



Global Pulse: FX Platforms

Measuring European buy side satisfaction and selection criteria for EMS platforms

Presented by The Finance Hive, in partnership with EBS Institutional



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Executive Summary

Why this report was written

EMS platforms play a very important role on the desk of buy side investment firms across the globe. The Finance Hive members have been discussing this topic at our meetings for the past few years and expressed a desire to be able to benchmark more around how fellow buy side are selecting and using platforms, and to present collective feedback to providers around their demands and requirements. With the scale shifting further towards buy rather than build on the buy side, these requirements become more pertinent by the day.

With this in mind, The Finance Hive set out to create this collective voice and aggregate the buy side perspective on how the platforms they use function, as well as the criteria they use to select them. This is the first in a series of three reports, subsequent issues of which will cover the US and Asian buy side perspective.

How this report was put together

The report pulls together quantitative insights from survey responses from the buy side which have been aggregated and analysed by The Finance Hive. Qualitative on-the-record interviews add depth and colour to the commentary. The scope of enquiry of the survey was created by heads of trading from some of the largest firms in The Finance Hive network who outlined specifically where they wanted to benchmark and some of the insights they wanted to receive. All of the survey respondents are the key decision maker at their firms or a strong influencer in the decision-making process.

The survey, summary of roundtable discussions from our steering meeting and biographies of the interviewees can be found in the sources chapter of this report.

Key Findings

The key findings from this report include:

- Integration with OMS systems is overwhelmingly the biggest priority for the buy side when selecting a platform.
- Depth of liquidity becomes a greater priority the more time that is spent trading FX over other asset classes.
- Ability to measure market impact and provision of TCA had the least impact deciding which platform to use.
- There is an even split among the buy side of those who think one platform can be enough and those that would prefer multiple.
- The most widely used platforms are easier to integrate and more cost efficient than the rest of the market but fall down when it comes to TCA and their ability to host algos.
- Automation of trades and workflow is the most common way that platforms improve the way the buy side trade.
- In the next generation of platforms, the buy side would like to see more front-to-back and multi asset integration, as well as an improved open architecture.

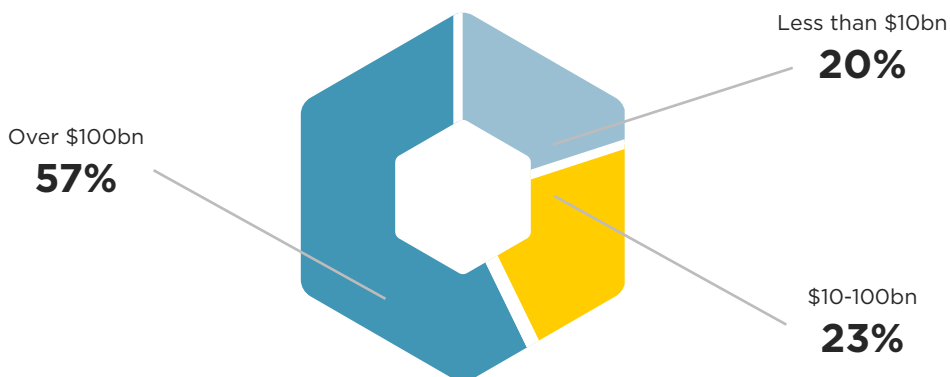
Headline response from a platform provider

This report has captured the essence of the current state of the FX platforms industry extraordinarily well. The relentless drive to do more with less, combined with heightened regulatory oversight and changing liquidity provision from banks is now causing every asset manager to re-evaluate platforms that their firms may have been using for over 20 years. The report shows that the legacy platforms still retain market dominance, probably because it is daunting to change platforms, but it also highlights that their old architecture is unlikely to be able to support the demands of the trading desks of today, let alone support their future aspirations. This is a very exciting time to be in this industry, and this report provides great insights into the, often contradictory, challenges that are faced in reviewing your choice of platform.

About the participants

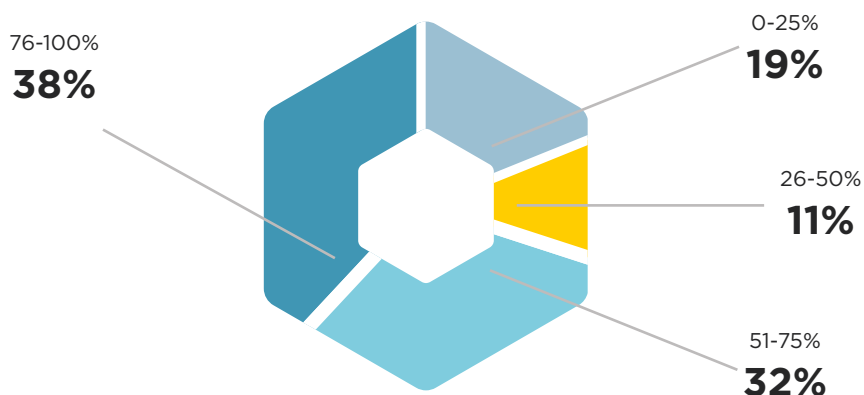
80% of our respondents work at firms that manage over \$10bn of assets, with 57% of the overall number managing more than \$100bn.

