



Single Bank FX platforms - moving to enrich the customer experience

Frances Maguire talks to a selection of leading banks about how they are differentiating themselves and adding value to their e-FX platforms in a maturing, but still increasingly competitive, market place.



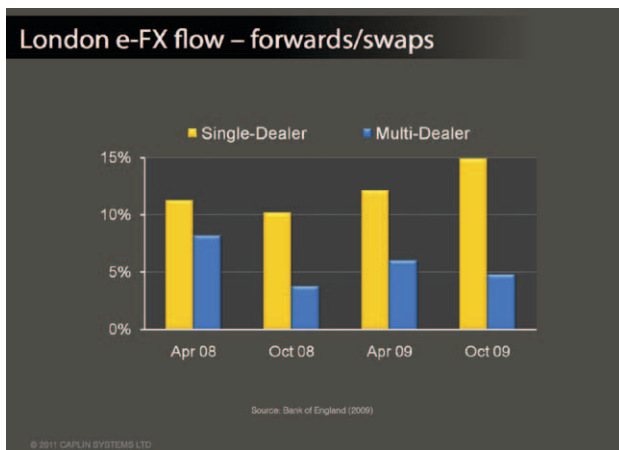
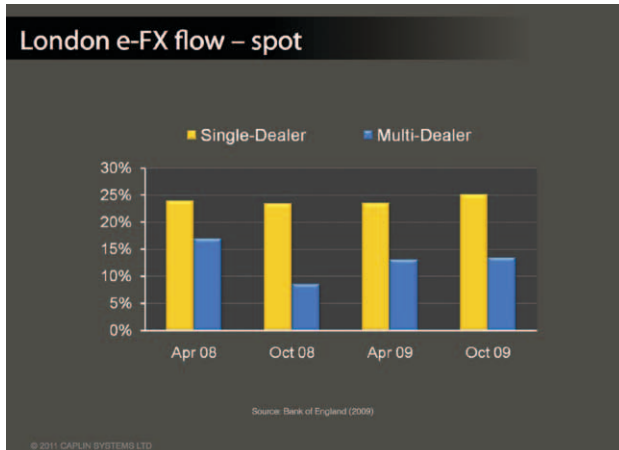
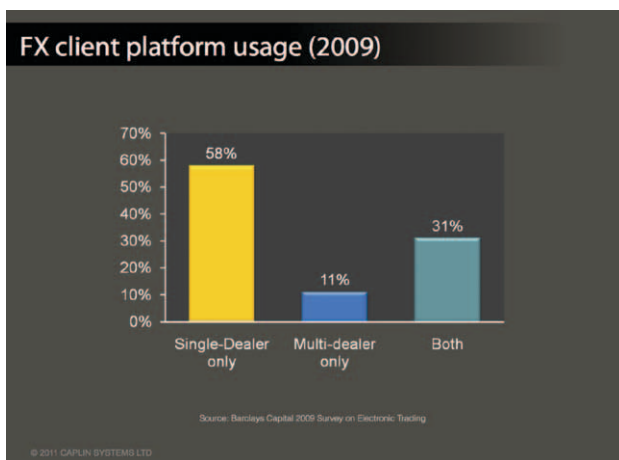
Single bank FX platforms are winning out over multi-bank platforms. Not surprisingly, the main reason for this is simply that banks are investing more heavily in them, and in doing so, focusing on extending the service offerings and innovating to further enrich the usability of their platforms. No longer able to compete on pricing or even execution services, banks are concentrating on the value-add of their e-FX offerings. Whether it is research or smarter web technology, the buzzword is “customisation” and the focus is on delivering to clients the kind of services they want, when they want them.

For Paul Caplin, CEO of Caplin Systems, single bank platforms have become a central part of the trading landscape in FX. He says: “So much flow now goes through single dealer platforms that every bank has to take them seriously, as a strategic weapon. There is a lot of pressure on banks to build more competitive FX single dealer platforms. How banks make their FX SDP more competitive depends very much on what the

unique selling points of the bank are, and who its end users are.”

Caplin says that capacity should not be an issue for banks going forward because scalability is a problem that’s already been solved. Despite the increase in regulatory requirements, banks continue to invest heavily in e-commerce platforms. Caplin believes that the regulatory pressure from 2008 is beginning to slow down as politicians, with greater concerns about the economy as a whole, are beginning to see that the over regulation of the banking industry could actually do more harm than good.

