



# Commerzbank eFX

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July 2016, Frankfurt

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# FX: The largest market - and expanding rapidly (1)

## Global turnover

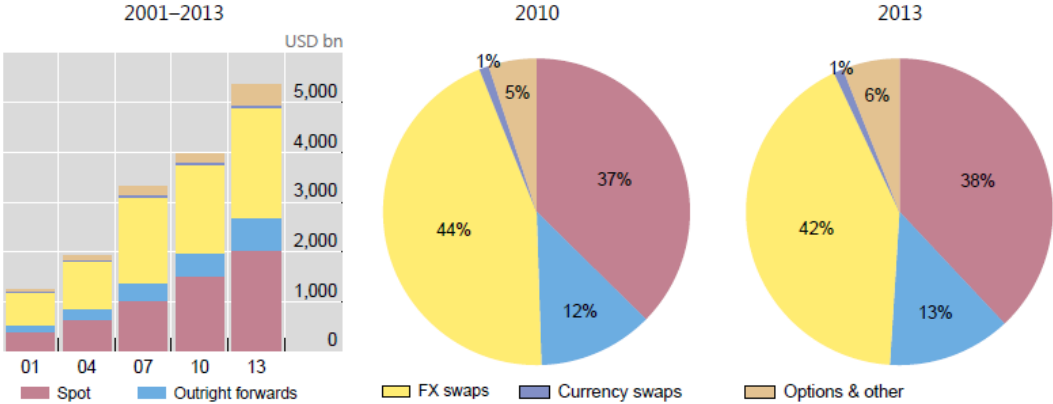
### Turnover is rising quickly – but a large part are FX swaps, which do not provide directional liquidity

Daily turnover by instruments, \$ billions

Foreign exchange market turnover by instrument<sup>1</sup>

Net-net basis, daily averages in April

Graph 3



<sup>1</sup> Adjusted for local and cross-border inter-dealer double-counting, ie "net-net" basis.  
 Source: BIS Triennial Central Bank Survey. For additional data by instrument, see Table 1 on page 9.

Source: BIS

### Turnover development

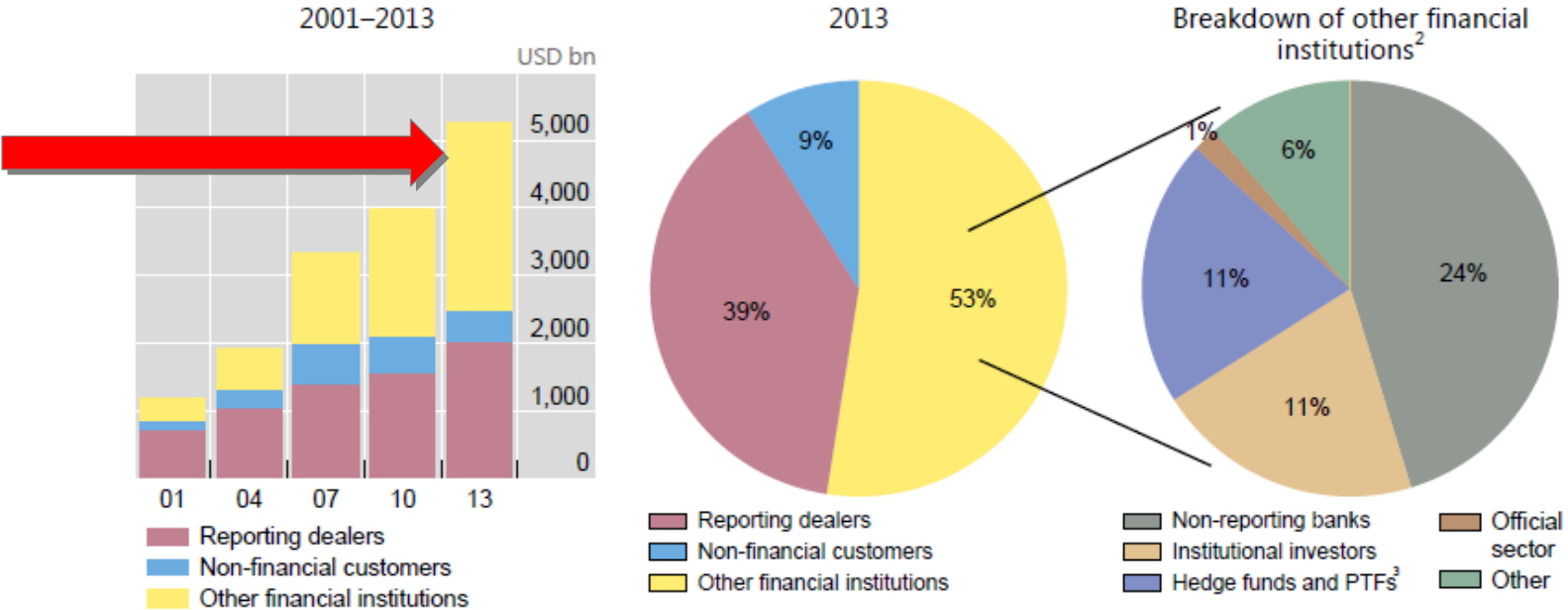
- › Daily market turnover was \$5.0 tln in 2013 (latest date of BIS Triennial Survey), up from \$0.8 tln in 1992.
- Comparison: We estimate the daily turnover of all S&P500 stocks at around \$ 0.1 tln.
- › Steadily rising market depth (apart from EUR-introduction effect).
- › Turnover of FX swaps more than quintupled.
- › Most part of it is likely due to increased hedging needs.
- › Globalization creates FX exposure for corporates. Most of it has to be hedged away.
- › Decreasing home bias of portfolio investors..

# FX: The largest market - and expanding rapidly (2)

Foreign exchange market turnover by counterparty<sup>1</sup>

Net-net basis, daily averages in April

Graph 2



<sup>1</sup> Adjusted for local and cross-border inter-dealer double-counting, ie "net-net" basis. <sup>2</sup> For definitions of counterparties, see page 19. <sup>3</sup> Proprietary trading firms.