AUM

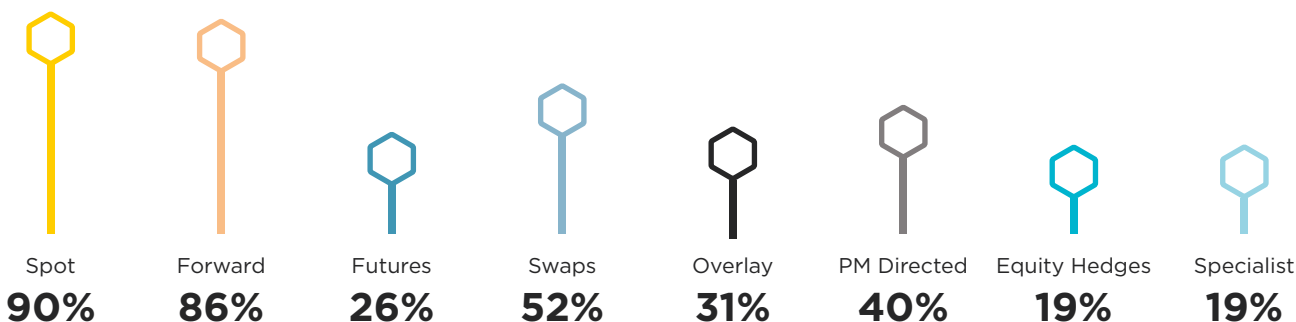


Our members were also asked to disclose how much time they spent trading FX. 70% spent over half their time executing the asset class, and half of those trading more than 75% were dedicating all of their time to FX.

Time spent trading FX



Percentage of flow executed



Spot and forwards were the predominant flows that were traded by a vast majority of respondents, with swaps being executed on just over 50% of desks. PM directed trades in both emerging markets and G10 made up the 4th most common flow, with 40% of our members trading this way.

Section 1

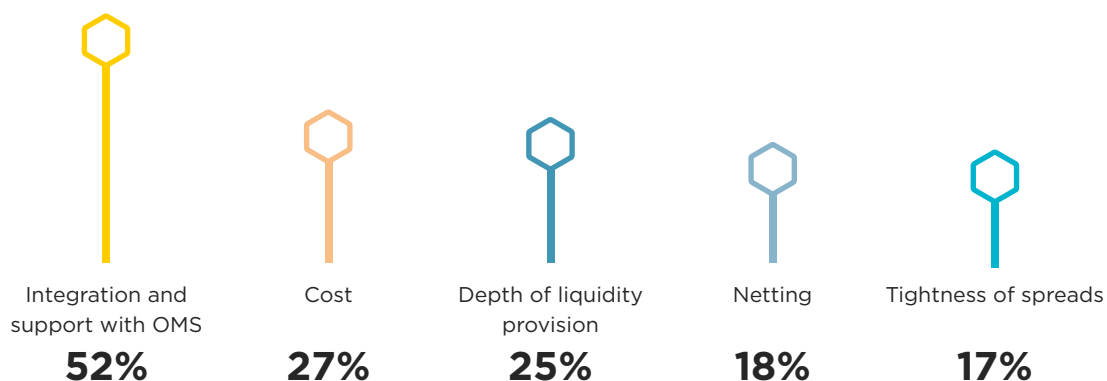
Platform Selection

Top priorities

Participants were asked to pick, and rank from one to five, their top priorities when selecting a platform from eighteen criteria. The results found that integration and support with existing order management systems was overwhelmingly the most vital function an EMS platform could have, followed by cost and then the depth of liquidity provided.

“ *Integration and support with existing order management systems was overwhelmingly the most vital function an EMS platform could have.* ”

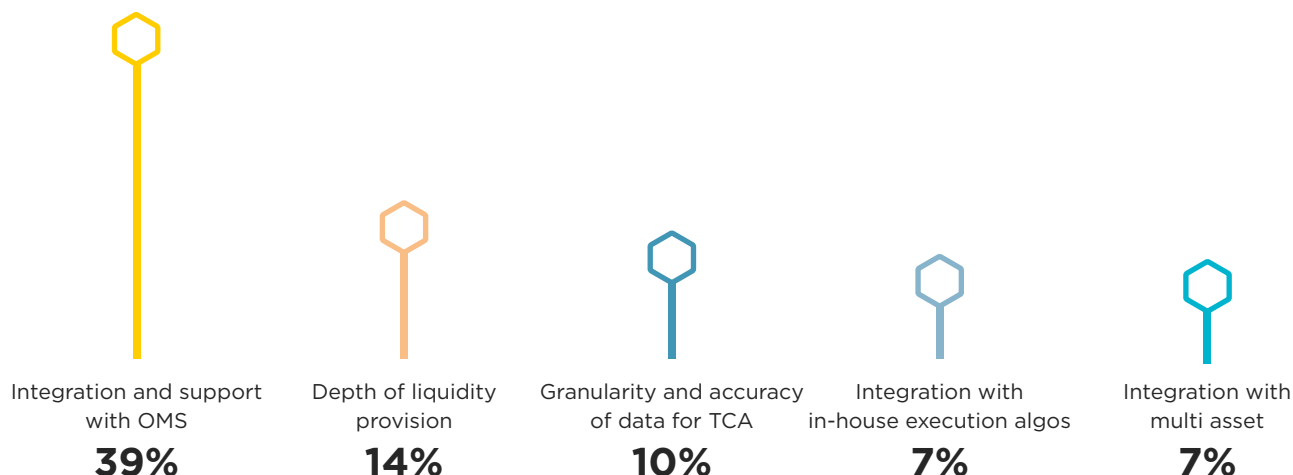
Most common priorities when selecting a platform



An anonymous Head of FX Trading at a firm with over \$100bn of assets commented that it makes sense that integration and support with OMS systems scores so highly as this would certainly be the first question asked in the decision tree used to select a new EMS. Working out how well a platform fits into your desk is also an important consideration when assessing the value that other innovative and useful features will have when moving on further down the decision-making process.