Five years ago, it was thought that multi-bank platforms would take a large share of the business from corporates wanting multi-quotes. This is entirely changed now, as, while supplying quotes to the multi-bank platforms, the same banks invested more heavily in their single dealer platforms. Single bank platforms have gained market share year-on-year and now carry about 50 per cent more flow in the spot market than the multi



bank platforms, and in the swaps market, the flow is twice as much.

Caplin says the reason the single bank platforms won out is simply because banks were able to offer better service than the multi-bank portals in the major currency pairs, with spreads being very compressed. The focus of competition has shifted away from price and towards softer benefits, such as speed of execution, certainty of execution, integration of electronic trade content and straight through processing, and ease of



“Banks increasingly are providing the integration between FX trading and research, technical analysis and trade ideas, and in the corporate market, they are integrating FX increasingly tightly with transaction services.”

use. With the exception of STP, he says, all of these factors tend to be better catered for on the single bank platforms.

“With spreads so tight, and with greater transparency offered through the multi-dealer platforms, there is less reason to get multiple quotes, when they can get a much better service from their single bank portal. Multi-bank platforms, by definition, provide the lowest common denominator service offered across all the banks they are connected to, and they don’t provide the same integration with other services. Banks increasingly are providing the integration between FX trading and research, technical analysis and trade ideas, and in the corporate market, they are integrating FX increasingly tightly with transaction services,” he adds.

Caplin Systems works with banks, such as Citi, both for Citi Velocity and Pulse, and Royal Bank of Scotland, across the online platforms and mobile devices. “I don’t think any one in this market has any doubt that their clients want mobile facilities, the question is how fast is it going to evolve, but there is no question it will become a vital part of the mix in terms of delivering content. It depends on understanding what it is the end user needs on a daily basis that can be incorporated into mobile solutions,” Caplin adds.

Cross-product integration

Deutsche Bank, one of the first to build an FX portal, FX on Autobahn, is still building and developing new customer services. Dirk Ward, managing director, product manager for FX on autobahn at Deutsche Bank says in the past year, the bank has focused on adding cross-product integration to the application, in response to client demand.

He says: “We have offered API connectivity, Excel uploads and FIX formats for some time, and, across the market, there is an increased usage of these different ways of accessing platforms and liquidity, whether it is through a single bank, multi-bank portal or other aggregated offerings.” Deutsche Bank also offers fixing services, as Ward says that corporate clients, and some real money managers, are interested in the convenience and transparency of a benchmarking product.

The maturation of the e-FX market is placing more pressure on providers to offer a much higher level of customer service. “There’s an increasingly competitive marketplace as more providers of electronic capabilities come into the market. Excellent liquidity provision is still a critical requirement, but it’s not necessarily sufficient to get a client’s business today, so we have continually focused on providing value-added services, both pre-trade, and particularly, post-trade,” he says.

Apart from providing full STP from the bank’s platform, Deutsche Bank integrates with a number of third party providers. As Ward says, the reason for this is that an important market dynamic is customers wanting to combine their post-trade solutions from various providers, while the bank is always looking to fill gaps where it sees customer demand for third party platforms.

Ward says: “The big challenge here is to provide a seamless and standardised post-trade environment for our customers so this year we are adding functionality to our post-trade processes to facilitate better trade modification and availability of trade information.”

He adds that for a lot of users STP starts at the pre-trade level and a good deal of their post-trade behaviour, in terms of the types of allocations used, is predetermined. “We are increasingly finding that customers want systematic solutions for their orders, and we are seeing activity in the combination of single bank liquidity with algorithmic trades on multiple platforms. While this is happening pre-trade, all of this has to be integrated consistently on a post-trade



basis. Customers that trade our DMA [Direct Market Access] algos on other platforms want to be able to mix-and-match with our liquidity as well,” he adds.

Creating new workflows

Ward stresses that a lot of the work Deutsche Bank is doing happens below the waterline. In order to be able to provide something other than a one-size-fits-all solution, the back end of the bank’s system needs to be flexible enough to re-combine it for various workflows. As well, an extensive re-engineering process has taken place over the past year at Deutsche Bank to gain strong flexibility to be able to create new workflows for new clients, as quickly as possible. “Autobahn has always set the standard for single dealer platforms and throughout the years has achieved important industry firsts,” Ward continues. The aim to always deliver best-in-class eServices led to this month’s launch of Deutsche Bank’s Autobahn App Market & Toolbar. The Autobahn App Market provides clients with a single access point to the Bank’s electronic capital markets distribution services, spanning the full trade lifecycle.