Source: BIS Triennial Central Bank Survey. For additional data by counterparty, see Tables 4 and 5 on pages 12-13.

**Reporting Dealers: FI's; Non-financials: Corporates, Government Agencies etc.; Other financials: Institutionals, Hedge Funds**

# Full product suite available

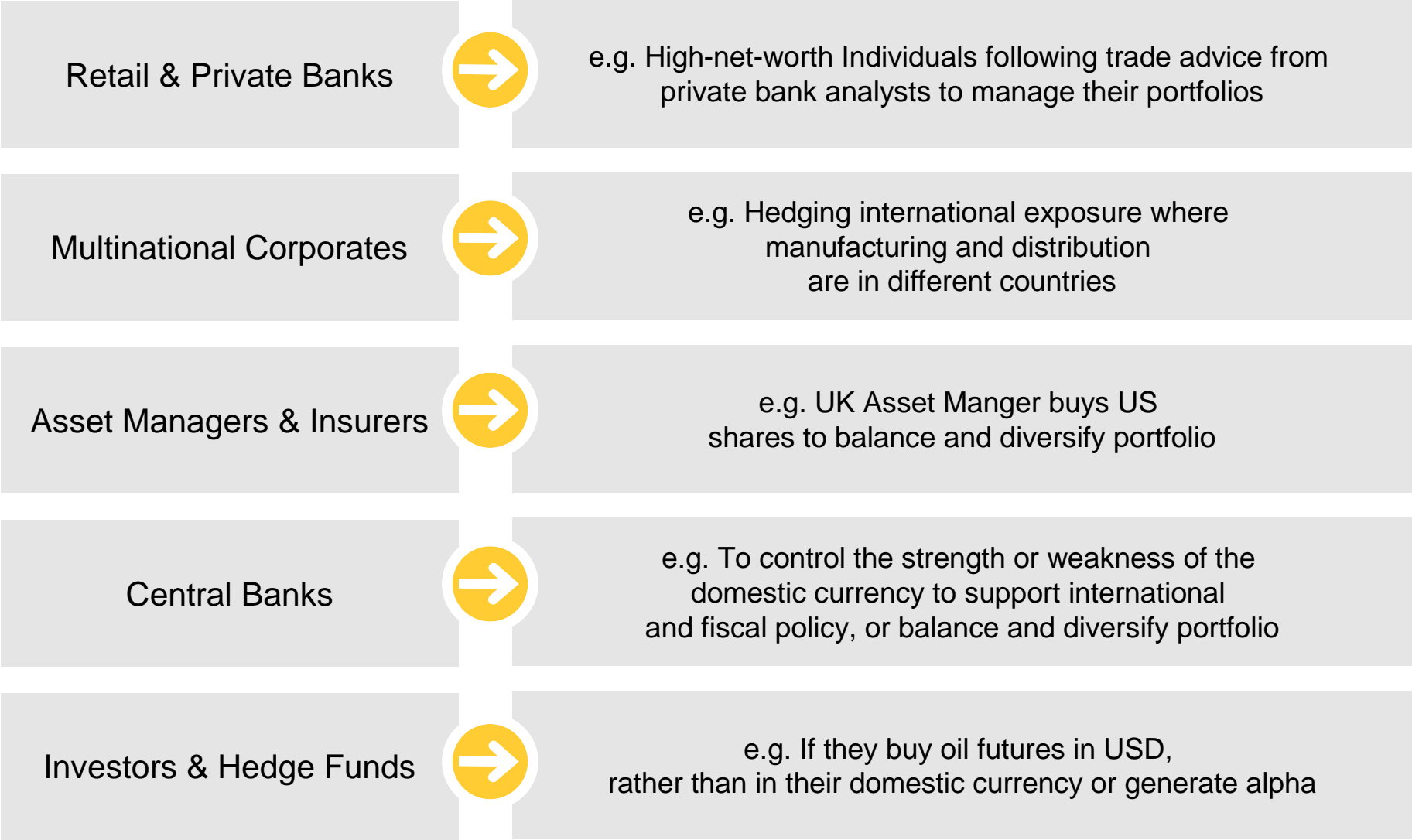


... however you need it... at any level of complexity

Voice	Electronic	Structuring
<ul style="list-style-type: none"> <li>› Everything used to be done this way – and some still is.</li> <li>› Utilises local market knowledge for the client</li> <li>› Delivers sophisticated products, requiring negotiation</li> <li>› Offers personal guidance though complex transactions</li> </ul>	<ul style="list-style-type: none"> <li>› New paradigm for trading                             <ul style="list-style-type: none"> <li>• Commerzbank is at the forefront of this paradigm</li> <li>• award-winning platform: Commander</li> </ul> </li> <li>› Transparent pricing                             <ul style="list-style-type: none"> <li>• greater client satisfaction</li> </ul> </li> <li>› Immediate execution</li> <li>› Decision support and execution in one venue</li> <li>› Entire life cycle of a trade electronically managed</li> <li>› Straight-through-processing (STP)</li> <li>› Avoids manual intervention</li> </ul>	<ul style="list-style-type: none"> <li>› Focused on delivering bespoke products to clients, from vanilla to more exotic</li> <li>› In one team, clients have all the expertise and creativity they require to                             <ul style="list-style-type: none"> <li>• manage their FX risks</li> <li>• harness market opportunities</li> <li>• ensure their specific risk-return goals</li> </ul> </li> </ul>
<b>FX</b>		<b>FX Structuring</b>



