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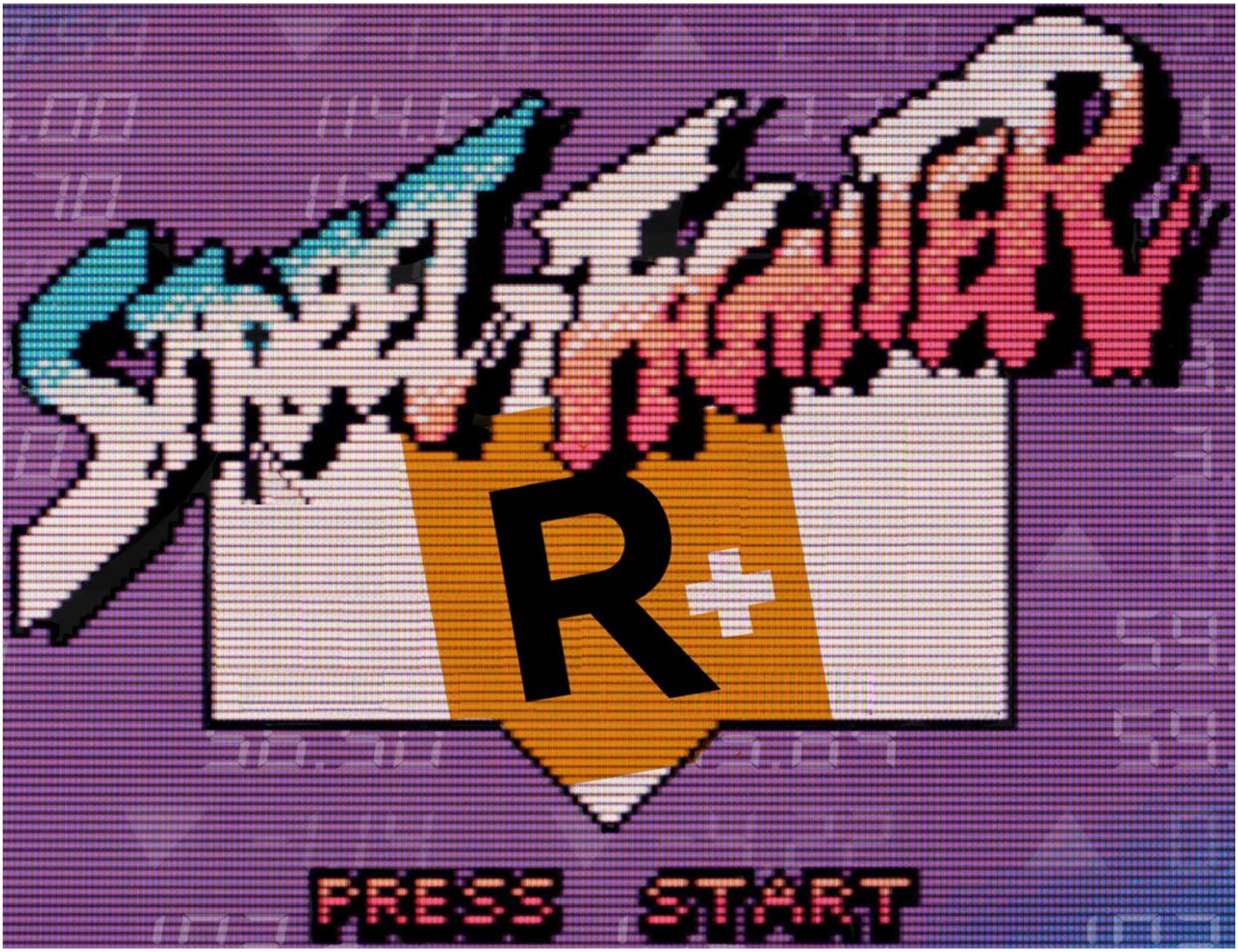


'Street Fighter' Sef RTX grows in interdealer swaps market

‘*Street Fighter*’ Sef RTX grows in interdealer swaps market

Focus on functionality and fees helped volumes on start-up venue from Cawley and Jonns jump fivefold last year.
By *Bernard Goyder*

A new electronic swap execution facility (Sef) run by former Javelin founder James Cawley and ex-TP Icap broker Christopher Jonns is growing rapidly in a corner of the rates market still dominated by voice trading.

Despite the supremacy of e-trading in the dealer-to-client market, in the interdealer market, quirks of market structure and broker incentives have helped phone trading retain a firm grip on activity. But large banks have been quietly routing an increasing volume of interdealer interest rate swap trades to RTX FinTech, which offers a unique order book model, order flow improvements and fee savings.

