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## FX Bridge Places Bet on Options Growth

September 2009 Issue

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Fresh from a VC round that has netted the firm \$2 million, FX Bridge Technologies Corp is planning a major ramping up of its activities. Led by CEO Steve Reich, one of the five founders of HotspotFX, the firm is planning increases to its technology, sales and marketing teams in Atlanta, New York and London.

ProTrader Plus is a feature-rich, retail-oriented dealing platform combining spot, CFDs, spread betting, and standardised (exchange-style) FX options in the same account. The platform is aimed at US FCMs/FDMs and international forex broker-dealers, and provides links to options liquidity through major market makers. Reich describes the firm as an “agnostic technology provider”, such that the platform is designed to integrate with spot trading platforms in use at broker-dealers or as a complete, standalone system.

“What we have done is look at the options offerings in the equities markets and apply those principles to FX,” Reich says. “When you create a product for the retail market, it has to be simple to use and simple to understand. That is why we’re using standardised terms for exchange-style options.”

Reich, who joined the firm in early 2008, says that most of the firm’s business is currently coming out of Europe and South America, but he is confident that FX Bridge will soon begin making inroads into the US market, as well as in Asia.

In particular, he notes that increasing regulatory interest in limiting leverage will lead to increased investor appetite for currency options. “Once regulators start limiting leverage – as we have recently seen in Japan – options become more attractive, because they allow you to take a view while limiting your downside risk,” he says. “So in retail, if you want to quantify your downside risk, options make sense.”

The platform offers a variety of trading, portfolio and risk management tools, as well as a “strategy optimiser” that allows users to create what-if scenarios and determine rates of return based on varying levels of capital. In addition to the strategy optimiser, another key component is its ability to cross margin

between spot and options, says Reich. "Without this, you greatly diminish the product because it makes it highly inefficient."

An important initiative for the firm is partnering with banks to provide liquidity. "By September, we will be able to provide FCMs and broker-dealers that want to offer options to their clients, both the platform and liquidity for their end users," says Reich.

Reich himself has a long history in the FX markets. Prior to helping found Hotspot in 2000, he worked at Credit Suisse from 1988-1994 (where he first met Hotspot co-founder David Ogg, as well as three other future retail FX sector pioneers – Mark Galant, who founded Gain Capital and Tom Plaut and Bob Cortwright who went on to start FX Solutions). After CS, Reich ran spot for HSBC for a few years, and then moved to Barclays' prop desk in 1997, where he worked until he left to work with Ogg in setting up Hotspot in 2000.

FX Bridge is headquartered in Atlanta, where the technology team sits, while Reich is New York-based along with a sales and marketing team. There is also a London sales function.

According to Reich, the VC firm that made the investment, Total Technology Ventures, has a deep understanding of the space, a characteristic he says is vital in an investment partner.