# FX is used differently by different users



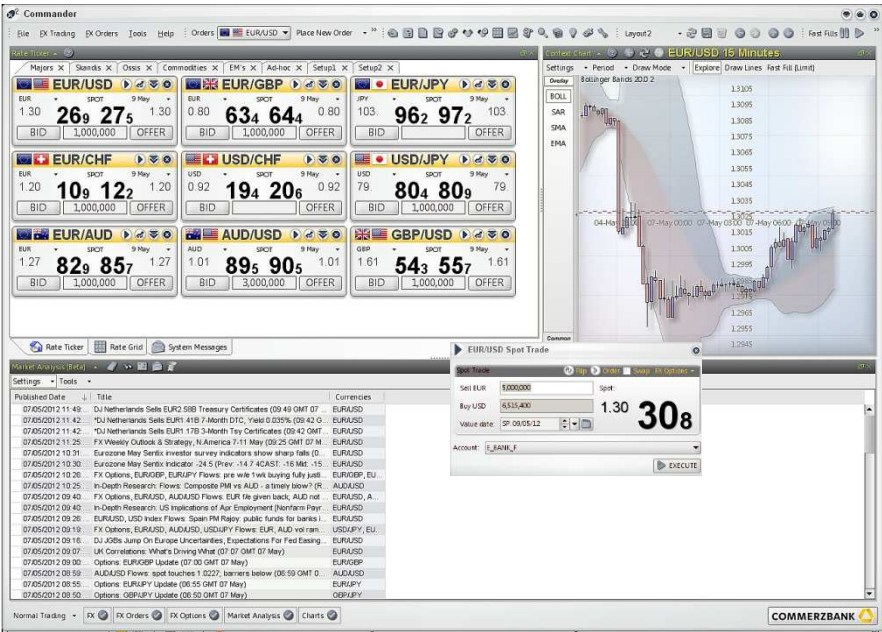
# Different ways to trade with our client base

## How do clients transact business?

- ➔ On the phone
- ➔ Single Dealer Platform
- ➔ Multi Dealer Platform
- ➔ Chat/Messaging Services

## What is the (main) purpose of their activities?

- ➔ Search for Liquidity
- ➔ Passive Hedging
- ➔ Active Hedging
- ➔ Alpha Generation





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## Pre eTrading



## First eTrading Steps

```
FROM * 1215GMT 081200 */4359
Our terminal : COBA Our user : ██████████
EUR 1
# WELCOME TO INTERBANK FLOW DESK ██████████>
# 80+83

# #INTERRUPT#
# 81+84
84
# TO CONFIRM 1 MID AGREED AT .8884 I SELL EUR
# VAL 12DEC2000
# MY USD TO COMMERZBANK, NEW YORK
# THANKS AND BYE
TO CONFIRM AT .8884 I BUY 1 MID EUR
VAL 12DEC2000
MY EUR TO BCI MILANO
THANKS AND BYE

# #INTERRUPT#

#END REMOTE#
^ ##ENDED AT 12:15 GMT##

( 315 CHARS)
```

## What is electronic Trading all about?

- Reduce human errors
- More transactions possible: Around 100,000 trades per day
- Main factor is Speed
  - Blink of an eye, as fast as you can: 100 milliseconds
  - Send order from Chicago to NY and back: 12 milliseconds

BloombergBusiness  News Markets Insights Video

### Cable Across Atlantic Aims to Save Traders Milliseconds

Project Express will be the fastest cable across the Atlantic, reducing the time it takes data to travel round-trip between New York and London to **59.6 milliseconds** from the current top speed of **64.8 milliseconds** in summer 2015.

## The latest craziness

### Financial traders clash over plans to build masts higher than Shard



The competition between two “flash boy” financial trading firms over plans to build communications masts higher than the Shard, in rural Kent, has intensified.

New Line Networks (NLN) and Vigilant Global – high-frequency trading firms that use super-fast infrastructure to make trades in the blink of an eye – want to build masts within a few miles of each other in Richborough.

The masts would allow them to beam microwave signals across the Channel, transmitting signals to and from European markets a fraction of a second quicker than rivals.

# E-Commerce at Commerzbank

## Our model

- eFX is a flow based business
- Leading FX market maker
  - Spot, Forwards and Swaps, and Forward -Forwards
- Liquidity provider to the market
  - ECNs, API's and our GUI, on a follow the sun basis (24/5)
- Around 100,000 trades per day

### Definitions

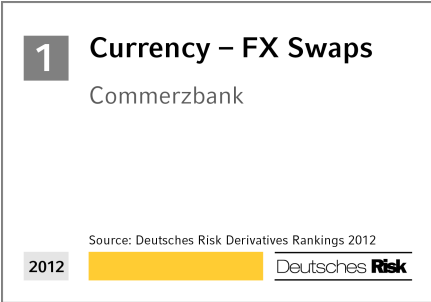
API: Application Programming Interface

ECN: Electronic Communication Network

# E-Commerce at Commerzbank

## Our model

- ➔ Automatic pricing and risk management via our proprietary risk management system (QTS)
- ➔ Internalization of in-house-flow adds to risk reduction and cost effectiveness
- ➔ STP (=Straight Through Processing)



