

Squared Financial Services Limited is based in Dublin, and is fully-regulated by the Financial Regulator in Ireland. Its execution platform provides round the clock ECN style (variable spread) competitive access to major banks, including Bank of America, Citi, Deutsche Bank, Goldman Sachs, RBS and UBS. Since these currently constitute many of the major liquidity providers in the FX marketplace, the advantage is clear: Clients are not dependent on any one bank or broker for prices. Prices are fed straight through from these banks with no mark up and a standard, competitive sliding scale volume-based commission fee structure is applied to turnover.

# The e-FOREX Site Inspection



With a minimum client account size of \$50,000 Squared Financial is clearly aiming at the larger sized trader and upwards to institutional and corporate accounts. The system is naturally geared toward savings at higher volume levels where fast execution is also required.

The platform is easy to install and we "road tested" the demo version of SquaredTrader®. Demo accounts are available on a

bespoke basis by request to Squared Financial. Let's take a brief look at the platform's main features followed by an interview with their CEO, Phillippe Ghanem.

### Multiple Liquidity Bands

Squared Trader® has the ability to quote for different trade sizes, both in the normal quote window

for the best bid/ask for a particular size and a different window is available so that the best bid/ask and the best prices for each bank at those sizes show.

### Order Types Supported

Multiple Market, Limit and Stop Loss orders are fully supported with OCO (one cancels the other)



Multiple Liquidity Band Quotation Window



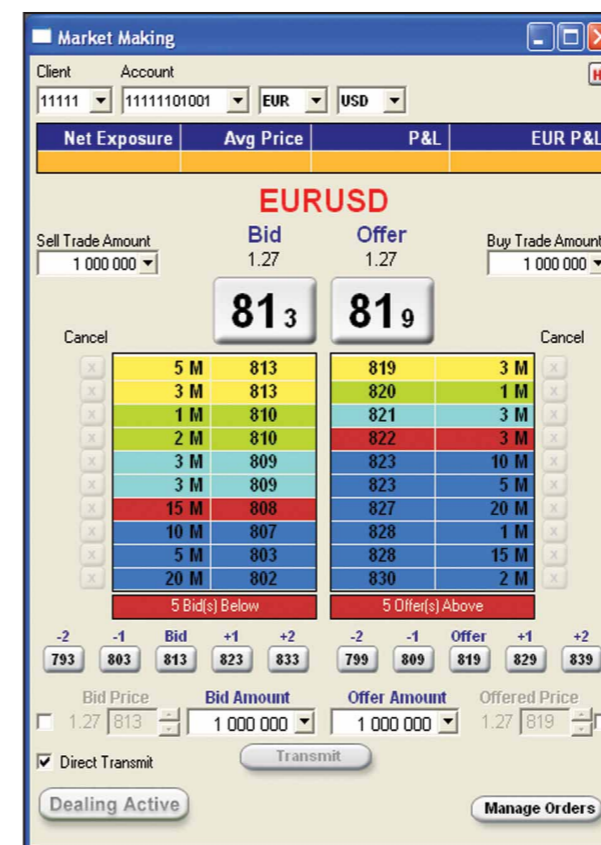
Best price panel

ability built in. Spot and Forward transactions are supported. The Swaps window allows the user to price these via a Request For Quote (RFQ) and then to execute via the online platform.

### Order Entry Options

Order Entry is possible via a composite small quote box, called the Best Price Panel. This pops up from a composite quote window when clicked. There are streaming levels of liquidity up to 100 million on all currencies. Above this level, the system may ask you to Request for Quote (RFQ). Order entry is also possible via a Multi Liquidity panel.

A ladder style order entry window is also available, which Squared Financial term as the Market Making panel, since it allows orders to be placed easily with "one click" inside the best bid and offer.



Market making panel

### Position Management & Asset Allocation

Positions can be viewed from several boxes showing overall exposure in a number of ways. Multiple account asset/trade allocation is supported via a user-configured grid.

### Support

The Squared team was always polite and well informed in our dealings with them and the phone was answered immediately every time in our experience, even in the middle of the European night session.

### Interview

eForex took the opportunity to interview Phillippe Ghanem, Squared Financial's CEO, regarding the features of the product and the company's positioning in today's FX marketplace.

### Phillippe, can you give us a brief overview of the business?

Squared Financial is an independent full service broker which specialises in foreign exchange. Our proprietary FX trading platform, SquaredTrader®,



Philippe Ghanem

offers precision FX trading from execution and reporting, right through to settlement. The platform provides direct market prices from six of the top liquidity providers, and that number of providers is growing.

