) Algorithm aims to execute an order minimising slippage from the primary market mid price at order Start Time. To achieve this objective, the Algorithm manages the trade-off between market volatility risk and market impact, by optimising the number of child orders to place across HSBC's unique network of FX Liquidity Pools, their size and the time interval between them. The Algorithm also balances the opportunity cost between placing passive orders or crossing the spread by using proprietary fill probability and market impact models, and will aim to achieve full completion by the client-specified End Time.

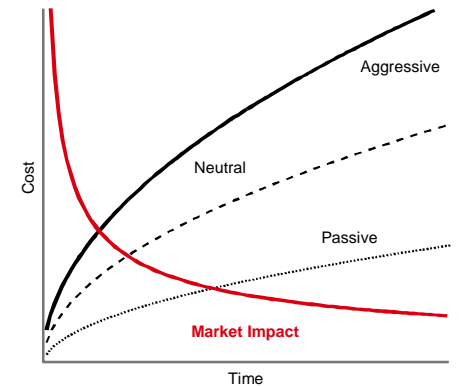
Specify the following parameters to meet your execution requirements

Trade parameters: ♦ Instrument (Spot/Forward) ♦ Currency Pair ♦ Execution Currency ♦ Direction ♦ Order Size ♦ Value Date

Algorithm parameters:

Start/End Time
By default, the Algorithm starts immediately and expires at date roll time of the selected Pair (typically 5 p.m. 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
If specified, the Algorithm will consume liquidity at prices no worse than the Limit Price. This may prevent the IS Algorithm from achieving full completion.
Liquidity Pool
Choose which FX Liquidity Pools (Market and/or HSBC) 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.

Market volatility risk



Three different Execution Styles for different scenarios

Passive	<ul style="list-style-type: none"> ♦ Use this Style when you are comfortable to take on market volatility risk and aiming to minimise execution cost ♦ The Algorithm will try to execute more by passive orders, resulting in a longer execution time
Neutral	<ul style="list-style-type: none"> ♦ Use this Style when there is a perceived equilibrium of buying and selling behaviour in the market ♦ The Algorithm will be moderately risk-averse with perceived risk aversion being balanced by execution cost savings
Aggressive	<ul style="list-style-type: none"> ♦ Use this Style when you are aiming to execute fast ♦ The Algorithm will be highly risk-averse and will most of the time aggressively consume available liquidity whilst minimising market impact

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 this Algorithm resides with the client, not HSBC. When using an IS Algorithm instead of immediate execution via Risk Transfer, the price of the transaction is only known after the execution. The market might move considerably during the execution, which may or may not result in a disadvantageous outcome for the client. If a Limit Price is specified and the market moves considerably, 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, e.g. 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 as client orders. Although 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 IS Algorithm on Evolve

EURUSD IS ×

EUR 10,000,000.00

SPOT 15 Jul 19

CLIENT SELL EUR CLIENT BUY EUR

EXECUTION START

Immediate Set Time

Duration:
01:00:00

Expiry Date: (Optional) hh:mm:ss Expiry Time Zone: Local (UTC+1)

TCA REPORT

HSBC BestX BestX Waiver

EXECUTION STYLE

Neutral Passive Aggressive

LIQUIDITY POOL ⓘ

HSBC Only All Market

RATE

Set Price (Optional)

Review

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