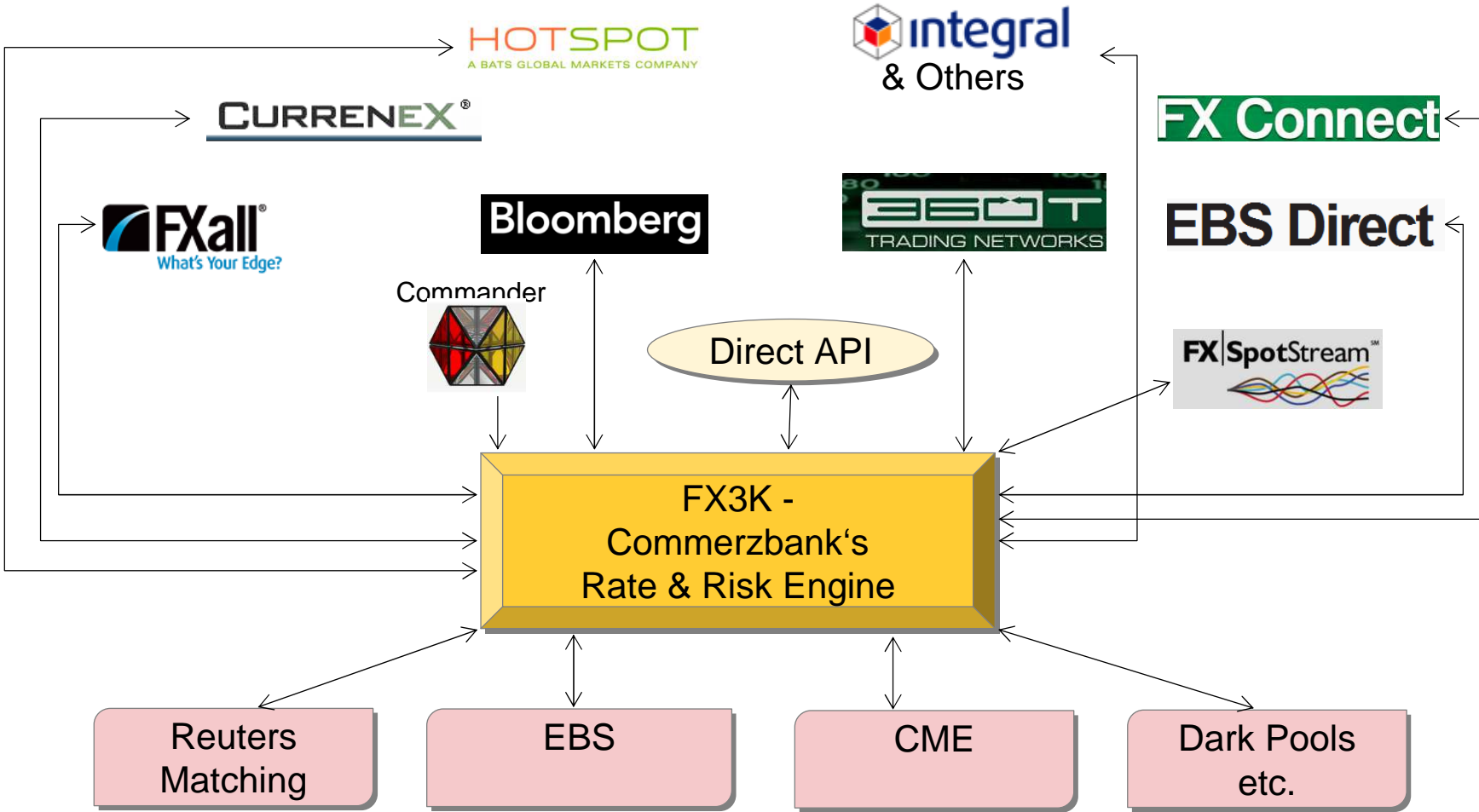
# E-Commerce at Commerzbank

## Our model

- Notional amount of more than 10 Billion Euros per day
- Automatic risk management via our proprietary risk management system (QTS)
  - Skewing our prices to other clients
  - Trading directly in the Interbank markets (e.g. EBS, Reuters)
- Highly coupled to IT. Our business is all about
  - Automated pricing
  - Automated risk management
  - STP (Straight Through Processing)



# Commerzbank's eFX World



# eFX Multi-Dealer Platform Distribution Capacity



	Commander	Bloomberg	360T	FXALL	Currenex	Integral	Hotspot	FX Connect
Liquidity availability by platform	Spot	●	●	●	●	●	●	●
	Swap	●	●	●	●	●	●	●
	Outright	●	●	●	●	●	●	●
	Precious Metals	●		●				
	NDF	●	●	●	●			
	Orders	●		●	●			
	Options	●	●	●	●			
	Complex Option	●						



Commerzbank offering depending on platform

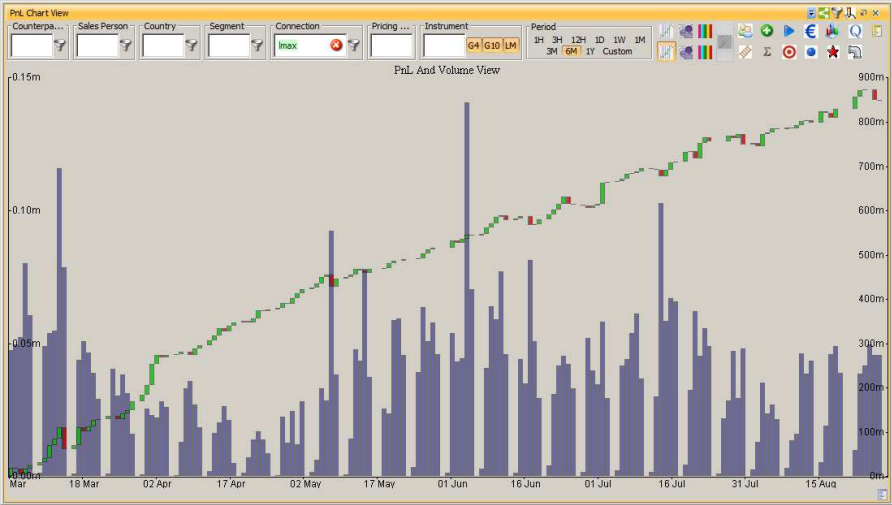
# eFX and its pitfalls

Thu Apr 16 08:33:49 CEST 2015	GBP/CHF	GBP	5,000,000,000.00 BKN / SP	BLP.RFQ.1013533...	RFQ	Cancelled	1.43143	1.43103	17/04/2015	20/04/2015	BLOOM	SWP
Thu Apr 16 08:33:25 CEST 2015	GBP/USD	GBP	50,000,000.00 SP / BKN	231307394-Comm...	RFQ	Cancelled	1.4821	1.48196	20/04/2015	20/07/2015	360TR	SWP
Thu Apr 16 08:33:11 CEST 2015	EUR/CHF	EUR	30,000,000.00 BKN / SP	231307369-Comm...	RFQ	Cancelled	1.02984	1.02955	17/04/2015	20/04/2015	360TR	SWP
Thu Apr 16 08:33:05 CEST 2015	EUR/CHF	EUR	50,000,000.00 TOD / TOM	68646041	RFQ	Cancelled	1.0299	1.02954	16/04/2015	17/04/2015	EP_F_FXALL	SWP
Thu Apr 16 08:31:53 CEST 2015	EUR/JPY	JPY	-5,000,000,000.00 BKN / SP	BLP.RFQ.1013530...	RFQ	Cancelled	127.315	127.296	17/04/2015	20/04/2015	BLOOM	SWP
Thu Jun 18 15:14:33 CEST 2015	EUR/JPY	EUR	5,400,000,000.00 SP / BKN	BLP.RFQ.1075145...	RFQ		139.913	139.898	22/06/2015	09/05/2016	BLOOM	SWP