Users of SquaredTrader® have a range of multi-panel trading modules from which they can choose, to reflect their trading preferences or strategies. For Asset Managers and Money Managers we have a unique multi-allocation grid, allowing an executed trade to be split between multiple managed accounts, according to allocations defined by the manager – one-click execution for multiple client accounts. We have an Order Management System which operates like an exchange – as soon as an order is reached it is executed immediately. We also offer cross-currency margin netting functionality which allows clients to offset long and short positions in similar currencies against each other. This enables them to optimise their margin levels or trading power.

Throughout the trading process clients have access to trade confirmation and reporting facilities. Trades are confirmed

within milliseconds - as soon as they are hedged with our counterparty. A variety of real-time and historical reporting tools are also available, proving a complete audit trail of all executed trades. In addition to trading and confirmation, we offer the highest level of service to clients and have a 24-hour team available to deal with queries or execute trades on a client's behalf.

#### Can you tell us about the how Squared Financial was started and how you ended up where you are today?

As FX professionals ourselves, Squared Financial evolved from our own frustrations as traders. The platforms that we were using didn't give us the freedom we wanted in our trading styles and it was difficult to get all the functionality we wanted, combined with competitive pricing on one platform. So we developed our own platform to meet this gap – and so Squared Financial was born.

#### What gap does the product address within the FX space going into the future?

Major changes have occurred in the how banks provide rates on the forex market. In 2009 to date, the number of prices-per-second (ticks) sent by banks has increased significantly - at Squared Financial we have seen 3 times as many ticks per second since 2007.

The direct consequence of this phenomenon is that price validity has significantly declined, which has meant an increase in slippage and requotes on trades. This has induced a lot of uncertainty for professionals relying on automatic FX trading systems and day traders dealing with high volume per trade. To help address this issue Squared Financial has

designed a proprietary trading algorithm and several trade execution modes which allow traders to execute their orders with minimal slippage.

#### Who are the banks currently in your feed and those joining?

Our current liquidity providers are Bank of America, Citi, Deutsche Bank, Goldman Sachs, RBS and UBS. Other key banks are in the pipeline and we will announce the names as soon as they are live.

#### How do you prevent a spike in your feed and therefore the sparking off unnecessary hedging of positions?

Our system is equipped with a feature that we call the "bad tick filter". If a spike occurs from one of our liquidity providers, the system automatically references the distance of the price from the current market, and determines whether or not the price is valid based on pre-determined parameters.

#### How important is the latency issue for your traders and what are your execution times?

Latency is a critical issue for all traders, since it creates risk no matter where it is introduced in the trading cycle. It can be impacted by a number of factors - the client's system and internet connection quality, the architecture of the bank's system and the quality of its internet connection, as well as the computing time of our trading system and the quality of connection.

Since some of these factors are outside the control of the broker, there is a certain amount of latency that cannot be eliminated.

However at Squared Financial we have developed and improved our platform over the years to ensure that our latency is minimal – trades on SquaredTrader® are executed within 200 milliseconds.

#### You provide quotes for multiple liquidity bands. How do these quotes vary?

As is normal in the market, quotes vary according to band size. In general, the larger the volume traded, the wider the spread. Practically speaking, the spread for trading 1 Mio EURUSD will be tighter than the spread for trading 5 Mio, and again this will be tighter than for 25 Mio. Despite the volume of liquidity in the FX market, many brokers only offer their high volume customers liquidity bands that have been pre-negotiated with their providers. With low liquidity, a high volume trade can dry up a broker's liquidity, severely delaying the trade execution and inducing slippages and uncertainty on trades. At Squared Financial we have negotiated enough liquidity bands to accommodate not only professional individuals, but also private banks and hedge funds. We have also optimised our trading execution modes to enable our clients to trade with little or no fragmentation.

#### You have no risk book. In other words you hedge out all the risk to your counter party banks. How often do banks re-quote your customers?

As we operate in a market where speed is an integral part of the transaction, and we have seen the number of tick increase in recent times, there is always the danger that some orders will not be filled at the initial price quoted. On SquaredTrader®, our requotes are at an acceptable level by market standards – and we monitor this on a daily basis. In feedback from our clients we know that on high volume trades executed over SquaredTrader®, our slippage is minimal – so the price initially quoted is almost always the price at which an order is filled.