With more complex order types and the growing use of algorithmic and fixing orders, Ward says Deutsche Bank has tried to create alternatives so that customers have the ability to control and automate the way they

execute with the bank, as much as possible. “One of the advantages of having a certain market share is the ability to internalise trade flow and reduce the market impact clients have when they execute.”

The use of mobile and tablet applications, for Ward, has not developed to quite the extent that was initially expected outside the retail market. While Deutsche Bank provides research on tablets and mobile, replacing a good deal of the paper process, electronically, there has been very little use of in-execution functionality and the new technology has not displaced its standard desktop/web-based research access. “We are definitely picking and choosing the ways in which we are applying mobile technology, and clients seem to be doing the same,” he says.

The trend is away from product-based development and towards client-driven solutions, and today, it is critical to the success of e-FX. An important part of Deutsche Bank’s strategy is making its technology work with their customers’ particular workflow. A lot of users will combine execution across various platforms, and, in some cases, have execution algorithms or very specific order workflows, and then, post-trade, have more than one STP processes - and they want to be able to use this in a way that is efficient and error-free. Ward says: “A big part of what we do is making an increasingly heavy amount of data,



Rob Garwood

“Having the ability of demonstrating new features, design ideas and interface to trusted customers and getting their objective feedback has played an essential role in our development process.”

and a variety of transactions, easier and easier to use the way that clients intend.”

Getting customer feedback

Last month, Lloyds Bank Corporate Markets launched its redesigned, functionally-rich e-commerce platform, Arena. Rob Garwood, head of FX Sales at Lloyds Bank Corporate Markets, says the increasing competition in FX means that customers are rightly becoming more demanding and more aware of the products and services available to them. For this reason, Lloyds Bank Corporate Markets set-up a customer advisory board from day one when designing Arena. He says: “The idea was to get customers, the real users of FX platforms, to help us design our new e-platform, Arena. Having the ability of demonstrating new features, design ideas and interface to trusted customers and getting their objective feedback has played an essential role in our development process.”

While Arena delivers on execution Garwood says that the bank’s focus was also to include all the economics and market strategy research produced by its chief economist, Trevor Williams, and his team, into a single platform. “This includes written and video content. In addition, we included extensive charting capabilities and news into this ‘one view’ of the market so that Arena can address our clients’ pre-trade needs in one platform. We are also including sophisticated risk analytical tools which will help customers with their hedging decisions. Clients can also see all their trades with Lloyds in one single view - the blotter, which includes both online and voice-driven trades. We are also developing our transaction banking capabilities so that soon, customers will be able to view their account balances and eventually be able to execute payments, conduct cash flow analysis via Arena.”

The Arena platform is designed to address the needs of many types of customers - from small and medium size enterprises to large multinationals and financial institutions. Therefore, customisation was always a significant focus for Lloyds. The bank delivers customisation by enabling them to personalise the Arena interface and through tailored, modular workspaces specific to client segments. In this way, Garwood says, clients’ workspaces on their desktops will contain only the information that they place a premium on.

In building Arena, emerging web based technologies that help optimise desktop trading space and enhance the user experience, have been a big focus for Lloyds Bank Corporate Markets. Says Garwood: “The fact that

we are relatively late has some advantages – the fact that technology has moved on to a point where it is easier, faster, more reliable to deliver enhanced functionalities at a lower cost to our clients, and the fact that the requirements are better understood means that our time to market with a product suite that delivers in a high impact way, is shorter.” But with regard to mobile technology, Garwood says that at present the bank’s customers are more concerned about accessing research content ‘on the move’ than trading functionality, something that may change over time and so the bank is already looking at future developments in this area in line with client requirements.

Flexible pricing frameworks

Core to its e-FX program is the pricing engine powering Arena as a bilateral execution pricing platform and allowing the bank to extend the Arena service to multilateral trading venues. Garwood says that in order to truly service clients across the different segments, there is a need to be able to engage with them in the venue of their choice. “This means deploying a core pricing engine that is not only fast, but that the bank can quickly adapt to changing market conditions and changing client requirements. We went with a pricing framework build that offered us (and our clients) that flexibility,” he adds.