# Hubble – a tool that lets us monitor every aspect of our eFX business

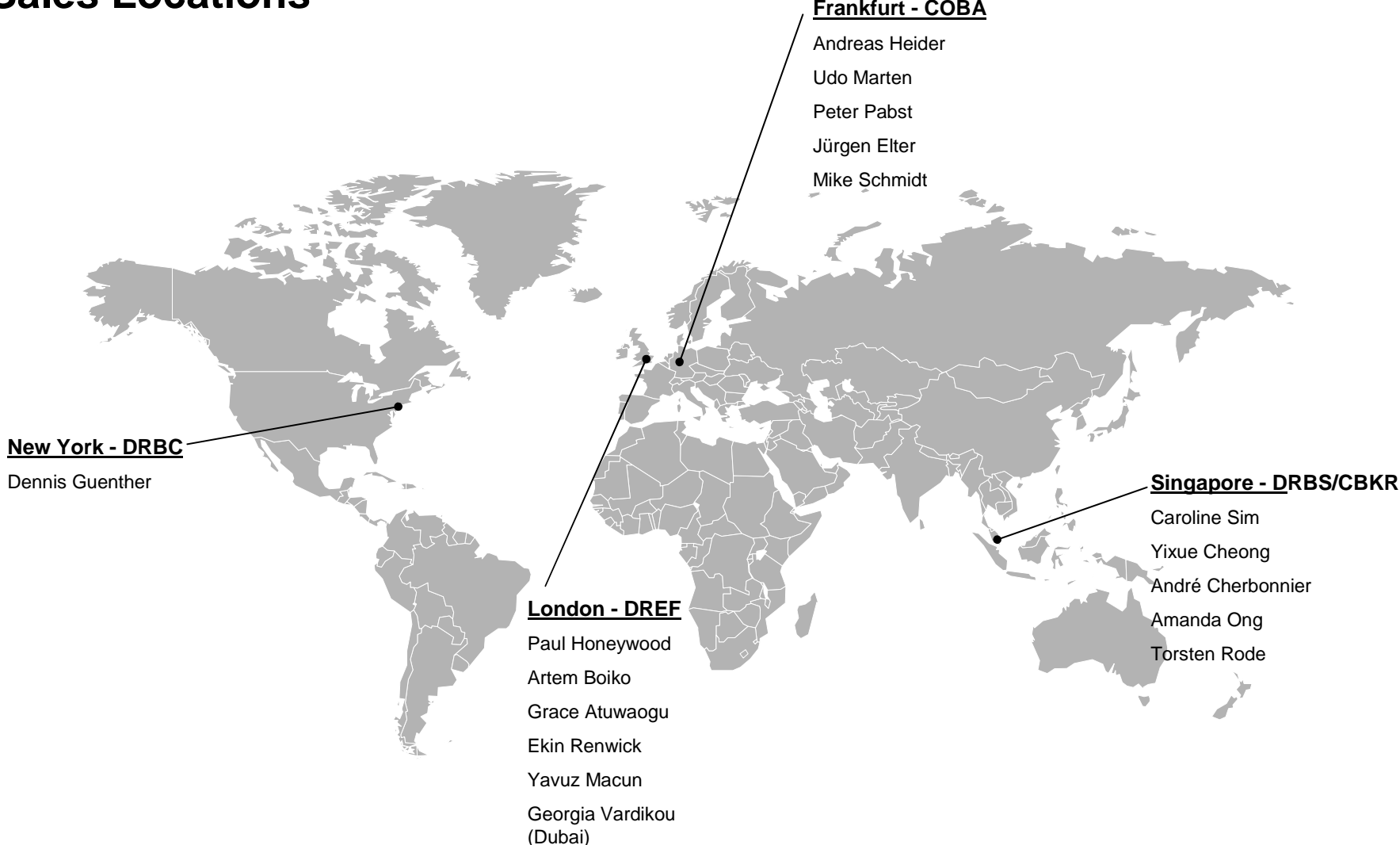
From one screen, with a few clicks: drill down to any client or client grouping with real-time and historical views of

1. volumes and PnL, in a variety of views allowing full analysis and drill down
2. Deals, requested and traded
3. Spreads and levels of products being priced, from simple spot to swaps and outrights