Nor is it surprising that cost scored highly. With the squeeze on fees and waves of regulation demanding the buy side do more work with less resources, finding an economic solution becomes ever more important both to the bottom line of the business and in terms of freeing up budget for other projects. The presence of “depth of liquidity provided” within the top three should also come as no surprise as the increased electronication of markets and algorithmic execution have made the FX markets far less liquid recently. While the availability of liquidity continues to be a major daily concern for FX traders, The Finance Hive’s members are looking for their platforms to offer them the deepest liquidity pools available to counteract this risk.

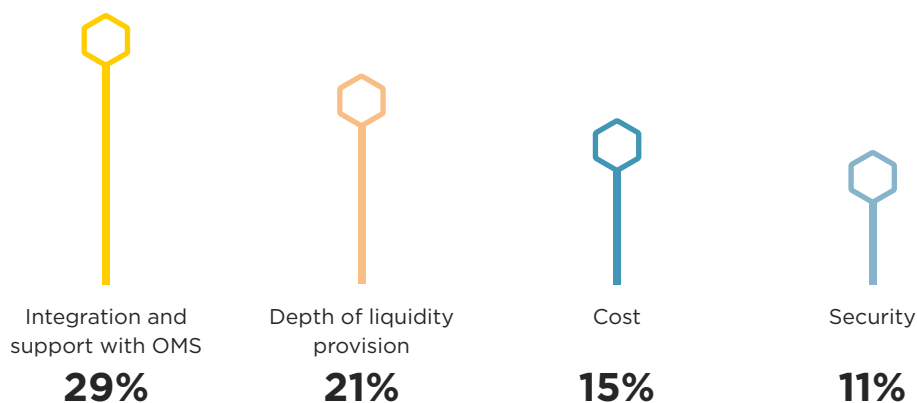
Top priority when selecting a platform



In addition to being such a strong front runner in the overall score, integration and support with existing order management systems performed very well when breaking down the data to look at the buy side's single top priority. However, cost, which scored second overall, was only selected by a single participant. This indicates that while the buy side are certainly looking at overheads when making their decision, selecting a platform that offers them the features they most desire to a high quality is more important than price.

A closer look at liquidity and integration with order management systems

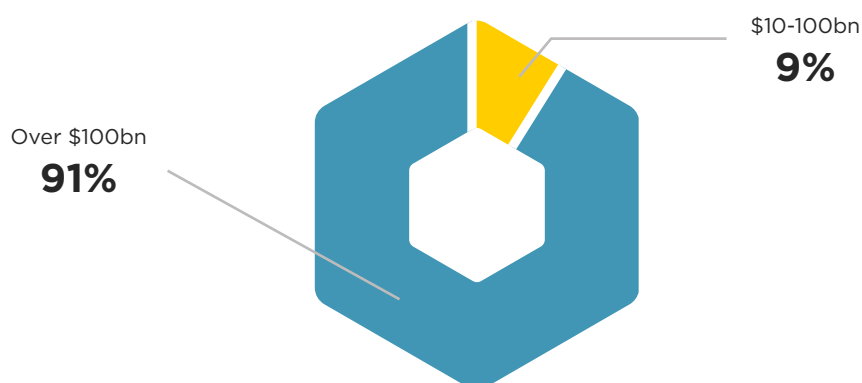
Overall score for those trading FX more than 75% of the time



Depth of liquidity became a greater concern the more time was spent trading FX, as can be seen by filtering the results for overall score by Finance Hive members who trade it more than 75% of the time. The relative disparity between scores for depth of liquidity provided versus integration & support with existing order management systems reduced significantly. Cost was also relegated to the third highest scoring. For Andreas Anschperger, European Head of FX Trading at Allianz Global Investors, "EMS's need to be secure and allow for easy access to different pools of liquidity."

“EMS's need to be secure and allow for easy access to different pools of liquidity.”

AUM of firms who listed integration with OMS as their top priority



Of the respondents who listed integration with order management systems as their top priority, an overwhelming majority were from firms with over \$100bn in assets. There were no respondents who ranked it as their top priority from firms under \$10b - which one could expect to have more agile desks with a less diverse range of tools built into it. Therefore, as smaller asset management firms are investing in new technology, they should be mindful that their growing infrastructure should remain consistent, so less time and fewer resources need to be dedicated to assessing a platform's ability to integrate into their workflow. More attention can then be directed towards other functions that will improve the way they execute and analyse trades. One of the key takeaways from the roundtable at our meeting was that a lack of a desire to disrupt workflow was one of the greatest prohibitors of platform innovation on the buy side.

Lowest Scoring Priorities

Lowest scoring priorities when selecting a platform



Despite Finance Hive members being concerned with the effectiveness of their transaction cost analysis and ability to measure market impact in general, it seems that EMS platforms are not the tool they use to address these concerns, as they scored joint last in terms of overall score. For Brendan McMurtray, Market Structure and eFX analyst at T. Rowe Price, the more immediate issues that are going to have a direct impact on workflow or the platforms immediate function (such as integration and depth of liquidity provided) will always come out on top. TCA and the ability to measure market impact are certainly useful and important, but they are far from critical. Brendan continues that there is certainly room for more upstream and downstream integration going forward, but for now it seems that these two functions are being kept separate. At T. Rowe Price they have a TCA separate from their EMS platform, and Brendan expects this to be the case at the majority of large buy side firms.