Arena is regarded by the bank as a tool to strengthen its customer relationships. Garwood says the service offering is about combining online and offline services. He says: “Some customers need a reliable platform to execute transactions and Arena will deliver that. But we have also included proprietary risk analytical tools, cash flow analysis and cross products tools, which we feel will improve our customers ability to understand and manage their financial exposures. Additionally, we are fully resourced to enhance our platforms to provide further bespoke analysis tools developed by our Risk Solutions team.”

Arena is launching as an FX and money markets platform and the bank is planning to add liquidity, rates and further transactional banking products over the next couple of years. “This is clearly an exciting project for Lloyds and a key development for our clients and the services we deliver to them,” Garwood says.

He adds that the bank keeps a close eye on the changing regulatory landscape and the impact it may have on how and why customers use FX, to help customers understand and navigate the new environment. Garwood says regulations such as Derivatives on Exchange, MiFID, Basel III and Solvency II will impact the bank’s client segments in different ways and it has been updating them, in these key areas, on a continuous basis.

Client fragmentation

Thomas Soede, global head of electronic commerce at BNP Paribas in London, says the bank has identified four different client segments using its FX single bank platform: institutional clients, including real money managers and hedge fund clients; large corporate and multi-national companies; small and medium-sized companies; and the private bank market. All of which have different reasons for accessing the FX market through BNP Paribas and, Soede says, different pre-trade, trade and post-trade services and level of service needed. Soede said: “Client fragmentation offers banks like BNP Paribas an opportunity. The only shared item is that they want to do everything/everywhere electronically.”

He says: “We also believe that those clients that see FX as an asset class or FX as a utility have to be incorporated into product bundles, for example, for the SMEs, FX has to be included as part of a wider package that caters for their requirements on lending, cash management, trade finance and letters of credit, as for this client segment FX is not a standalone product. It is for a large hedge fund or large corporate looking to hedge exposures to emerging market currencies, but not for the wider client base.”

The client profile differs again for private banks, which tend to be heavy users of structured products. Soede says that in a typical private bank product portfolio, 70 per cent will be equity-linked, 30 per cent will be fixed income-linked, and FX will play a role in 20-30 per cent of the fixed income part of a typical private bank investor, or high net-worth individual. He says: “The next challenge for global players in the electronic market, trading FX, will be to identify the right bank to partner with, with the best fit, and the right expertise, manpower, research and development for the specific client segment needed.”





Thomas Soede

“The next challenge for global players in the electronic market, trading FX, will be to identify the right bank to partner with, with the best fit, and the right expertise, manpower, research and development for the specific client segment needed.”

BNP Paribas offers all the cash products, such as spot, outright and swaps, access to NDFs, and by the end of this year onshore booking in more than 35 jurisdictions on its e-Commerce platform. Soede says: “One of the key drivers in client service, in servicing the needs of multinational customers, is the local booking services available. A lot of the current players in FX are falling behind. They offer NDFs but the ability to offer onshore booking of currencies is only available from a few banks. The ability to trade options, both multi-leg and single leg options including all of the exotic options, will be added to BNP Paribas’ single bank platform, with a beta launch in October, before being rolled out globally.”

Post trade services

For Soede, pre-trade services, such as research and analytics, were the main focus in the 1990’s, and banks zoned in on developing electronic execution in 2000-2010. “These services are now very commoditised and the big focus for banks, especially on the institutional side, will be on post-trade services, and the race is on to see which banks will be able to offer an integrated package, from pre- to post-trade, where a client can trade an NDF or an option from execution all the way down to clearing. BNP Paribas intends to be one of them.”

From March 2011, BNP Paribas enabled iPhone users to access the bank’s GlobalMarkets electronic commerce platform with the launch of its MobileMarkets iPhone application just months after the launch of a similar application for the Apple iPad, giving users access to 33 separate tools, including FX forecasts and trade ideas. A Blackberry application will shortly be added.

Soede says: “This enables our clients to take their user journey with them, whether they are in office with pre-trade, post-trade and trade functionality or taking home an iPhone, iPad or Blackberry service, where they can see all pre-trade functionality, including research, trade ideas and commentary. Stages two and three will be order management and post-trade services. It is not anymore a question of every time, but everywhere. Clients want relevant information all the time.”

He adds that the desktop, PC tablet and mobile are fully synchronised so that the user’s workflow continues across all channels, without interruption. “Our philosophy is not to give our clients a pre-set screen, but to give them a menu where they can subscribe to any parts, and add their services into a ‘container’ that they can design, customise and consume. It is relevant events they want, not everything.”

