



Interbank FX Technology:  
A Revolutionary Approach to Forex Execution

-High speed, low latency Interbank FX technology provides less than 1% rejection rates and averages less than 5 millisecond execution times-

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### ***Executive Summary***

The ability to execute trades at a rapid and streamlined pace is crucial to retail forex trading. Yet, many traders struggle with high rejection rates, limited transparency and lags in technology.

One particular competitor's data show that anywhere from 8% to 15% of their retail customer trades are rejected due to insufficient trading account margin and currency rate movements, amongst other reasons.

The Interbank FX Group of companies, including Interbank FX LLC and IBFX Australia Pty Ltd, provide global forex trading services and have developed state-of-the-art *Core* technology, designed to streamline the trading process by finding the best partners to execute orders based on price and available liquidity. As the forex market continues to come of age, Interbank FX's unique and innovative approach embodies the future of the FX industry.

The focus on personal transparency is what sets Interbank FX apart from other forex trading providers. In fact, metrics shown on the performance page of their website allow clients and prospects to review [Interbank FX's performance](#) at any time. Furthermore, they challenge traders to ask the same of other brokers they work with.

"We've invested millions of dollars in our technology infrastructure to deliver *Core* to our traders, allowing their trading experience to be as streamlined as possible," said Todd Crosland, Chairman and President of the Interbank FX group of companies. "To date, we are one of the only brokers who publish our rejection rates and execution data. Why? Because we're confident our technology surpasses our competition."

The following white paper discusses a revolutionary new technology that enables Interbank FX to execute high-lot trades at competitive spreads\*. It will also discuss how the platform works and provide data regarding Interbank FX's execution rates by lot size. Finally, it will discuss the development of *Core* and what it offers traders.

\*Spreads are not fixed and may widen in volatile market conditions

## ***Forex Overview***

Forex trading remains one of the largest financial markets in the world, with a volume of about \$4 trillion per day. However, the retail portion of forex represents a small portion of the total forex market. If you compare that to the billions of dollars in daily volume of the New York Stock Exchange, you can easily see how enormous Foreign Exchange really is.

The retail FX sector has become the fastest growing "investment" sector in the world, although the market has had a checkered past. Much of the category's growth has been experienced in the past decade, and there have been significant regulatory changes by the National Futures Association (NFA) and the Commodity Futures Trading Commission (CFTC) over this time period to help reduce fraud in the category.

Interbank FX chairman and president has been proactive in complying with regulatory policies while providing transparency into what once was – and remains today in many cases – a somewhat "blind" trading experience due to the lack of data available.

## 4 | INTERBANK FX CORE TECHNOLOGY

Metrics displayed on the performance page of the Interbank FX website highlight daily execution rates and average execution speed. Interbank FX challenges other brokers to disclose their execution, rates and pricing.<sup>1,2</sup>

RETAIL SPREADS		
Pair	As low as	Avg.
EUR/USD	1.6	2.12
USD/JPY	2.2	2.74
GBP/USD	2.7	3.55
USD/CHF	2.5	3.32
USD/CAD	2.5	3.22
AUD/USD	2.3	2.90
USD/CAD	4.4	5.60

Sessions: All

Select date range: 04/27/2011 to 05/03/2011

Periodicity: 60 min

Apply

Figure 1



Figure 2

Spreads from the US, EU and Asia among others are displayed with tables illustrating average spreads in addition to the lowest spread per currency. Where Interbank FX is a true innovator is with their transparency of rejection rates.

Prior to the company's move to develop detailed transparency information for customers, rejection rates were merely guesses, speculated on forums and across the Web. This is still the case with most all forex trading providers.

<sup>1</sup> See Figure 1

<sup>2</sup> See Figure 2

With Interbank FX, [weekly rejection rates](#) are displayed and updated frequently so traders can objectively analyze the rejection rates and determine if Interbank FX is the best option for them.

