

HSBC FX Liquidity Seeking (LS) Algorithm

Innovative Access to HSBC's Unique Network of FX Liquidity



What the Algorithm aims to achieve

The HSBC FX Liquidity Seeking (LS) Algorithm is similar to a floating Iceberg order which aims to execute passively whilst hiding the true extent of a client's execution interest. This is achieved by splitting the total Order Size into smaller slices scaled to current market liquidity and by passively placing these slices at different prices across HSBC's unique network of FX Liquidity Pools, thereby tracking the market until the whole order is executed. The Algorithm does not target any specific price benchmark nor does it guarantee completion. By tracking the market with these successive limit orders, the Algorithm minimises footprint in the market as well as probability of adverse selection and high-frequency trapping, thus potentially improving transaction costs. Completed or not, the order expires at the specified End Time or at date roll time by default.

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 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 LS Algorithm from achieving full completion.

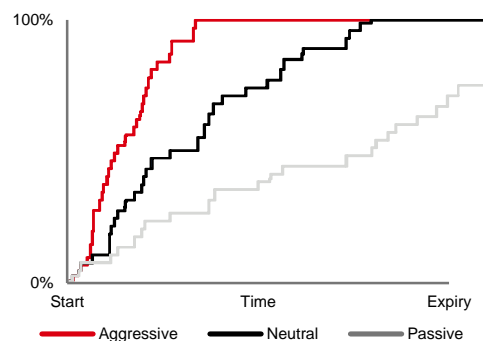
Liquidity Pool

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.

Percent of the total order size



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 place smaller orders deeper into the order book, 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 and place child orders close to the passive top of the order book |
| Aggressive | <ul style="list-style-type: none">♦ Use this Style when you are most averse to volatility risk♦ The Algorithm will place orders inside the spread (capped at mid) more often and will place larger quantities per unit of time, resulting in a shorter execution time |

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 LS 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 LS Algorithm on Evolve

EURUSD | ↔ | ⓘ | LS | ▾ | ✕

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 ⓘ

HSBC Only | All Market

RATE

Set Price (Optional)

Review

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