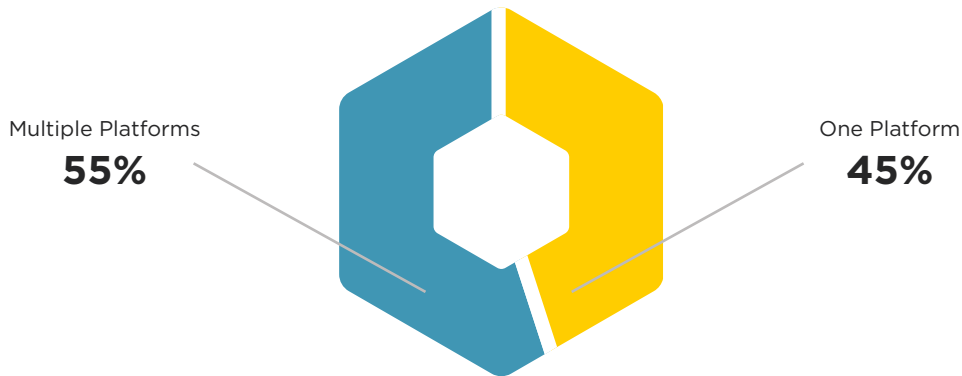
It should also be noted that the buy side are not too concerned whether platforms are owned by banks, or if they are independent, so it is worth keeping an open mind and shopping around among different types of institutions offering platforms.

Section 2

Platform Functionality

What platforms are the buy side using and how do they compare?

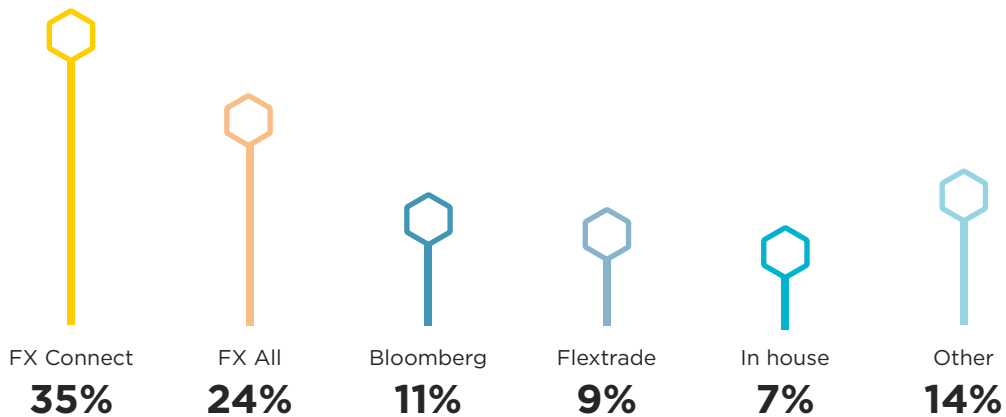
Buy side who use one or multiple platforms



The Finance Hive asked members whether they use one or multiple platforms on their desks and found a relatively even split, with 55% of buy side using more than one platform. At Allianz Global Investors, Andreas Anschperger uses two EMS Platforms. He describes one as “the lifeblood of the business” that is used as an OMS and EMS, while the second execution tool is primarily used as a backup system. The second EMS is also used for certain analytics where it performs better than the primary platform.

We also asked our members which platforms they used and broke this down into market share.

Platforms by Market Share



FX Connect and FX All were the most widely used platform from our sample, with over 50% of buy side having at least one of these on their desk. The next most cited among our members was Bloomberg FX Go, which was only used on just over 10% of desks.

Platform	TCA provision	Can it host algos	Integration	Cost	Post-integration support
Total	✓	✓✓	✓✓	✓✓	✓✓
FX Connect	✓	✓	✓✓	✓✓	✓✓
FX All	✓	✓	✓✓	✓✓	✓
Bloomberg	✓	✓	✓	✓	✓
Flextrade	✓✓	✓✓✓	✓	✓✓	✓
In House	✓✓✓	✓✓✓	✓✓✓	✓	✓✓
Other	✓✓	✓✓	✓✓✓	✓	✓✓

With an understanding of what the buy side were using, the next question was how do they compare to one other? We asked our members to rank their platform out of five for each of the above criteria and then took the average to grade them one two or three - resulting in the table above.

Some of the key findings include:

- FX All and FX Connect are lagging behind other systems when it comes to TCA provision and their ability to host algos - two crucial pieces of technology to the modern-day trading desk. However, when it comes to the two selection criteria that were highlighted as the most important - integration and cost - FX All and FX Connect pick up their biggest wins. FX Connect also performs well when it comes to post-integration support.
- Members who built their own systems instead of buying a platform were far more satisfied with their TCA provision and ability to host algos as well as in the areas of integration, but this required far more investment from a cost standpoint.
- Flextrade performed better than the more common platforms in provision of TCA and ability to host algos, but integration and post integration support let them down. If the buy side want to take advantage of Flextrade’s superior offering in TCA and algos then they may need to look at the other tools in their workflow and see if any other systems can be updated at the same time to make integration easier, or whether the disruption caused by integrating is worth the payoff once Flextrade is up and running.

Can one platform ever be enough?

The percentage of buy side who thought that one platform could be enough and those who disagreed was almost identical. Interestingly, this near even split does not change much at all when filtering the results by AUM, time spent trading FX, types of flow or which platforms are used, which leads The Finance Hive to believe that this decision is made on a very specific firm to firm basis and is not informed by any of the measures we set out to collect.



Further comparison between these two samples shows that there are in fact some buy side who are using one, but don't think one can be enough, and some who use multiple but do.

How many platforms do you use and can this ever be enough?