There are several trade execution modes that our clients can select

from. Some of our proprietary trade execution modes guarantee the prices, but requotes can occur; others guarantee the fill of the trade, but slippages may occur. It is also very important to mention that, with Squared Financial slippages are not always in favor of the banks, and often work in the favour of the client.

#### Your minimum account size is \$50,000. What is your preferred client profile?

We are regulated by the Financial Regulator in Ireland and our license allows us to do business with professional clients. Our professional clients include high net-worth individuals, brokers/ dealers, money managers, introducing brokers and other financial institutions.

#### Has the recent market volatility affected client profitability?

We would never comment on our clients' profitability or trading strategies. However, we all know that when trading any financial instruments there is a risk involved, and profitability can be affected by many factors – one of which is volatility. As professionals, our clients are aware of these risks and adjust their strategies accordingly.

#### You state that your trading platforms are fully redundant. Can you go into a little more detail please?

To minimize our clients' risk as well as our own we employ a number of measures to ensure that we have high system availability. We have dual ISP on both our production and back-up environment, and a 24X 7 support SLA in place with 99.999% uptime. We also have a tried and tested Business Continuity Plan in place means that we can restore our operations within 30 minutes in the case of an extraordinary event.

#### Are you FIX compliant?

Yes we are compliant with FIX version 4.4

#### You have a platform that links to major banks, with no minimum deal size. How do you cope with small trades, say those below \$50,000 ?

It's not about what we can cope with – it's the banks. They choose to accept or reject trades – a bank can choose to reject a trade if they feel the ticket size is too small.

#### You offer Islamic accounts. Please tell us about this.

Islamic accounts are known as swap free forex trading accounts or Shariah forex accounts to signify that they are in accordance with the Islamic religious law. As swaps go against their Islamic beliefs, these have been specifically designed for Shariah compliant traders. With such an account, overnight trading positions are free from interest or swap charges and feature zero up-front commissions without additional charges per trade.

#### You have chosen to locate in Ireland. What are the attractions of Dublin from a regulatory, business and from a customer point of view?

In the global FX markets, it is possible to trade 24 hours a day irrespective of where the company through which you trade is located – so from a customer perspective, having a stable and robust platform with a high level of client service is more important than the location of our offices.

However, saying that, Ireland was attractive for us for a number of reasons. Dublin is an established international business environment with advanced infrastructure, corporate compliance and it is serviced by all the major international banks. It is also a progressive financial centre, which has provided us with a highly skilled and qualified workforce.

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**How do you see the future of FX broking?**

FX broking has developed to a very diverse and sophisticated level, with clients continually demanding more from their providers. The ability to offer both online and offline trading facilities such as desk dealing, is becoming more and more important to clients as they seek a complete trading service via one provider. Despite extreme market volatility in recent times, algorithmic trading strategies continue to do well – on both the buy and sell side – and I think fund managers and investors will continue to enhance or add these strategies to their investment mix. Therefore algorithmic trading as an execution and risk management tool will continue to evolve. Clients are also becoming more selective in terms of the provider and the product they use, so a regulated environment has and will continue to play an important role.

**Is market growth slowing now? Which regions and markets are driving the future growth of buy side FX?**

Despite less available liquidity and fewer participants in the market, recent FX volumes announced show that FX volumes continue to rise, albeit at a much slower rate than in previous years. Statistics produced by the UK's Foreign Exchange Joint Standing Committee show that overall trading volumes for 2008 increased by 21% with spot trading up by 40% to \$182 billion. Similar statistics in the US show an overall increase of almost 9% with spot trading increasing by 27% with Singapore and Canada following the pattern of falling swaps and options but rising spot. So although the market conditions may be difficult at the moment, FX still continues to grow.

**How is the market changing? How do you see the FX market forging ahead in the next two to three years?**

In the current economic climate it is difficult to predict what the market will be like in two or three years time. However for 2009 I would say that we will see a 'back to basics' approach where investors will think more about what they are investing in and will stay much closer to their investments. This will benefit the FX and commodities market because of the simplicity of the underlying assets: vanilla and low-complexity products will become more popular with clients and investors, as well as corporates for hedging. As cost and efficiency continue to remain a focus, the role of technology will be essential in 2009 and the challenge for banks and providers will be to deliver superior products and service with competitive pricing that meet the needs of clients. Squared Financial is well placed to build on its current success and our offering continues to evolve in tune with our clients needs.