“The dealer-to-customer market is about 90% electronic enquiry,” says Jonns. “If you look at the dealer-to-dealer broker market, it’s zero. We took our bet that that discrepancy is not going to exist in the future,” he says.

It also has a unique soundtrack taken from iconic martial arts video game *Street Fighter*, in the hope of appealing to its target audience of swaps traders.

RTX gained its Sef registration in April 2023 and started trading in December of that year. It now has 15 banks live on the platform, with nine more set to join in the coming weeks. RTX’s risk-adjusted interest rate swap volumes jumped more than fivefold over the course of 2024 to reach $16 billion notional in November, according to the company.

Such volumes are still a drop in the ocean of the global swaps market – US Sefs handled $22 trillion in volumes in November 2024, data from the Futures Industry Association shows.

By trade count, in 2024 RTX was used to execute 1% of global spreadovers, a common basis trade between swaps and bonds, and 2% of curve switches, a trade where instruments of differing maturities are exchanged, according to data from Clarus Financial Technology.

“If you’ve got a swaps book and you can save $700,000–800,000 in brokerage, you’re going to”
Christopher Jonns, RTX

“We’re trying to migrate you from 19th-century technology, hop over the 20th century, and go right into the 21st”
James Cawley, RTX

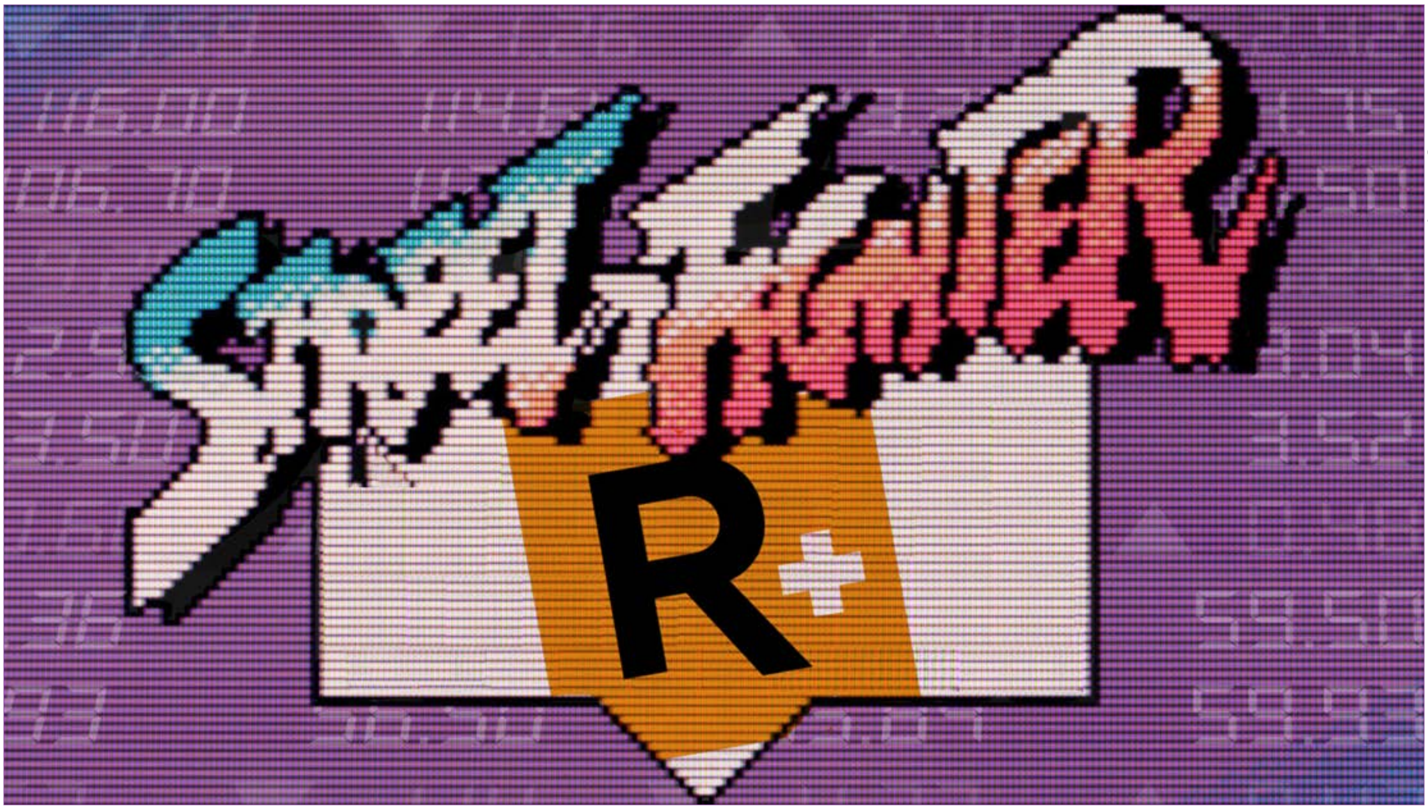
With around $10 million in equity capital raised so far, Cawley and Jonns are confident RTX can make a dent in the interdealer market dominated by their former employers.