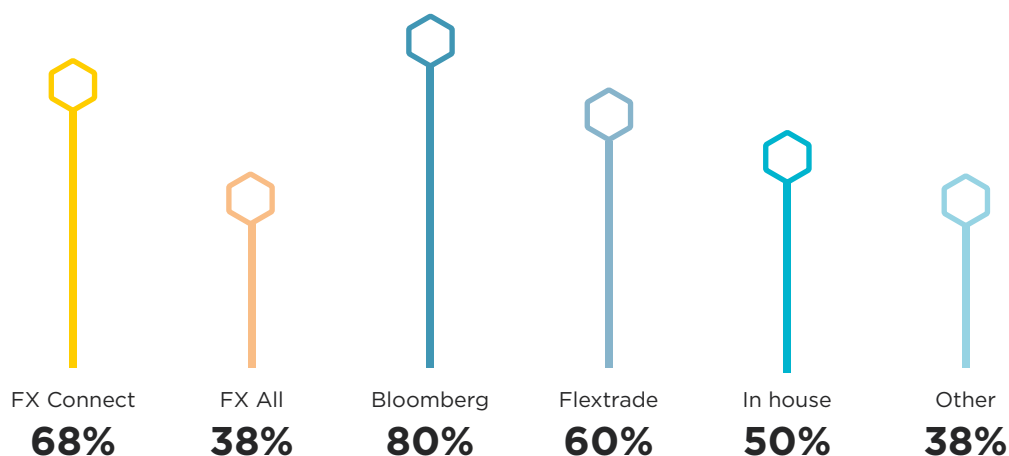
Aside from the additional liquidity that can be accessed by the buy side from using more than one platform and a wider range of functions able to be employed, another reason our members thought that more than one platform was necessary for their desks was to do with business continuity. If one platform was to fail and ability to execute trades was affected, not having a backup could be a serious problem.

“ *Two EMS platforms is the sweet spot as maintaining and installing a larger number of tools is creating more complexity.* ”

For Andreas and Daniel Chambers, Head of Trading at Sequoia Capital Fund Management, two EMS platforms is the sweet spot as maintaining and installing a larger number of tools is creating more complexity and there is a diminishing productivity the more you add. They agree that you don't want to overburden your workflow.

How satisfied are the buy side with the platforms they use?

Would you recommend your platform to a peer?



Despite its poor ranking on the various performance criteria, Bloomberg's FX Go performs very well when we asked if our members would recommend their platform to a peer. Another interesting finding from this question is that FX All was a lot less likely to be endorsed than FX Connect despite the scores of the two platforms' functions being rather similar. Despite Flextrade's challenges when it comes to integration and post-integration support, it seems that once it is up and running its superior ability to provide TCA and host algos comes through to give it a 60% referral rating. If the buy side can deal with the disruption to workflow that implementing this platform would cause, then it might be worth considering for overall performance.

“ FX All was a lot less likely to be endorsed than FX Connect despite the scores of the two platforms' functions being rather similar. ”

We also asked the buy side if their platforms improved the way they traded and if so how? In addition to the responses, only 7% of buy side said that their platform did not improve their execution.

The most common way that platforms improve the way the buy side trade was automation of trades and workflow. As automation continues to grow across the industry, the buy side are increasingly reliant on technology solutions to execute orders, and platforms are an essential part of this process.

Section 3

The Next Generation of Platforms

What demands are the buy side making for platform innovation?

According to Andreas Anschperger, Allianz Global Investors, the ideal scenario is that platform providers can offer a solution that supports the entire workflow from order generation via order management, execution by the trader to office tracking and reporting. It is also crucial to include a strong referencing pricing tool in order to have a neutral market price when executing.

For a large institutional manager like T. Rowe Price, this seems quite unlikely as a short-term goal. Brendan McMurtray raises the point that they have an OMS that works across multiple asset classes so to employ a front-to-back platform for FX would be too difficult right now. If anything, with a separate front-to-back platform for each asset class, they may be creating a less efficient workflow than if they harnessed the capabilities of systems that can work across asset classes. There is certainly more potential for innovation in improving multi-asset integration, and for Brendan, that would have more immediate benefits.

Our survey respondents covered a wide range of functions when we asked them which specific changes they would like to see. There was not an overwhelmingly present demand which implies that the utopian outcome of a complete front-to-back solution is still, as Brendan suggests, far away. The one theme that stood out was a demand for better TCA, with better data granularity and pre-trade analytics being requested. As the lowest scoring function across all platforms and the worst feature of the most commonly used in the industry, the buy side certainly feel as if they are not getting access to the TCA tools they require from their platforms, and perhaps this should be an immediate focus for improvements.

Members involved in the roundtable discussion at our meeting highlighted TCA and the need for a central tape as one of their demands, mirroring the results of the survey. A need for more effective netting was also discussed – a demand for improvement also seen in the responses here.

Daniel Chambers, Sequoia Capital Management, agrees that building better TCA into a platform would be really useful for the buy side if they do not have an internal system in place. The reasons he cites for this is a more consolidated workflow that would have one less independent system and therefore one less relationship for the traders to manage.

Cost and integration with OMS systems do seem to be meeting the buy sides demands somewhat. In conjunction with being the highest priorities, they also scored highest in terms of functionality, although improvements could still be made to live up to proprietary systems.

“ *The one theme that stood out was a demand for better TCA.* ”

How can these demands be met?

Daniel Chambers accurately points out that it is difficult to say what platform providers should be doing to better meet buy side demands as every platform is going to need to improve in different areas and every buy side firm is going to have different demands.

For Andreas, interfaces between systems need to be installed and maintained with ease. This is not as simple as it should be and is currently a work in progress. If you are an active manager like AllianzGI, processes need to change from time to time and you need to make sure that the EMS can adapt to these changes as simply and securely as possible.

“ *Interfaces between systems need to be installed and maintained with ease.* ”

Andreas goes on to say that “a one size fits all model is never going to work for active managers. Therefore, platform providers need to be able to offer a more flexible product that can be tailored for each individual client. The other side of the coin is that if the platform is not owned by a bank, broker or ECN, then liquidity providers need to be ensuring that everything is in working order and fully adapted on their side as well.”