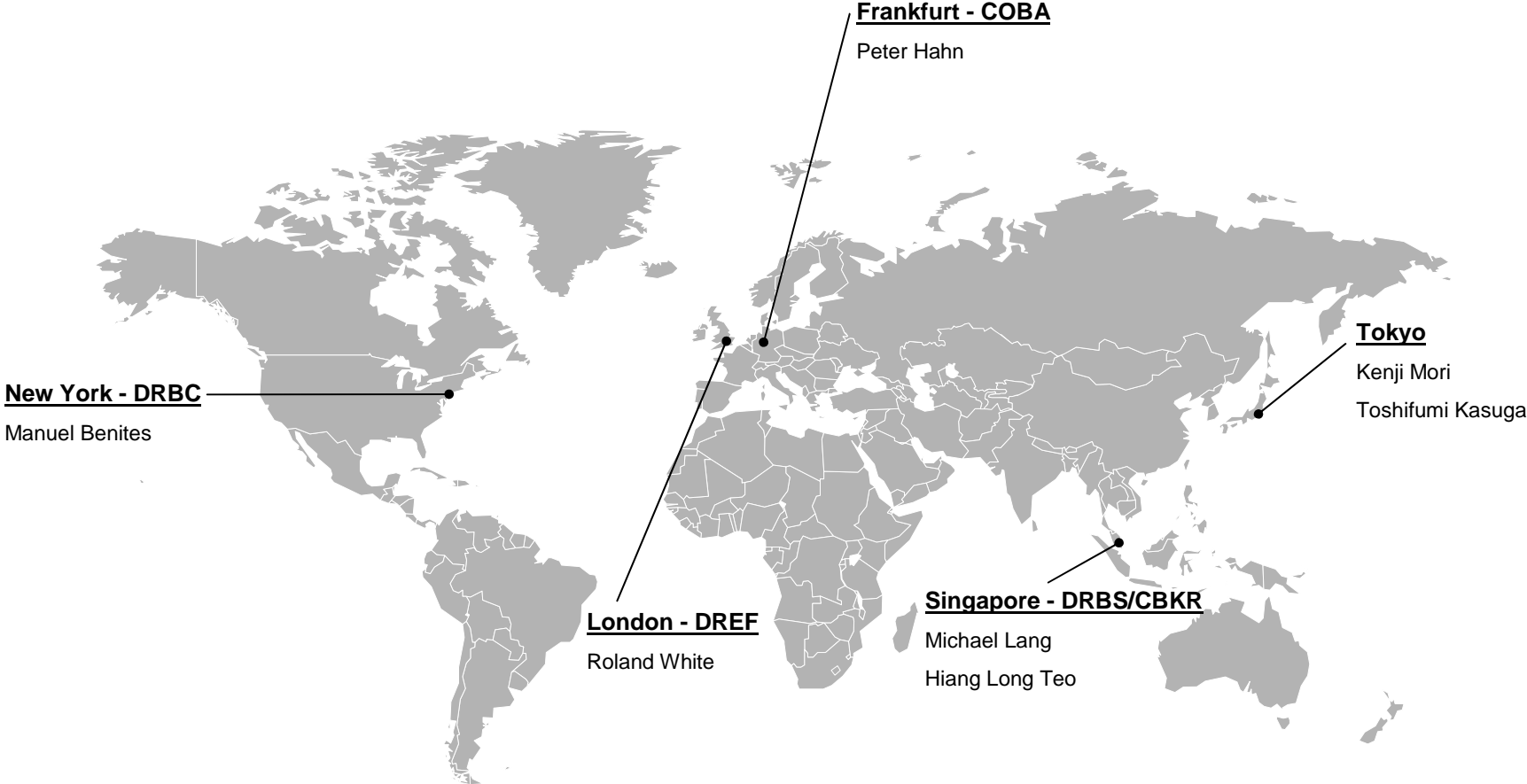


Hubble is the view used by Sales, Trading and eSupport to give the view into our global eFX business

# FX Sales Locations



# eFX Sales Locations





# Commander

Experience electronic trading that you control

## Experience electronic trading:

In command, in control, with confidence

### Innovation

- › Pioneer of electronic FX trading → one of the first banks to offer a proprietary GUI and access via our own API  
→ committed to defining the future of eTrading

### Experience

- › Backed by over a decade of eTrading  
→ Systems, experience and ongoing investment to keep you trading, whatever the market environment

### Support

- › We support every stage of your Fixed Income, Currency and Commodity activity, wherever you are  
→ on-the-ground presence and pricing engines located in London, Tokyo and New York

### Partnership

- › Scale of trading operations you need + level of responsiveness you demand  
→ Online, by phone, in person

### Client-driven

- › Every aspect of our development is driven by client needs  
→ eTrading that you command – products & functionalities



# Introducing Commander



## Consolidate

- Utilise live single-click trading for FX spot, outright, forwards, swaps, NDFs and commodities
- all of the order modes you want, including FastFill

## Customise

- Configure your interface and trading modes to view and trade what you need to
- one of the most user-definable GUIs available

## Optimise

- Harness insight, realtime charting tools with 24-hour support to help you trade intelligently with confidence

## Collaborate

- Experience a total trading partnership with our structuring, quantitative and trading specialists
- available around the clock, online and by phone

## Entrust

- Rely on Commerzbank's leadership, systems and commitment to deliver continuous FX and commodities pricing and true liquidity in all market conditions

# Designed to put you ahead

## Features for smarter, simpler trading

- › Clean, user-definable layout  
→ enables to trade efficiently, flexibly and knowledgeably, with real-time insight throughout the day



Row Name	Pair	Ccy 1 Amount	Ccy 2 Amount	Spot Rate	Deal Rate	Created	Realised	Unrealised	Deal Ccy	P&L
All							EUR -5,291.56	EUR -1,225,074.37		EUR -1,230,365.92
EUR/JPY	EUR/JPY	EUR -5,000,000.00	JPY 499,338,000.00	100.00100			EUR -6,339.94	EUR -360.00	EUR	EUR -6,699.93
Closed Position	EUR/JPY	0	JPY -634,000.00	100.00100			EUR -6,339.94	0	EUR	EUR -6,339.94
39709070	EUR/JPY	EUR -1,000,000.00	JPY 99,950,000.00	100.00100	99.95000	Wed 12:27:15		EUR -509.99	EUR	EUR -509.99
39709071	EUR/JPY	EUR -1,000,000.00	JPY 100,080,000.00	100.00100	100.08000	Wed 12:30:50		EUR 789.99	EUR	EUR 789.99
39709069	EUR/JPY	EUR -1,000,000.00	JPY 99,950,000.00	100.00100	99.95000	Wed 12:27:15		EUR -509.99	EUR	EUR -509.99
39709074	EUR/JPY	EUR -1,000,000.00	JPY 100,240,000.00	100.00100	100.24000	Wed 12:36:02		EUR 2,389.98	EUR	EUR 2,389.98
39708946	EUR/JPY	EUR -1,000,000.00	JPY 99,750,000.00	100.00100	99.75000	Tue 19:29:34		EUR -2,509.97	EUR	EUR -2,509.97
EUR/USD	EUR/USD	EUR 89,000,000.00	USD -116,496,670.00	1.31334			EUR -1,225,360.82	EUR	EUR -1,225,360.82	
39709066	EUR/USD	EUR 1,000,000.00	USD -1,313,100.00	1.31334	1.31310	Wed 11:58:48		EUR 187.74	EUR	EUR 182.74
39719753	EUR/USD	EUR -5,000,000.00	USD 6,557,500.00	1.31334	1.31150	14:07:47		EUR -7,005.06	EUR	EUR -7,005.06
39709065	EUR/USD	EUR 2,000,000.00	USD -2,626,200.00	1.31334	1.31310	Wed 11:58:48		EUR 365.48	EUR	EUR 1365.48
39700204	EUR/USD	EUR 26,000,000.00	USD -34,313,240.00	1.31334	1.31974	Tue 09:58:32		EUR -126,700.29	EUR	EUR -126,700.29
39708937	EUR/USD	EUR 26,000,000.00	USD -34,249,800.00	1.31334	1.31730	Tue 13:57:44		EUR -78,395.80	EUR	EUR -78,395.80
39708945	EUR/USD	EUR -5,000,000.00	USD 6,137,540.00	1.31334	1.22742	Tue 18:04:32		EUR -328,763.39	EUR	EUR -328,763.39
39708945	EUR/USD	EUR -5,000,000.00	USD 6,137,100.00	1.31334	1.22742	Tue 18:06:54		EUR -327,106.03	EUR	EUR -327,106.03
39697133	EUR/USD	EUR 26,000,000.00	USD -34,082,100.00	1.31334	1.31085	Mon 15:26:55		EUR 49,294.33	EUR	EUR 49,294.33