Further customisation is being worked on for the different job roles of the user base within the company or financial institution, so that the bank’s portal will be personalised to suit the trader, risk manager, and operations staff, depending on what information they need to see. “By creating a communications engine, we can provide social environments between BNP Paribas and our clients at multi-service level access, i.e. our operations staff being able to talk to the operations staff at client level using our proprietary technology. We can take this one step further by creating ‘events’ in the trade lifecycle that clients can subscribe to. This is creating a much wider use of our single proprietary platform. The execution almost becomes secondary,” he adds.

Tailored services

Thomas Vinding, director, head of e-Markets at Nordea Markets says that in the early days of e-commerce platforms many banks, including Nordea, began by building one-size-fits-all platforms for all customer types and while it was a good strategy back then, customers are now much more experienced in using the web and they now put pressure on banks to provide them with much more tailored services. While execution services, including pre- and post trade services, are a must-have, customers expect a range of added-value services from single dealer platforms.

To this end, Vinding says: “Firstly, we offer our clients a huge package of analytical tools, called Nordea Analytics, which enable our customers to get a better overview of their risk exposures and helps them to make what-if simulations on a product or portfolio level as well as delivering deep market insight via historical and real-time analysis tools. Nordea Analytics is especially popular among our more sophisticated customers. Secondly, we offer our customers access to our intellectual property such as research publications and general financial market information such as news feeds, live prices and economic calendars.”

In order to offer tailored solutions, Nordea has developed a proprietary front-end as the only way to achieve high flexibility and be a differentiator. Then based on the customer type, Nordea can then select the most relevant components. Says Vinding: “Modern web technology and new applications come with a lot of new standard build-in features such as hovering, docking and enriched notifications and as these seem to apply fairly broadly these technical improvements can be used to optimise desktop space and at the same time these features improve navigation and usability so that our customers can easily navigate around. All this must be supplemented with a powerful and intelligent free-text search engine as Google which proved many years ago that this is the preferred way of finding information and/or a specific feature.”



Thomas Vinding

“Over time I expect that customers will expect that they can be served electronically in several ways and thus request more than ‘just’ execution services.”

While Vinding believes that the growing use of further services on mobile or tablet applications as a convenient supplement to banks’ e-offerings should be carefully selected, he also believes that they allow banks to present their intellectual property in new and smarter ways that bring the customer closer to the bank. Although not all services are suited to mobile devices, Vinding says that new services, such as podcasts and webcasts are growing in use as an extension of Nordea’s overall e-FX offering.

Smarter FX e-commerce engines

The development of faster and smarter FX e-commerce engines are further empowering clients in their search for best execution and more flexible risk and FX order management, to the extent it has become an arms race these days as banks seek liquidity and build up dark pools in order to be competitive and profitable. He says: “This obviously requires more flow which in turn leads to continued spread compression. For the client this is indeed a positive thing as spreads are narrow and there are plenty of makers to choose from. In today’s FX markets clients are having a good time.”

“When that said since the FX market behaviour and dynamics change as we speak clients may have to enrich their execution tools and capabilities further in order to cope with much more frequent price and spread changes as a result of the algo engines.”

Vinding also believes that the role e-FX plays in facilitating customer relationship models, based around helping clients extract more value from advisory services, is increasing but it is a slow moving trend. He adds: “The most obvious reason for this is that the income effect of these investments compared to investments in e-trading is very blurred, but also that banks’ willingness and short term incentive to follow up on customers of these services is limited. Over time I expect that customers will expect that they can be served electronically in several ways and thus request more than ‘just’ execution services.”

As e-FX platforms continue to develop he believes that there will be a greater tendency towards client specific solutions, however, he suspects many banks will continue to provide product specific services as they will be reluctant to change what they have too much already.

Increasing levels of customisation

Steve Godfrey, executive vice president and head of the Foreign Exchange e-Commerce division at Wells Fargo, says that clients expect the bank to continue

to improve the bank's foreign exchange platform. The bank has had a long standing investment in foreign exchange services, focused on its Foreign Exchange Online (FXOL) service, which was newly-launched earlier this year. The rewrite of the platform has added many features and enhancements, many of which were suggested by clients. This has significantly increased the level of customisation that can be achieved beyond simply providing an FX execution platform.