Brendan McMurtray highlights that offering an open architecture is vital for the customisation and ease of integration mentioned by Andreas to occur, although platform providers are quite far from meeting these demands.

“ *Offering an open architecture is vital.* ”

He continues that adoption of other types of platforms from the buy side would probably help with innovation and pricing in the long term. Some of the incumbent platforms don't have the incentive to change or stay competitive on pricing due to the significant resources and disruption that is caused by changing platforms.

It is important for newer platforms to focus on ease of integration to justify the buy side changing out to newer players that can offer advanced features and functions that are able to significantly improve the way the buy side trade. Trading flexibility (order splitting and partial fills) and intelligent automated execution are some of these features that Brendan hopes will be available in the trading platform of the future.

Section 4

Conclusion



Selection criteria

As laid out in the executive summary, the first goal of this report was to create an aggregated consensus on the top priorities held by the European buy side when it comes to selecting what EMS platforms they use.

An overwhelming frontrunner from the survey responses on the most important performance criteria was ease of integration with order management systems. This reflects the commentary from our buy side members that one of the biggest considerations when investing in any new technology is the extent to which it will disrupt existing workflow during the implementation and post-implementation stages. Depth of liquidity on offer was the second most prevalent priority, and this became more important to the buy side the more time was spent trading FX.



Functionality ratings

The second goal was to compare the functionality of the different platforms our members used and get a sense of how satisfied they were.

When comparing the most prominently used platforms, FX Connect and FX All were considered easier to integrate and were able to offer valuable post-integration support but needed to work on their built-in TCA and ability to host algos. It is worth mentioning that since this survey was conducted, the landscape has consolidated and both of these platforms have taken steps to improve their TCA capability. In tune with The Finance Hive's goals of being a timely and relevant gauge of buy side opinion, we will look to conduct further research to assess how successful these efforts have been.

As part of judging the functionality of platforms, we asked the buy side how many they used, and whether they considered this number to be enough, finding a near-even split among those who used one or multiple. Although this was also true for the second question, a closer analysis of the responses showed there were just over a third of buy side that were using either a greater or fewer number than they considered to be enough.



Platform evolution

The final goal was to present the buy side's demands for future innovation and look at how these gaps could be plugged.

While automation and improvements to workflow were the main ways that platforms were judged to improve buy side trading, better TCA and more open architecture were the most prevalent requests for improvement. There is some debate on the usefulness or even possibility of an overarching front-to-back solution that covers the entire lifecycle of a trade, with cross-asset integration being cited as being a more desirable goal.

Commentary from our members highlights that the fastest road to progress not only requires platform providers to develop new technology based on their demands, but for the buy side themselves to have a more open-minded approach to adopting new technology as well.

Global roll out of the research

Having met these three goals in Europe, The Finance Hive will continue with our "Global Pulse" Research initiative. The same survey is being fielded in North America and mainland Asia in order to offer these markets a regional benchmarking tool, and we will also present the similarities and differences in opinions across these continents.

Section 5

Response from a platform provider Simon Wilson-Taylor, Head of EBS Institutional, CME Group

Integration

Integration with other systems in FX and integration between asset classes has been a key focus of this report, from selection criteria through to demands for future innovation. It is perhaps ironic that in an age of increasing standardisation of trading protocols, the integration of trading systems is sometimes constrained more by business interests than by technology. The technology part of this equation is increasingly easy, so asset managers can greatly assist their cause by working with their present and potential technology partners in an open dialogue to identify any potential obstacles as early as possible. It is particularly important that all costs and fees are understood throughout the trade lifecycle (even those fees not paid by the asset manager) and that the asset manager is comfortable with how these fees are apportioned, and how they might impact trading costs and spreads. The most successful integration projects occur when the asset manager takes an active role in bringing all parties together at the same table.

Supporting the full trade lifecycle in a single platform is possible, albeit ambitious, and there is perhaps a question as to how desirable this may be.

“ *Supporting the full trade lifecycle in a single platform is possible, albeit ambitious.* ”

The full lifecycle includes so many widely different components, but taking order generation alone as an example, there are many variables. For global fixed income managers in particular, the FX component of the investment decision is very significant, so specialist portfolio management and optimisation tools are required to generate the order. Even the most basic passive currency overlay requires intelligent re-balancing tools to avoid over-hedging in volatile markets, and an active trader will require very specific modelling and analytics tools. This degree of variety alone is difficult for a “jack-of-all trades” platform to satisfy, and when extended across the whole lifecycle becomes near impossible.

While bundling all of this into one solution may be thought to be convenient, particularly for smaller asset managers, most larger firms still seem to divide their technology purchasing decisions into three distinct areas; portfolio construction and pre-trade compliance, execution management and trading, and settlements and clearing.

“ *Most larger firms still seem to divide their technology purchasing decisions into three distinct areas.* ”

TCA

Another strong focus was on a platform's ability to provide TCA, and whether this was best left to third party providers or could be incorporated into the platform. From our experiences, as TCA has become more widely adopted, its users have come to realise that the only truly effective TCA uses the price data they capture from their liquidity providers, as this enables actionable forensic analysis of the actual market available to the user. If they wish, this can then be supplemented with additional externally sourced reference data to avoid endogeneity.

The effective use of TCA in FX is still evolving. What seems to be developing is an understanding that two forms of TCA are required, one for client reporting and compliance, and a second one for monitoring and improvement of execution performance at the individual asset class desk level. This is the new imperative that buy side FX traders see as a high priority. Until recently, most TCA was purely a post-trade reporting requirement and was either not available, nor used in real-time.

