

Automating FX Option Expiries with NCFX and Digital Vega

Executive Summary

Digital Vega (DV) is a leading provider of OTC FX option trading and workflow services. Since its founding in 2009, DV has worked across the global foreign exchange ecosystem, serving large, regional, and private banks, agency brokers, asset managers, and hedge funds.

One persistent challenge in the FX options market has been the expiry rate-setting process. Traditionally, the writer of an option sets the rate deemed “prevailing” at expiry. This practice raises clear issues:

- Conflict of interest: As a market participant, the writer has a financial stake in the expiry rate.
- Disputes and mistrust: Buyers often question whether the rate is truly fair.
- Operational inefficiency: Ensuring both parties agree on a “fair” rate often requires manual checks, slowing down the process and increasing costs.

The industry needed a neutral, transparent, and instant benchmark for expiry—one that would remove bias, eliminate disputes, and enable automation.

The Challenge

For FX options, timing is critical. At expiry, both parties need instant clarity on whether the option has expired in or out of the money. Delays or ambiguity create risks such as pin risk, where outcomes near strike prices can lead to significant disputes or financial exposure.

While other benchmarks exist, they are not designed for real-time expiry use—because they are not instantly available, and therefore unfit for purpose in a fast-moving, high-stakes options market.

The Solution: NCFX-Powered Expiry Automation

To address this challenge, NCFX partnered with Digital Vega to deliver the NCFX Options Cut, a groundbreaking service that automates option expiries using a regulated benchmark.

Key to this solution is NCFX’s regulated mid-rate stream, which provides:

- Neutrality – an independent, unbiased reference rate.
- Transparency – published benchmarks ensure confidence and compliance.
- Instant availability – rates are immediately accessible at expiry, enabling seamless automation.

The NCFX Options Cut now publishes 84 benchmark expiries across key market sessions, including Tokyo, London, New York, Budapest, and Warsaw.

Results & Impact

The NCFX Options Cut, powered by NCFX’s benchmark innovation, has transformed the FX options expiry process:

- Automation: Eliminates manual processes, reducing cost and operational risk.
- Fairness: Removes conflicts of interest by using an independent benchmark.
- Adoption: Increasingly used by banks, hedge funds, and asset managers.
- Infrastructure integration: Powers the option clearing service at the London Clearing House (LCH), part of the LSEG Group.

Conclusion

By providing a fit-for-purpose benchmark solution, NCFX’s partnership with Digital Vega delivered the foundation of a truly automated FX option expiry service that is now available to the whole market. The NCFX Options Cut sets a new standard for fairness, transparency, and efficiency in the market, and demonstrates how independent benchmarks can unlock automation across complex financial workflows.