Godfrey says the new version of FXOL is more deeply integrated into the bank's Commercial Electronic Office (CEO) portal for delivering banking services to the medium to large corporates and financial institutions customers. He says: "This client segment was looking for a foreign exchange application that was integrated and worked in the same manner as other applications that they were using. This means that foreign exchange transactions are now reported in the same way, and delivered in the same mechanisms, as non-FX transactions and regular banking statements."

FXOL allows users to pick from a number of different workflows to execute a transaction. The two primary methods are for those clients that want to get a rate first, and settle using the traditional FX workflow; or for those who prefer to enter settlement instructions first and then get a rate; this will match their internal business process. Godfrey says: "This flexibility of workflow is a key component of the upgrade to the FX platform. It gives our clients greater choice depending upon the security and entitlements that customers might put around the process. Some customers have multiple levels of approval required to execute transactions; others may choose not to do that."

"We have designed the e-FX platform very specifically to meet the needs of this client segment. We have traditionally focused on differentiating ourselves in this segment by providing a single bank application addressing specific corporate FX needs, designed to be integrated into our CEO's suite of applications for treasury, credit and other banking services. Some are executing FX transactions as part of their cash management for global payments, other are using it as a risk management tool in the traditional trading FX activity and need a different workflow."

Adding value

Godfrey says the strategy at Wells Fargo is to differentiate its e-Commerce platforms from its competitors and the bank invests in areas where it can add value. For this reason, the analytical tools provided on the platform are in relation to the



Stephen Godfrey

"Our best ideas always come from listening to our customers"

banking services of user and banking research for making hedging decisions, rather than trying to compete with the news organisations. "We recognise that our customers have already got news feeds so we look to provide functionality to help them make trading decisions, through a combination of analytics and chat functionality, for example when working with our currency strategy team. Our e-products take in consideration the overall relationship and everything we are providing to the client."

Godfrey believes that clients will use electronic products where they are deeply integrated with the traditional phone relationship they have with their banking provider. Wells Fargo continues to adapt mobile capabilities to meet client workflows and the primary demand at this point is to provide notifications and alerts through its mobile channels. One of the areas Wells Fargo will focus on in the future is expanding its global capabilities to serve clients doing business outside of the US and providing e-FX services to wider client segments within the bank. While there is a lot of commonality in what clients are looking for from FX platforms, whether they are a small business, middle market, large corporate or active trading financial institutions, there are differences as well.

He says: "Our client-centred strategy is to build those applications that meet the needs of the particular segments – just as we have FX specialist teams dedicated

to each group. We are looking to expand beyond the commercial and corporate marketplace to also serve the larger financial institutions that are actively trading FX. We see opportunities in this segment to provide services around execution that will make it a very valuable tool for the client, in addition to very solid and fair pricing. We will look to provide rich features in addition to the ability to just pull the trigger on a trade.”

Godfrey believes that one-size does not fit all across clients with different reasons for executing an FX contract and will be designing the platform to suit the specific client segment, with further customisation available. “Our best ideas always come from listening to our customers”, says Godfrey.

Customer service

Stamos Fokianos, global head, e-FX Trading, at RBC Capital Markets agrees that price discovery and instant execution are no longer differentiators, they are prerequisites, and as the industry waits to see how the future regulations will affect the transaction execution and settlement, one of the primary differentiators is customer service. “Clients are not happy with problems just being resolved quickly, they expect not to have problems in the first place. Banks are therefore investing in system monitoring dashboards which warn about a problem being gradually developed (for example, the CPU usage in a particular server), as well as well trained technical staff that appreciate not just the complex IT issues involved in resolving a production problem, but also the financial impact for a modern FX business and its clients being temporarily offline,” he says.

Furthermore, he says these client expectations multiply in the API product offering (an extension of the GUI single bank platform using direct connectivity), where speed and volume are of the essence for accurate trading and order execution. APIs linked to price aggregated OMSs (Order Management Systems) cannot afford to fail in their decision making and subsequent order allocation and there are multiple points of failure that need to be managed in order for this business to be reliably delivered.

The standard of e-FX platforms in the market today, whether single bank or multi bank, is so high that offering good pricing and execution is not enough to compete with the plethora of client options.

Fokianos says RBC aims to offer a comprehensive service that involves multi-asset trading, research and other value-add tools such as: an online FX Forward ‘Maturity Diary’, a real-time Trading Blotter and cash management systems integration enabling clients subscribing to RBC’s Cash Management System, RBC Express Clients to link their trades on RBCDX with an outgoing wire payment.