Measuring performance against the actual market available to you enables the targeting of specific areas for improvement in a way that independent services cannot. Therefore, platforms built in a high-performance database which can capture and analyse every data point can provide a much more powerful TCA and reporting service than an independent provider.

“ *The effective use of TCA in FX is still evolving.* ”

Another key advantage of TCA and reporting being embedded in the platform, is that it can be truly real-time. This is useful not just for reporting purposes, but also for innovative feedback into the trading process itself. The survey results that show TCA as a low priority probably reflect the fact that the TCA offered by many platforms is either not well developed or is offered through partnership with an external provider. Provision through an external partner does not demonstrate the advantages that an advanced and embedded TCA solution can offer. Frankly, it also takes time for asset managers to adopt new technologies, and the new forms of embedded real-time TCA are only now beginning to get real traction.

How can platforms improve the way the buy side trade?

This report highlights that platforms certainly improve the way the buy side trade, but also that there is plenty of work to be done to optimise these benefits.

Needs that are not being met by any provider fall into two distinct areas. The first are the services not yet supported by liquidity providers electronically. In the transition from voice-style trading to fully electronic trading, there are still many things a bank voice-sales trader can do that a fully electronic platform cannot offer. This continues to evolve as client demand encourages banks to invest in API solutions for all their services but will probably always be a work in progress. Secondly are market structure issues. An example of this is that most asset managers do not have prime brokers and therefore still have liquidity and credit tied together in their trading process. This limits their access to non-bank liquidity and primary and secondary market venues.

Asset managers are still in the process of reacting to the dramatic shift in the way liquidity is provided by banks since the financial crisis and the introduction of new regulation. Pre-crisis, most banks sought the kind of large ticket risk-transfer trading business that asset managers generate. Today, most banks have shifted the management of their FX risk trading from traders to machines, and there are very few banks prepared to take these large risk positions. This has forced a massive change on asset managers as they now must manage FX risk themselves and need the tools and technology to carry out that task. In the interim period, many have used algos from banks to manage this risk, but increasingly are adopting new EMS technology to internalise these processes and reduce execution costs.

Sources

Biographies of contributors

Andreas Anschperger, European Head of FX Trading, Allianz Global Investors

Allianz Global Investors is a leading active asset manager with over 730 investment professionals in 24 offices worldwide and managing more than EUR 500 billion in assets for individuals, families and institutions.

Andreas Anschperger has been the European Head of Foreign Exchange Trading at the firm since 2004. Andreas is a senior trading specialist with substantial industry experience of more than 20 years in all types of FX products having expertise in portfolio management, trading, execution, clearing, implementation of regulatory requirements and all related tasks.

Andreas is chairing The Buy Side Trader Forum and Currency Management Group at BVI (German Investment Fund Association)

Daniel Chambers, Head of Trading, Sequoia Capital Management

Daniel is responsible for all aspects of trading within Sequoia Capital Fund Management. He is currently trading GIO FX Spot and is constantly working to reduce trading cost and efficiency through the building of execution algorithms and implementation of trade cost analysis tools. In addition, Daniel oversees each part of trading through communication with liquidity providers, aggregators and prime brokers. Prior to his current role, Daniel worked as Head of Back Office.

Brendan McMurtray, eFX & Market Structure Analyst, T. Rowe Price

Brendan McMurtray is an FX Electronic Trading & Market Structure Analyst in the Global Trading Division of T. Rowe Price. He is an assistant vice president of T. Rowe Price Associates, Inc. Brendan earned a B.S., summa cum laude, in chemical engineering from University of Maryland, Baltimore County and is a member of Phi Beta Kappa. He has passed all three levels of the Chartered Financial Analyst program.

Simon Wilson-Taylor, Head of EBS Institutional, CME Group

Simon Wilson-Taylor, Head of EBS Institutional, has worked in the financial markets for over 40 years, including leadership positions at State Street, HSBC, Record Currency Management and UBS. Following a successful career on the buy side building and running currency overlay businesses, Simon led the creation of the world's first client facing multi-dealer FX platform. Nearly two decades later Simon launched a fintech startup to build and operate FX trading platforms and venues for asset managers, which was acquired by what is now the CME Group to form EBS Institutional.

Firms that contributed

Allianz Global Investors	Fidelity International	MAN Group	Russell Investments Santander
AMP Capital	Fidelity Investment Management	Manulife Asset Management	Asset Management Schroders
Amundi Asset Management	First State Investments	Mesirow Financial	Sequoia Capital Fund Management
Aquila Markets	Florin Court Capital	Millennium Global Investments	Shell Treasury
Arke Capital	GAM	Natixis Asset Management	State Street Global Advisors T
Arqaam Capital Investment Management	GIC	Newton Investment Management	Rowe Price
Aviva Investors	Goldman Sachs Asset Management	Nordea Asset Management	Tanbridge Capital
AXA Investment Management	GSA Capital	Orb Wealth Management Ostrum	Tellurian Capital Management
Baillie Gifford	Harmonic Capital	Asset Management Partners	Total
Dimensional Fund Advisors	Insight Investment	Group	UBS Asset Management
DWS Asset Management	Investec Asset Management	Pordum Investments	Vanguard
Eaton Vance Management International Ltd.	King William Street Capital Management	Prudential	White Oak Asset Management
Eisler Capital	Macro Currency Group	Quantic Asset Management	
Eleuthera Capital		Royal London Asset Management	

About The Finance Hive

The Finance Hive supports the global buy side trading community by promoting collaboration and facilitating opportunities for innovation. The objective is to gather brilliant minds and create ground-breaking content, so market players can thrive in a continuously evolving ecosystem.