“It’s a numbers game,” says Jonns. “The more dealers live, the greater the volumes.”

Though they are starting with the US dollar swaps market, the pair want to expand into other currencies and asset classes. “If we can do this in dollars, we can do it in euros, sterling and yen,” says Jonns. RTX has already applied for a licence from the Central Bank of Ireland to operate a multilateral trading facility in the European Union.

Jonns was a prominent interest rates broker at TP Icap until his departure in 2022. Cawley founded start-up Sef Javelin, which was responsible for the first made-available-to-trade submission to US regulators in 2013, which kick-started Sef trading in the US. He subsequently joined BGC in 2014 as chief executive of its Sef, then moved to ED&F Man in 2017 for a year before joining RTX in 2021.

Cawley says RTX retains the “good parts” of an electronic trading system without spooking dealers that may be wary of disintermediation from all-to-all style trading, or a central limit order book.



Source: ArcadeImages/Alamy

RTX uses a trading protocol it describes as request-for-trade – meaning counterparties have access to an order book but the market depth and current pricing is not disclosed. Cawley says this allows RTX to retain much of the privacy of an interdealer broking relationship. The pricing is also firm, instead of indicative as would commonly be seen in voice trading.

"Why do people like request-for-trade? It's electronic, it's fast and it's fun. And of course the big item is it's much cheaper," says Cawley.

Jonns says another advantage of RTX's platform is that once a trade has been finalised, it immediately appears as a position on the dealer's internal risk system. He says RTX's automatic approach to post-trade is more efficient than existing practice among phone brokers.

"It can take voice brokers five or six minutes to process these trades, especially if the desk is busy," says Jonns.

While order books exist on dealer-to-client venues like Tradeweb or Bloomberg, they are rarely used by counterparties. The big interdealer brokers own their own electronic Sefs, but some of these have become little more than "glorified booking systems", says Jonns.

RTX's strategy also involves saving banks money on broker commissions. Cawley says banks are currently being charged over the odds by brokers, and that RTX's fees are at least 30% to 50% cheaper than a typical broker. "It adds up quickly when you're trying to run a business."

Jonns says such savings are likely to strain even the stickiest of broker-client relationships.

"If a trader can save $700,000–800,000 in brokerage, they're going to. It's coming out of their total P&L. You might like the guy, you went to school with him, but business is business," he says.

The RTX platform is also designed to be less attractive to the proprietary trading firms (PTFs) who have compressed bid/offer spreads in equities, FX and government bond markets.

Swap dealing is one of the few asset classes in fixed income that has yet to be transformed by PTF liquidity over the past decade. As swaps dealing ties up capital for long periods of time, it is still a business dominated by banks, with Citadel Securities the only non-bank market-maker to have scaled a successful franchise.

RTX's rule book does not explicitly forbid prop shops from being involved. However, the rule book does allow the Sef to block a prospective participant from being admitted if their presence "would not be in the best interests of the RTX Sef", and such a denial is consistent with the US Commodity Exchange Act.

RTX has also found an ally in the form of bank compliance departments, which normally have to scrape Bloomberg chats or listen back to phone calls when issues occur. RTX has contracted Eventus Systems to run trade surveillance, which automates that process based on structured data and monitors for anomalies in real time.

"Compliance people love this, it makes their lives so much easier," says Jonns.

But while RTX is popular among compliance teams, the platform isn't afraid to appeal to the more immature instincts of the average trader.

"We've made it a little bit more interesting. We've embedded sounds from *Street Fighter*," says Cawley, referring to the iconic Japanese martial arts video game.

From a technology standpoint, RTX looks like a regular piece of software, but it operates as a web-based application, built using the OpenFin platform, making it easier to integrate into bank systems.

Cawley says "the bar is a little low right now" for technological innovation in the broker market.

"We're trying to migrate you from 19th-century technology, hop over the 20th century, and go right into the 21st", he says. ■

Editing by Lukas Becker