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Best venue for options
Digital Vega

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At the forefront of innovation in the FX options space for a number of years, **Digital Vega** continues to push the boundaries in this often overlooked part of the FX market with the launch of a central limit order book in 2023 and a white-label platform in late 2022

The launch of Vega – a unique interdealer central limit order book (Clob) for FX options – and a white-label platform is the culmination of many years of innovation for Digital Vega, in a segment of the FX industry that has often suffered from a lack of attention and investment. For Digital Vega, which from its inception has focused on bringing the FX options space into the digital age, these developments are part of an ambitious agenda to revolutionise the way FX options are traded. To this end, its team of FX options veterans continually seek to test the boundaries of what’s possible within this space.

“We speak the same language as our clients,” points out Mark Suter, founder and executive chairman of Digital Vega. “Our team of experienced FX options specialists understand what is happening in the market and why clients act the way they do. Over the years, we’ve managed to build up very strong levels of trust with banks and clients, both of which feel comfortable coming to us with an idea or a request to sort out a particular industry problem. The Clob and Hydra white label [platform] are a direct result of this dialogue.”

The response to the Clob has been very positive; in the few months since its beta launch, nearly two dozen banks have been actively testing the platform and several dozen others are currently onboarding, many of which are expected to be up and running by the end of 2023.

As the Clob is fully electronic, it provides an unprecedented and transparent level playing field from within the FX options liquidity landscape and, given it operates on a maker-taker model, price-makers will benefit from reduced brokerage fees – up to



Mark Suter, Digital Vega

75% lower than other systems.

“For second- and third-tier banks, this is a no-brainer,” says Suter, “as the Clob will eliminate the need to cross spreads or pay expensive voice brokers to cover client trades.”

The interdealer Clob serves as a perfect complement to the multidealer platform Digital Vega launched several years ago. The Medusa platform allows banks to access increased flow from multiple buy-side clients. With the addition of the Clob, they now have the added benefit of being able to risk-manage their exposure more cheaply and efficiently.

For the buy side, Medusa provides access to aggregated liquidity from one central location, with the ability to automate many trading functions, such as order upload, via a graphical user interface or application programming interface, trade splitting and allocation, and selecting liquidity providers based on recent performance. Meanwhile, Digital Vega continues to innovate and recently announced that CME FX options

block-trade liquidity will soon be available via the Medusa network, further enhancing liquidity options.

Since late 2022, banks have been using Digital Vega’s Hydra white-label platform, which allows them to price and execute client trades across all structures, pairs and time zones, and covers the sometimes complex internal workflows. Through Hydra, banks can customise how they create prices – through streaming or request for quotes – and choose between pricing trades themselves or sourcing specific pricing via Digital Vega’s liquidity pool of banks. The platform is especially popular among private banks, as it alleviates much of their costs and expands the liquidity pool from which they can draw.

While the availability of data has been a feature in the spot market for some time, its appearance in the options space remains a novelty. Vital for producing timestamps, providing audit trails, verifying best execution and back-testing trading strategies, Digital Vega is now working on a proprietary data service based on real-time Clob data.

“We work closely with banks and clients, providing them with granular data,” says Suter. “It’s valuable for banks because they can analyse their response times and price quality, and we are currently close to delivering an updated buy-side/sell-side reporting portal.

“Once the Clob has hit critical mass, we have big plans in the data sphere as we are looking to blend the pricing data from the multidealer platform and the interdealer Clob platform to generate a unique new data source.” **FX**

Digital Vega was named *Best venue for options* at the 2023 *FX Markets* e-FX Awards.