As financial markets are increasingly traded electronically, widespread change sweeps through not only the technology provider landscape but the market structure itself. One of the most noticeable effects has been an increased reliance on digitalisation and automation which has reduced the need to build relationships or engage in cohesive communication.

The unique platform The Finance Hive (www.thehive-network.com) provides, enables the most senior and influential buy side trading professionals from across the globe to respond to industry issues, successfully engage with regulators, share knowledge and benchmark with likeminded peers.

It is specifically designed for global heads of trading, heads of equities/FX/fixed income trading, C-level executives and managing directors from long-only asset management companies, corporate treasuries, currency managers and hedge funds. The network also includes senior representatives from banks, market-makers, prime brokers, exchanges, platforms and technology providers.

About EBS Institutional

EBS is a leading provider of electronic trading platforms and technology services in foreign exchange markets. EBS is a part of CME Group. As the world's leading and most diverse derivatives marketplace, CME Group (www.cmegroup.com) enables clients to trade futures, options, cash and OTC markets, optimize portfolios, and analyze data – empowering market participants worldwide to efficiently manage risk and capture opportunities.

CME Group exchanges offer the widest range of global benchmark products across all major asset classes based on interest rates, equity indexes, foreign exchange, energy, agricultural products and metals.

The company offers futures and options on futures trading through the CME Globex® platform, fixed income trading via BrokerTec and foreign exchange trading on the EBS platform. In addition, it operates one of the world's leading central counterparty clearing providers, CME Clearing. With a range of pre- and post-trade products and services underpinning the entire lifecycle of a trade, CME Group also offers optimization and reconciliation services through TriOptima, and trade processing services through Traiana.



The questionnaire

FX TRADING BENCHMARKING SURVEY

1. What is the approximate value of assets under management that are serviced by your trading desk (please circle)?

<\$10bn \$10-100bn >\$100bn

2. Approximately what percentage of your time is spent trading FX?

3. What type of flow do you predominantly have? (Tick all that apply)

Spot	
Forwards	
Futures	
Swaps	
Overlay	
PM-directed - Emerging markets	
PM-directed - Developed markets	
Equity hedges	
Specialist (e.g. x currency basis points)	

4. Platform Evaluation

a) What is the primary EMS platform you use?

b) What is the approximate price p/million traded (USD)

c) Does your platform connect to any non-banks? Which ones?

d) Which asset classes can be executed on this platform?

e) Which instruments can be traded?

f) How does this platform improve the way you trade?

g) What is the single biggest improvement you would like to see this platform make to their product?

h) Would you recommend your platform to a peer? (please circle)

Yes No

i) Do you use one or multiple EMS platforms? (please circle)

One Multiple

j) Are you looking to increase the number of platforms you are using? (please circle)

Yes No

k) Can one platform ever be enough?

Yes No

l) Please score the following aspects of your platform out of 5

TCA provision	
Ability to host algos	
Ease of integration	
Cost impact	
Post-integration support	

m) Would you recommend this platform (please circle)?

Yes No

5. Platform Selection

Please indicated the top 5 (1 being the most important criteria you would consider when selecting a platform

Integration and support with OMS	
Time stamping	
4pm fixing	
Integration with in-house execution algos	
Ability to measure market impact	
Granularity and accuracy of data for TCA	
Provision of TCA itself	
Integration with multi asset	
Transparency on cost per trade	
Netting	
Depth of liquidity provision	
Tightness of spreads	
Willingness and ability to deal with ad-hoc requests	
Security	
Ease of platform migration/adding additional platforms	
Compliance with local/global regulation	
Cost	
Independent vs bank owned	
Other? (Please Specify)	

“Platform Innovation” roundtable summary

About

At The Finance Hive’s London members meeting in December 2018, EBS hosted a roundtable discussion for senior and head FX traders from some of the largest buy side firms in Europe, ranked by AUM. The roundtable discussion focused around their desires for platform innovation, its prohibitors and identifying the direction of the market going forward.

Conversation summary

The buy side is in a unique position when it comes to the balance of power in the platform arena – having never had a voice as big as they do now.

The Global Code of Conduct was discussed in great detail and there was a consensus that it had become something of a “quality label”. As the Global Code becomes a recognised staple of the industry, questions were raised about what’s the “next big thing” the buy side will have to deal with.

The FX spot market still not being regulated is hard to believe and poses the most obvious target for regulators. Whatever the challenge may be, everyone on the buy side should be prepared for change – whether that be due to Brexit, a potential MiFID III or some other form of regulation. Platform providers also need to be doing their bit to prepare and steer the buy side through new waters.

Banks & the buy side have come to point where the answer to the question “build vs buy?” is shifting towards “buy” recently, which means they are looking at Fintech companies to partner with, instead of trying to fight them off.

Additionally, there were calls for a community TCA tape that would improve trading immediately. Effective netting was also raised as something incredibly important.

Key takeaways

“Innovation is stifled by the comfort of existing systems”

There is an unwillingness to disrupt workflow in the short term while staff get used to new systems so long term improvements are neglected. This is especially the case in the larger and less nimble asset managers and might actually serve to be the biggest prohibitor to innovation.

“Fee models for platforms could be reformed”

The idea of zero fee platforms or a system where brokerage fees are paid to the EMS were both considered. There were questions raised around whether the traditional brokerage model of the sell-side paying MTF fees was still a viable option.

“More buy side collaboration”

With the balance of power swinging towards the buy side, collaboration is an important aspect of maintaining or accelerating the shift. Ownership of peer-relevant data and a central peer database to analyse forward points were both considered as solutions to some of the challenges that platforms were yet to solve.



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