

Enhancing Transparency and Efficiency Through Transaction Cost Analysis

Executive Summary

Redwheel, a specialist asset manager, decided to fully outsource its FX execution to an external supplier but needed to maintain effective oversight.

Challenge

With execution now handled externally, Redwheel required a dependable way to ensure transaction costs remained within pre-agreed limits—supported by clear accountability and a rapid path to remediation when limits were breached.

Solution

NCFX deployed its Transaction Cost Analysis (TCA) platform with automated intraday ingestion of trade files. In collaboration with Redwheel, transparent and fair tolerance thresholds were set for each currency pair.

Trades within tolerance passed the in-flight TCA check and were cleared for settlement. When a trade breached tolerance, the system triggered an immediate alert—visible in the NCFX interface and sent via email to Redwheel. Breaches were investigated in real time, with the external supplier empowered to reprice when necessary, at their discretion, having considered underlying market factors. Every action was captured in a full audit trail, and Redwheel could annotate trades directly in the NCFX interface.

How it works

For GBPUSD, a tolerance was set against the NCFX benchmark midrate—an independent, regulated rate reflecting the prevailing clearing level every 50 milliseconds.

At 11:15, an order to buy £5,000,000 was filled at 1.34289, 2.5 bps from the NCFX mid of 1.34255, triggering an alert to Redwheel. Within 45 minutes, having considered market conditions, the external supplier confirmed a replacement fill was warranted, bringing the trade back within tolerance. Redwheel then annotated the record to document the repricing.

Outcome

The workflow established a shared, objective standard, accelerated issue resolution, and reduced disputes—while giving the client continuous oversight of outsourced execution quality.