## Stay on top of your positions

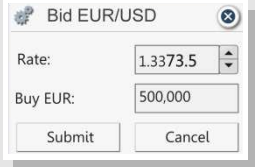
- › State-of-the-art Position Blotter  
→ allows you to keep track of both team and individual trade positions  
→ customise position views however you prefer
- › Group and filter positions by a range of criteria to see what is happening across all your FX and commodities trading activities
- › View spot profit and loss – both realised and unrealised – in real time

## Manage all your trades in one place

- › Trade spot, outright, forwards, swaps, streaming NDFs and spot gold
- › Order types: Take-Profit, Stop-Loss, One-Cancels-the-Other (OCO), Call, Forward and 'on filled' orders, combinations + good from/till date
- › FastFill functionality  
→ place orders which are not visible to the market  
→ very close to or inside the best possible market spread
- › Fills are fully automated allowing partial fills for higher amounts once the liquidity becomes available  
→ minimises market footprint whilst reducing execution and slippage costs



EUR/USD		
SPOT 29 Feb		
EUR	1.33	733 739 1.33
BID	1,000,000	OFFER
733	2,000,000	739
733	3,000,000	739
733	5,000,000	739
732	10,000,000	740

Bid EUR/USD

Rate: 1.3373.5

Buy EUR: 500,000

Submit Cancel

# EM Currency Capabilities on Commander

Experience a growing number of Emerging Market currencies

Trade in the following currencies - with more to be added at client request				
<b>Asia</b>	Onshore Renminbi - CNY*	Hong Kong Dollar - HKD	Korean Won - KRW*	Singapore Dollar - SGD
	Offshore Renminbi - CNH	Indian Rupee - INR*	Malaysian Ringgit - MYR*	Taiwan Dollar - TWD*
<b>Central &amp; Eastern Europe and CIS</b>	Czech Koruna - CZK	Hungarian Forint - HUF	Polish Zloty - PLN	Russian Rouble - RUB
	Croatian Kuna - HRK	Turkish Lira - TRY		
<b>Middle East</b>	Israeli New Shekel - ILS	Saudi Rial - SAR	UAE Dirham - AED	
<b>LatAm</b>	Mexican Peso - MXN			
<b>Africa</b>	South African Rand - ZAR			

\*NDF

# Designed to put you ahead

## Features for smarter, simpler trading



### Trade with deeper insight

- › Commander provides comprehensive historical and real-time FX and commodities charting  
→ fully integrated into the workflow
- › FastFill orders can be visualised on charts  
→ can be placed and amended within a chart with the drag of a mouse, even within the spread
- › Variety of popular technical analysis indicators and overlays are supported  
→ Charts can cover timeframes from 15 seconds to four weeks, over more than four years  
→ unique 'Instant Zoom' allows drilling down for greater detail, without changing the chart timeframe
- › Research articles and market analysis are also fully integrated into the charts  
→ Analyse the effect of a day's events on a market and jump quickly to research relevant to your selected currency pair

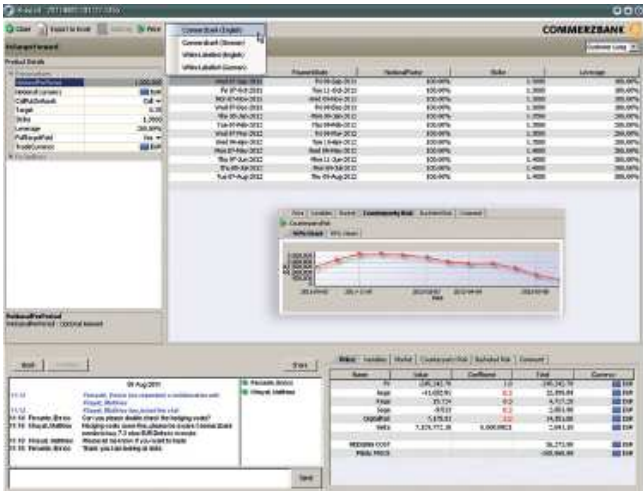
### Kristall – structure FX solutions with experts

- › FX structured products are one of the fastest growing sectors of the OTC market  
→ with Kristall financial institutions can now offer leading-edge FX structuring across their customer base
- › Kristall is the first white-label FX structuring service of its kind  
→ Kristall offers end-to-end product structuring from simple swaps to bespoke pay-off structures
- › Teams can work with Commerzbank structurers online with total transparency  
→ parameters determining pricing are always available on-screen
- › The result is a completely new, wholly collaborative way to structure FX solutions



