

# Gaining currency



**JULIA  
BERRIS**  
ASSESSES  
THE IMPACT  
OF ELECTRONIC FX  
TRADING PLATFORMS.

Since the development of electronic foreign exchange (FX) trading platforms in the 1990s, corporates and treasurers have favoured the use of modern IT systems rather than old-style telephone trading. As in so many other areas, new technology is revolutionising FX trading.

Offering increased security, control and accuracy, FX platforms continue to be developed as technology advances and the needs of the corporate FX trader become more diverse.

"There is a wide variety of FX trading platforms because the needs of the end-user are very different," says Kim Fournais, Chief Executive Officer of Saxo Bank, which provides an online trading platform for FX and other products. "Institutional bank traders are looking not just for liquidity, but also competitive pricing and market depth. Fund managers and private investors need advanced charting, detailed news and management tools.

"The market as a whole is more complex and needs more from platforms. It is important that a platform can provide liquidity and knowledge as well as trading support."

In other words, technology companies must respond to the ever-changing needs of corporates and advance the platforms to suit the environment.

One organisation which is trying to respond is technology company Currenex, which provides a suite of trading tools for the buy and sell

## Executive summary

- The market for electronic foreign exchange trading platforms has become more competitive.
- Developed in the late 1990s, electronic FX trading platforms were a response to corporate demand for a central hub of information.
- Regulatory changes are a driving force for increasing competition and improving services.

sides. Tony Lawrence, Global Treasury Operations Manager at global energy giant Shell, which uses Currenex, says: "The automated system which Currenex provides gives us an efficient, well-controlled process to use, with a clear audit trail."

Shell has been a user of Currenex right from its early days and even holds an equity stake in the company. The working relationship between the companies has been mutually beneficial and, as Lawrence explains, has significantly changed the way in which Shell's treasury operates.

"We chose Currenex because it is an independent multibank portal system," explains Lawrence. "We didn't want to feel tied down to



particular banks, and the Currenex approach enabled us to get multiple quotes at the same time.”

That attitude is shared by others and the development of many systems in the e-FX marketplace has been a key feature and a notable driving force.

With technology platforms becoming more sophisticated and IT companies constantly striving to improve their offering, the field now incorporates far more competition than in the 1990s. Indeed, the FX trading platform is becoming a commodity.

“I think people are encouraged by the wider selection of platforms on the market now because it increases competition,” says Lawrence. “At first it looked as if only one company would succeed, but now there are more portals in the market and there seems to be more acceptance for this kind of service.”

The initial reaction to the development of such platforms was not universally positive. Acceptance of the portals proved an uphill struggle at first, partly because many banks did not see the portal as particularly beneficial for them.

“There is a realisation in the banking world that these products are here to stay,” says Lawrence. “In the early days, some banks probably didn’t see these developments as being in their best interests. Now, the process efficiencies these platforms bring seem to be generally appreciated.”

Huge regulatory changes such as the Sarbanes-Oxley Act (SOX) in the US are a driving force for increased competition and improvement in services. Companies need to have confidence in the system they are operating, and the technology companies promoting these services must be able to provide this reassurance if they want to become key players in the market.

Jim Gilbert, Director of Business Development and Operations at FXpress Corp, says: “The reason many corporates use these platforms is not execution price. It is because it speeds up the process dramatically and is automated.

“This fits in with the demands of SOX. Compliance with SOX on an FX trading platform has less to do with security – although that has become more important since SOX was introduced – instead, it is more about efficiency. You don’t need several people manually entering data. Once the deal is put on the system, it is processed straight through, making it less prone to error.”

The demand by corporates for a less error-strewn life has certainly been the driving force for better, faster, more intelligent FX services that save time and increase efficiency. Corporates are drawn towards the flexibility that can be given on a good electronic system and see this as something that will become more important in years to come.

“Many of our clients use FXpress in conjunction with other products such as FXall,” says Gilbert. “We have a real-time application programme interface inside FXall so that our customers can log onto our trading application, enter our dealing screen and get directly logged onto FXall. It puts the deal straight on their treasury system and they can settle using a settlement centre such as Misys. I see this flexibility of use as something that will shape the future of this technology.”

Lawrence echoes Gilbert’s views on flexibility and choice for the corporate. “The challenge for technology companies now is to do with large or more complicated orders and deals,” he says. “We have to be careful not to divulge sensitive information, and platforms are often seen as being suited to high-volume, lower-value transactions.”

Technology companies are addressing the issue of sensitive and confidential information protection, and are attempting to develop ways to use trading platforms in more than one capacity so as to cater to the needs of the corporate.

### What are FX trading platforms?

Electronic FX trading platforms were developed in the late 1990s as a response to corporate demand for a central hub of information that makes the process of FX trading more efficient and less time-consuming.

Starting life as a desktop service, the early platforms offered systems devoted to foreign exchange risk exposure. At this time, banks were nervous about these new services succeeding because it allowed corporates to have access to prices at the push of a button.

Some years on, e-FX platforms are considered an essential aspect of working life for many corporates.

The internet revolution enabled such platforms to become even more efficient, allowing them to offer a wider range of services with up-to-the-second information.

Now providers such as FXall, FXpress and Saxo Bank offer automated systems that incorporate real-time currency pricing, price charting, technical indicators and the latest news.

Regulatory shifts have pushed corporates to demand more from the technology companies. Modern FX trading systems are fully automated, provide a strong audit trail and cut down on manual input of data, which can often lead to errors.

The success of web-based systems is down to the end-to-end service they are capable of providing. With the emphasis on straight-through processing, treasury departments have cut down on administrative tasks, improving the efficiency of the department.

“We are working on lots of different features to address complicated orders with sensitive details,” says Richard Hartheimer, Currenex’s Managing Director Europe. “A recent service we have just put out is order staging. This is where an organisation can enter orders separately from executing those orders. It is very good for an organisation that has different people creating the need for the FX and the specialist who actually executes the FX later on. This saves time and enables the corporate to exercise more risk control.”

Lawrence argues that a key benefit of an effective FX trading platform is transparency and the readily available information it provides.

“As well as simplifying and speeding up our processes it has helped us achieve greater price transparency and readily available audit trail,” he says. “Currenex stores all the quotes, so we can easily find out how many deals we have asked a particular bank to quote on and how successful they have been. This is a powerful tool.

“There have been times when we think prices have improved after we retrieved the data for them. It’s a good way of benchmarking and is therefore very helpful to us.”

Since the advent of electronic trading platforms in the late 1990s, the process of turning this technology into a commodity has been driven by the corporates themselves. The need for regulatory compliance has led to systems becoming more transparent and efficient. Technology companies are ensuring that FX platforms will go on to improve and provide the flexibility that is needed to suit the range of companies and their complexities that exist worldwide.

“Over the years these platforms have become just another accepted part of the way that you work,” says Lawrence. “With the technology developing so quickly, who knows what other features will be added in the next five years? Maybe they will be more beneficial than we can even imagine today.”

Julia Berris is a Reporter on *The Treasurer*  
[editor@treasurers.org](mailto:editor@treasurers.org)