Fokianos adds: “We are also providing the ability for clients to customise the web-based application so that it fits in to the way they operate. We need to keep in mind that our product is not a means to itself but one of the many tools that our clients need to use daily to manage their daily business. Customisation should not be limited to layout rather there should also be emphasis on usability.”

RBC’s FX orders module offers the ability to view orders in a ‘client perspective’ or ‘bank perspective’. Again the goal is not to create a ‘one size fits all’ rather to create a system that is completely flexible to match all trading styles.



Fokianos adds that the customisation of a webpage is now an expectation by every internet user, and from an operational perspective, it is also essential to process orders in a more customised way; clients provide significant business opportunities through linked and other types of orders that go beyond the simple stop loss or take profit arrangement. RBC is actively involved in discussions with regulators and market infrastructures about the

different ways that FX might evolve, and all its FX product development is done in such a way that can be quickly and easily adapted to any new regulatory requirements. The bank’s electronic pricing and execution processes, whether through multibank or single bank platforms, are already offering competitive and accurate market pricing and can be routed for settlement to central repositories or any other mechanism that will be defined in the future.

New GUI technology

For Fokianos, the most important element of the new GUI technology is the ability to size windows in exactly the way you need them, without compromising the presentation of the information within that window. Resizing windows and being able to detach them from the central applications, allows clients to create their own desktop and optimise their



Stamos Fokianos

“Electronic platforms provide a significant amount of research, data and charts but the human interaction helps to apply this general information to the individual client plans.”

trading space. This resizing and window detachment is extended to charting; charts are adapted easily to the period the client is observing and overlaid by additional curves, such as different period moving averages. Research is also customisable to provide the amount of information that each client requires; this can vary from single line headlines that can be expanded to the full article, to a much bigger space continuously occupied by in-depth analysis.

“We are continuously enhancing our products based on a number of factors, primarily taking into account client feedback. In doing so, we have to balance functionality with security. There are several considerations around institutional business being transacted using mobile applications and, as a consequence, potentially off premises, and to that extend we are always sensitive to conducting our business in a properly regulated way in order to protect the integrity of the submitted transactions,” he adds.

Fokianos believes acquiring e-FX market-share is significantly more complicated today. As mentioned before, the client experience is not limited to just pricing, but it also extends to many other elements including customer support. The bid/offer spread, although very narrow, is not a key point of competition since it is the same by all the main players.

He says: “e-FX engines have been developed to provide “biased” pricing using their internal inventory and therefore price discovery is more around matching a suitable interest. In addition, the prime brokerage businesses of banks allow clients to post their own interest as market makers and in doing so the bank can act as a direct agent matching two opposing client interests or even matching a counterparty bank with a client of theirs.” The combination of axed pricing, precision pricing and being able to act as a direct agent, rather than a risk manager, has therefore added significant variety in price discovery and some might argue has fragmented the market and created the ability for brief arbitrage opportunities that last microseconds.

More time for human interaction

Fokianos also adds that e-FX is primarily designed to facilitate the transactional process so that more time can be invested in advisory services. The bank sales person has significantly more quality time to help clients achieve their business goals by digesting and interpreting through expert analysis a number of different market events in a global interconnected marketplace. “Electronic platforms provide a significant amount of research, data and charts but the human interaction helps to apply this general information to the individual client plans,” says Fokianos.

He believes that customisation is and will always be a key differentiator in the provision of e-FX platforms, although he adds there is a need to balance customisation and economies of scale. He says: “The life-cycle of a product is significantly shorter than what it used to be and it is not enough to spend money to overcome the initial barriers to entry. Once entrenched in the e-FX business, which is essential to support the overall modern global FX business, there is a need to continuously improve the infrastructure, the applications, the look-and-feel and the risk management of the executed transactions.”

This means needing to innovate in order to create temporary monopolies that attract a premium price, before they get copied and commoditised. According to Fokianos, the costs to build and then run this business are significant and may help explain why lower volume products have not yet found their way on the web the same way that cash FX has. He believes that, like every business that requires scale in order to be successful, e-FX needs to keep up with new client demands but deliver those at a cost that makes the transaction a win-win for both parties, something that sounds fairly straight-forward but that is certain to drive the next round of innovation in single bank platforms.