

Pragma launches SmartFix algorithm to improve FX trading performance against WM/R 4pm fix

- Sophisticated new algorithm executes based upon pattern identified by Pragma research
- Shift to TWAP trading within widened WM/Reuters window has led to predictable trading patterns

11 April 2016 – London/New York: Pragma Securities, a leading provider of high performance algorithmic trading tools, has launched Pragma SmartFix, a new execution algorithm designed to improve average execution performance against the daily 4pm WM/Reuters foreign exchange benchmark fixing.

The algorithm is based on patterns detailed in a research paper released by Pragma today. Following recommendations from regulators in the wake of the FX rate-rigging scandal, in February 2015 the methodology underpinning the WM/R benchmark was changed, widening the calculation window from one minute for the most liquid currencies to five minutes.

In addition, banks have largely shifted their execution of customer fix orders from the spot desk to their electronic desks, where time-weighted average price (TWAP) execution algorithms are often used.

Pragma's research highlights that together, these changes have created predictable patterns that can be leveraged to improve trading performance using only publicly available data.

David Mechner, CEO at Pragma Securities comments: "For traders that are constrained to match the fixing rate, our algorithm can reduce risk relative to a simple TWAP, and can also improve execution quality for a modest increase in risk. This makes it a good tool for banks servicing customer fix orders whether in a principal or agency manner."

The new algorithm complements Pragma's existing foreign exchange platform offering, Pragma360, which includes a suite of execution algorithms, transaction cost analysis (TCA), risk controls, and a next-generation algorithm monitoring system called Panorama. Pragma360 is provided as a broker-neutral trading solution to banks and asset managers.

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Notes to editors

About Pragma

Pragma is an independent, quantitative trading technology provider specialising in algorithmic and analytical services. Pragma's broker-neutral, multi-asset trading solutions power traditional asset managers, commodity trading advisors, hedge funds, broker-dealers, global banks, and exchanges. Pragma does not trade proprietarily or internalize order flow. For more information, please visit www.pragmatrading.com

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