FX·Week

Pragma to roll out FX algos in Q4

By Miriam Siers
September 6, 2013

Trading technology vendor is preparing to diversify into foreign exchange with an algo execution product that it believes will add value over bank offerings

New York-based trading technology provider Pragma is to launch a suite of algorithmic execution tools for foreign exchange as it seeks to expand its focus from equities and futures into FX. The new product, dubbed, Samba FX, will launch at the end of the fourth quarter.

"We want to fill a void in the FX market product offerings, which are dominated mainly by banks offering FX algos to institutional clients. There is an inherent conflict of interest. Even banks providing an agency offering are doing so in the context of being a principal dealer in FX. We don't do any proprietary trading; we don't do any crosses or sales trading; we are not in the business of making money as principal from FX or any other asset classes. We are purely in the business of creating quantitative research and applying that to high-quality, high-performance algorithms that will yield best execution for our clients," says Danielle Caravetta, director of institutional sales at Pragma in New York.

Established in 2003, Pragma has traditionally provided algos in equities and futures to hedge funds, asset managers, brokers, banks and stock exchanges. Caravetta joined the vendor in June to drive the delivery of the FX product, having previously worked in sales for Credit Suisse's flagship algo product, advanced execution services.

The new suite of FX algorithms will include volume- and time-weighted strategies, aggressive liquidity sourcing strategies, opportunistic strategies and transaction cost analysis (TCA). According to chief executive David Mechner, the new product will benefit from the firm's experience in providing algo technology in other asset classes, even though the FX offering has been created from scratch.

"Our research team has been working on understanding the market structure, using tools we developed over a 10-year history. This involves back-testing, simulation and analytics – the types of models we use in equities and futures to understand adverse selection and how to build limit-order models to apply to FX. It is not a question of importing strategies, but using the capabilities we have developed in other markets," says Mechner.

The launch comes at a time when TCA is of growing importance to the buy side, adds Caravetta. "The real focus now is on how investors are preserving alpha in the FX market and how their FX orders are handled. Clients are really demanding this type of independent solution that not only is going to provide trading decisions that are in line with their interest but also to provide the transparency they are looking for."