Additionally, execution times are made public so traders can understand how long it could take for their request to be executed.<sup>3</sup>

**Figure 3**

	All Trades	5 - 50 lots
<b>Total Accepted</b>	99.75%	99.71%
<b>Total Rejected</b>	0.25%	0.29%

*Data from January - April 2011*

Interbank FX executives believe this level of transparency is paramount to advance the forex trading industry and continues to push the envelope of disclosure significantly past what is required by regulators.

“There are hardly any execution data provided by other brokers and competitors—whereas Interbank FX is an open book via our performance page,” said Crosland. “We’re opening the hood of our engine so our customers are confident in knowing they're receiving the best technology available on the market.”

## ***Interbank FX Core Explained***

For high-lot traders, execution rates are critical to allow traders to get into and out of their trades quickly and efficiently.

Core is a new trade execution engine developed by Interbank FX and available to retail traders and Interbank FX partners. Core fills trades via multiple liquidity providers such as bank partners, including 9 world money center banks.

So, how is Core able to improve execution rates for high-lot trading? Interbank FX pricing is fed to the Core execution engine directly from multiple banking partners. Once a trader requests a high-lot trade at the current published price, Core communicates with the various banks in milliseconds in an attempt to fill the trade at the published price. Prices, however, are available for a particular level of liquidity, which, in fast moving markets like forex, may expire fractions of a second after they are offered.

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<sup>3</sup> See Figure 2

Trade status	Bank	Time stamp
SENT EUR/USD	CITI	01:03:12.100
NO TRADE	CITI	01:03:12.157
SENT EUR/USD	NMU	01:03:12.167
NO TRADE	NMU	01:03:12.233
SENT EUR/USD	BOA	01:03:12.240
NO TRADE	BOA	01:03:12.407
SENT EUR/USD	JPM	01:03:12.413
ACCEPTED	JPM	01:03:12.483

**Figure 4 - Order Execution Process for a High-Lot Trade**

Banks provide bands of liquidity for a particular price. Interbank FX Core allows Interbank FX and its partners to offer competitive\* spreads facilitated through a handful of smaller liquidity bands.

\*Spreads are not fixed and may widen in volatile market conditions

Ultimately, Core's process finds the best bank to fill traders' orders based on price and available liquidity. This streamlines Interbank FX customers' overall high-lot trading process. When leveraged in conjunction with Interbank FX's detailed transparency information for customers, it facilitates what is believed to be a better trading experience for all.

This way of operating provides a challenge to other forex trading service providers to engage customers with the same level of transparency that Interbank FX does. The conversation is being elevated, beginning with Interbank FX.

### ***Definition of Successful Execution***

Forex trading technologies available off the shelf today typically reject the entire trade at the first bank rejection (assuming the trade is routed to a bank to begin with). However, Interbank FX Core cycles through banks in milliseconds to increase execution rates for high-lot trades.

When comparing three months (November 2009 - January 2010) of forex high-lot, pre-Core execution versus three months of Interbank FX Core execution (January - March 2011) the results for 5-50 lot requests are impressive:<sup>4</sup> A significant improvement in rejection rates is seen, with a noticeable improvement in speed.

Prior to the implementation of the new Core technology, Interbank FX's reject rates were quite good by industry standards. Reject rates overall were 3%.

<sup>4</sup> See Figure 6

Core excels with larger, multiple lot requests. These rates improved from a 13.6% rejection rate to 0.25% – a significant improvement. In addition, Core has improved large, multi-lot trade execution time from .330 seconds on average to .024 seconds on average. (For 5-50 standard lot requests.)

<b>Execution Engine</b>	<b>Overall Reject Rates</b>	<b>5-50 standard lot reject rates</b>
<b>Core</b> (January - April 2011)	0.25%	0.29%
<b>Old system</b> (Nov. 2009 - Jan. 2010)	3%	13.6%

### Figure 5

Execution success data is, with the exception of Interbank FX, rarely found public in the forex industry. In contrast, Interbank FX Core execution engine data is made public on a daily basis. Since the launch of Interbank FX Core in mid-2010, the execution rates have averaged 99.70% overall. These rates are available daily on the [Interbank FX performance page](#).

\*Based on January 2011 through April 2011 data.