# Kristall – Commerzbank’s Option Platform

- ➔ **Commander Kristall** allows users to collaborate on-line in real-time with their Commerzbank partners
- ➔ **Commander Kristall** delivers click and trade for FX Options, Exotics and a range of Yield Enhancement products, and a **unique collaborative price discovery** and execution model for the full FX product catalogue, including Target Forwards, Accruals and FX Linked Swaps
- ➔ **Kristall Partner White Label** gives partners full access to Commerzbank's FX Structured Product catalogue, and market and credit risk calculation, term-sheets and STP into a secure off-site system



- ➔ **eOptions** allows multi-legged vanilla and first generation exotic structures, with streaming prices, intuitive short codes, what if scenarios and smart quotation
- ➔ **eSP (eStructured Products)** gives clients full access on-line to our FX product catalogue, for example target forwards, accruals and FX linked swaps
- ➔ **eInvest** turns FX products into yield enhancing opportunities with a simple click and trade interface to choose preferred term, strike and yield

# Commander / Kristall – Commerzbank’s Single Dealer Platform

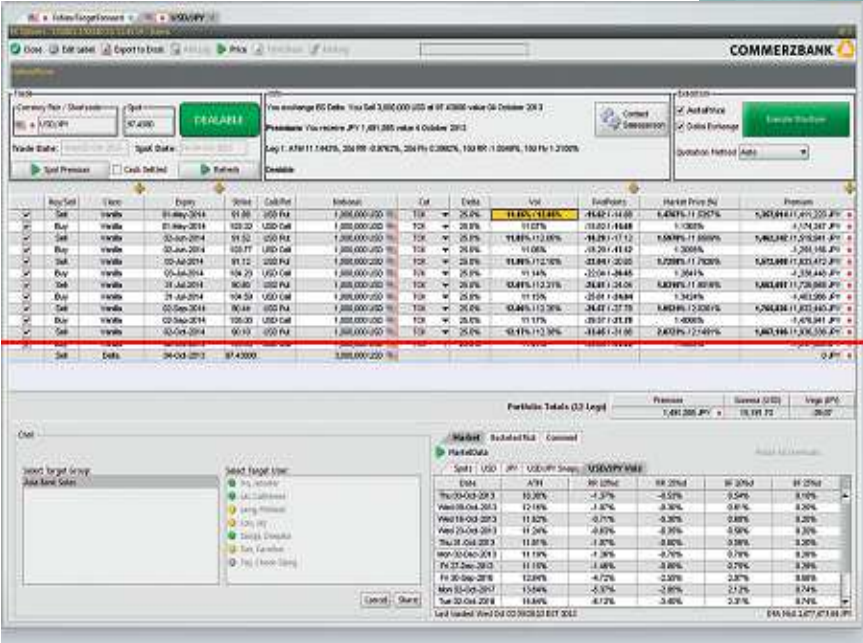


Foreign exchange house of the year:  
Commerzbank

“With Kristall, we can price the products ourselves, just playing around in our office”  
(VP at Taiwanese bank)



“Precise prices on a real-time basis”  
(Portfolio Manager)



Buy/Sell	Item	Open	Close	Volume	Market Price	Spread	Market Price	Premium
Buy	USD/CHF	0.9180	0.9180	1,000,000,000	0.9180	0.0000	0.9180	0.0000
Sell	CHF/USD	1.0900	1.0900	1,000,000,000	1.0900	0.0000	1.0900	0.0000
Buy	USD/JPY	110.00	110.00	1,000,000,000	110.00	0.0000	110.00	0.0000
Sell	JPY/USD	0.0091	0.0091	1,000,000,000	0.0091	0.0000	0.0091	0.0000

Symbol	Market	Buy Price	Sell Price	Spread	Market Price	Premium
USD/CHF	FX	0.9180	0.9180	0.0000	0.9180	0.0000
CHF/USD	FX	1.0900	1.0900	0.0000	1.0900	0.0000
USD/JPY	FX	110.00	110.00	0.0000	110.00	0.0000
JPY/USD	FX	0.0091	0.0091	0.0000	0.0091	0.0000

Most innovative bank e-trading platform:  
Strong initiatives bolster hope for recovery in the industry

- e-FX Awards shortlist announced:
- ▶ Citi Velocity
  - ▶ BNP Paribas
  - ▶ Commerzbank Kristall

## Commerzbank's position in eFX

- We are good!
- We have an eSolution for every client!
- We are one of the few banks worldwide offering Complex Options online!
- We are a TOP 3 Market Maker on EBS Direct, one of leading platforms for MSB-FI clients!
- We are no. 4 on 360T Supersonic, No 2 for MSB-FI banks for spot deals!

# Contacts

**Take command of your trading**  
If you would like to learn more about Commander or wish to install the full application, please contact us:  
**eFXSales**  
Frankfurt: +49 (0)69 136 84444  
London: +44 (0)20 7475 5123  
New York: +1 212 895 1954  
Singapore: +65 (0)63 11 01 80  
Tokyo: +81 (0)3 5400 4917  
[efxsales@commerzbank.com](mailto:efxsales@commerzbank.com)

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Technical Support: +44 (0)20 7475 4500  
[esupport@commerzbank.com](mailto:esupport@commerzbank.com)

**Kristall**  
Alternatively, if you would like to learn more about Kristall, please contact:  
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Kaiserplatz Frankfurt am Main <a href="http://www.commerzbank.com">www.commerzbank.com</a>  Postal address 60261 Frankfurt am Main Germany Tel. +49 69 136 20 <a href="mailto:info@commerzbank.com">info@commerzbank.com</a>	Commerzbank AG Mainzer Landstr. 153 DLZ – Gebäude 2 Händlerhaus 60327 Frankfurt am Main Germany Tel. +49 69 136 21200  Commerzbank AG London Branch 30 Gresham Street London EC2V 7PG United Kingdom Tel. +44 20 7623 8000	Commerzbank AG New York Branch 2 World Financial Center NY 10281–1050 USA Tel. +1 212 7034 000  Commerzbank AG Singapore Branch 8 Shenton Way, 42–01 Singapore 068811 Tel. +65 6311 0000	Commerzbank AG Hong Kong Branch 2 International Financial Centre 8 Finance Street Hong Kong Tel. +852 3988 0988



## **Peter Hahn**

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