reactiveMARKETS

Establishing Transparency Standards

for FX Trading Technology Providers

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The vast majority of FX trading volume is now traded via electronic channels, where buy-side clients and sell-side liquidity providers lean heavily on these technology providers to efficiently execute trillions of dollars a day in the world's most liquid market.

While these buy-side clients and liquidity providers (LPs) are subject to stringent market standards and regulations around execution behaviour and performance, technology providers typically operate with little to no transparency regarding their internal platform performance, despite this being a leading factor influencing execution performance and transaction cost for end clients.

This whitepaper explores the need for industry-wide transparency in technology performance, outlines the key principles of fair and open data sharing, and proposes a framework for establishing meaningful standards, based on the same framework and open data sharing model we deploy at Reactive Markets for our clients *today*.

1. Introduction

Foreign exchange trading has become increasingly reliant on electronic trading platforms. These platforms serve as the conduit for buy-side firms and LPs to interact with the market efficiently.

However, while market participants become increasingly aware of the impact of explicit execution costs such as transaction fees and bid/offer spreads, there is currently no effective way for these firms to quantify the implicit, hidden costs of technology performance across different solutions. This results in an opaque ecosystem where clients have little visibility into the technology they depend on for execution quality, and no way to compare across different solutions to understand who best fits their needs.

At Reactive Markets, we believe that transparency should be a fundamental principle for technology providers. By sharing standardised, verifiable platform metrics clients are able to understand the impact their technology partner is having on their execution performance, enhancing trust and increasing accountability for all market participants.

2. The Case for Transparency in Trading Technology

2.1 The Disparity in Accountability

- The Global Code of FX Conduct establishes best practices for liquidity providers and buy-side firms, ensuring fairness, transparency, and efficient market functioning.
- However, trading technology providers are not held to these same standards.
- This creates an imbalance where clients rely on opaque systems without clear insight into performance metrics such as latency, throughput, and system reliability.

2.2 The Black Box Model

- Many trading technology providers operate as “black boxes”, offering little to no insight into their internal performance.
- Clients must take execution quality on faith, with no independent verification of latency, data processing speeds, or failure recovery mechanisms.
- This lack of transparency can lead to inefficiencies, hidden costs, and, in many cases, degraded execution quality especially during volatile, high data frequency periods.

2.3 The Benefits of Transparency

- **Improved Execution Quality**

  Clients can make informed decisions about the technology they use, ensuring they meet execution requirements.
- **Accountability and Fair Competition**

  Transparent reporting levels the playing field, enabling fair competition among technology providers.
- **Enhanced Trust and Confidence**

  Market participants gain confidence in the integrity and reliability of electronic trading infrastructure.

3. Proposed Transparency Standards for FX Technology Providers

To address these challenges, we propose the adoption of a standardised framework for transparency in FX trading technology. This framework includes:

3.1 Performance Metrics

Based on our own internal performance benchmarks and data sharing standards, we suggest the following metrics should be transparent to all users of a given technology provider:

Market Data Latency: the total time taken from when a liquidity provider's quote enters the network to when it is delivered to a taker client, capturing the full end-to-end internal processing, measured in microseconds.

This includes all stages of internal market data handling such as:

- Network ingress (receipt of the quote from the LP at the network edge)
- Internal processing (including any normalisation, validation, enrichment, filtering, and routing through any pricing or aggregation logic),
- Network egress (sending the quote out of the network to the subscribed client).

Order Processing Latency: the total time elapsed from the point at which a taker client submits an order and it enters the platform's infrastructure, to the point at which that order is transmitted out to the targeted liquidity provider, measured in microseconds.

This measurement captures all internal processing, including:

- Network ingress (receipt of the client's order)
- Order validation, enrichment, and routing within our systems
- Network egress (transmission of the order to the selected LP)

Market Data Throughput: refers to the volume of quote updates processed by the Reactive Markets platform over time, representing the system's capacity to handle and distribute high-frequency market data.

It is measured in updates per second and includes:

- All quote updates received from liquidity providers across all FIX sessions and data centres, in all currency pairs and products.

3.2 Standardized Reporting Formats

- Performance metrics should be reported in a standardised format to enable easy comparison between providers.
- Standardized APIs should be developed to allow clients to directly access performance data for independent validation.

3.3 Independent Verification and Certification

- A third-party verification process should be established to ensure that technology providers accurately report their performance metrics.
- Reactive Markets deploys Corvil Analytics for this purpose, a 3rd party latency monitoring and reporting solution.

4. Conclusion

Transparency in FX trading technology is long overdue. While liquidity providers and buy-side firms operate under well-defined standards, the technology that underpins their trading activities remains largely opaque. By implementing standardized performance reporting and fostering industry-wide accountability, we can create a more efficient, fair, and trustworthy electronic trading environment.

At Reactive Markets, we are committed to leading this charge. By setting an example in transparency and advocating for industry-wide adoption, we believe that FX market participants will benefit from greater efficiency, improved execution quality, and stronger trust in the technology that powers their trading.

We invite all stakeholders to join us in this initiative to bring transparency to FX trading technology and establish a new benchmark for performance accountability.