

To optimize FX trading, move to a modular future

The foreign exchange (FX) space today is undergoing a rapid evolution. Thanks to growing electronification, greater investment in technology and analytics and industry-wide momentum toward multi-asset trading, it has never been more important to update, adapt and customise systems and workflows and ultimately create intellectual property for these markets – yet many market participants struggle to do so.

Most of the vendors who sell to this market do not provide adequate solutions. On one side, monolithic providers have created a fixed set of functionality and configuration, with recent consolidation only serving to further reduce diversity on offer. On the other hand, there are a handful of vendors that focus on FX, developing best of breed of a very specialised component that must fit into a larger, flexible infrastructure. Then there are the banks that choose to eschew third-party solutions entirely and build their own in-house systems, creating high costs and ongoing maintenance pressure.

These tactics represent the industry's efforts to identify the best path forward in a shifting landscape, but in reality, there is no one-size-fits-all model. FX trading platforms should be a unique fit for each client, leveraging component-based and modular design to create flexibility, support the creation and management of IP and maximize the impact of each tool. This article will explore how Itiviti, a Broadridge Business, solves for pain points in FX markets – but first, let's explore why these challenges have become so acute in recent years.

ELECTRONIFICATION AND SOPHISTICATION EQUAL COMPLEXITY

There are many trends that have fueled complexity in FX markets, but perhaps the most significant is that they are undergoing "equitization" – that is, developing a level of sophistication that historically was seen only in the equities space.

"The FX spot market in particular is becoming more quantitative and systematic, with a rapid proliferation of algorithmic means of execution. In addition, the OTC nature of FX markets has led to growing fragmentation, fueling further complexity," said Olivier Werenne, FX Sales Manager at Itiviti, a Broadridge Business.

This equitization also affects the vendor space. FX market participants are diverse – some are focused on pricing overall positions, while others emphasize credit and distribution. This wide range of hyper-specific needs has created a cacophony of niche vendors who may have a best-in-class solution



Olivier Werenne

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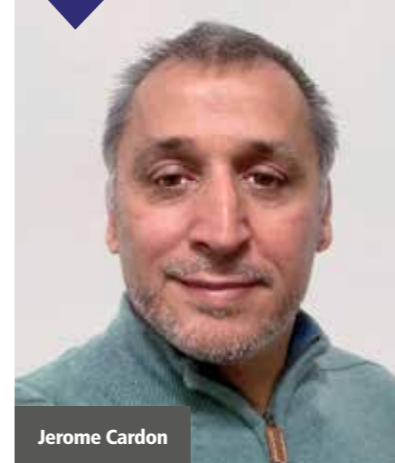
for a particular aspect of trading, such as pricing or distribution, but are ill-equipped to support their clients over the entire workflow.

Of course, legacy behemoths contrast sharply with these vendors. Monolithic providers may offer a greater breadth of functionality, but the variability required of an FX solution leads to their downfall. The fact that a participant's franchise focus, be it currency pairs or new products such as NDFs or swaps, can shift at any time necessitates systems that can adapt with minimal disruption. Similarly, as best-of-class data sources shift or execution venue capabilities increase, they must be able to seamlessly integrate and offer improvements to remain competitive.

Large banks trying to white-label their internal solution combine the shortcomings of monolithic systems with the wider issue of conflict of interest, as these organisations may at any moment move away from non-core activities, including serving as their own software vendors and service providers.

Beyond equitization, the growing demand for multi-asset trading solutions is another important trend affecting FX markets. All market participants are more conscious of trading flow value, so if there is an avenue to monetize this part of their franchise, they are eager to take it. A multi-asset approach also positions these firms for the future, as such a solution supports organisations expanding to new assets.

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Jerome Cardon

A COMPREHENSIVE SOLUTION

In many cases, these trends reflect a greater overall opportunity in FX markets, but taking advantage of this opportunity requires an optimal approach, far beyond what legacy vendors can provide or market participants can build in-house. Itiviti is the only provider that can deliver the flexible, effective solutions the industry requires, creating an adaptive electronic trading platform for FX and beyond.

This is a product of Itiviti's open software architecture, which leverages a modular design. By building systems comprised of independent, loosely coupled components, clients gain significant freedom to adopt new strategies, integrate the precise functionality that will generate value for them and avoid wasting internal teams' focus on platform maintenance.

For example, organisations can focus on implementing their specific execution KPIs, including risk factors, and inject these into a Smart Order Routing solution, effectively implementing their own algo wheel. Because these modules can be deployed for multiple tools across the organization, time to market is accelerated and potential for customization increases. They also

enable incremental upgrades, so firms can seamlessly react to new market forces and incorporate new tools without breaking the entire system. In addition to enabling more robust and flexible functionality, Itiviti's technology can easily scale as clients grow their businesses and expand to new locations. As a global solutions provider to over 2,000 financial institutions across the globe, Itiviti has a long track record of supporting its clients' evolutions and meeting their needs no matter how they evolve. A component-based approach is key to this. Development and testing time are greatly minimized – as long as there is a growth plan in place, Itiviti can accommodate it.

This flexibility applies not only to the functionality that clients need, but also the markets they want to be in – Itiviti provides solutions that are truly agnostic in terms of asset class. The ability to access information and perform mission-critical tasks for all asset classes via a single platform and provider unlocks powerful efficiencies and dramatically reduces costs, helping market participants navigate the shift to multi-asset trading with ease and efficiency. This is true for firms looking to enter FX markets for the first time, as well as those that want to integrate an existing FX desk more closely with the larger organization.

ABOUT ITIVITI, A BROADRIDGE BUSINESS

Itiviti provides nearly 2,000 financial institutions worldwide with flexible, cross-asset trading solutions that cover the full trade lifecycle. Through its commitment to technology innovation, relentless pursuit of workflow efficiency and an entrepreneurial culture, Itiviti is disrupting the industry with highly scalable solutions that deliver unprecedented cost savings for clients. Itiviti was acquired by Broadridge Financial Solutions, Inc. (NYSE: BR), a global Fintech leader and part of the S&P 500® Index, in May 2021.

Itiviti's strong use case in FX markets is part of its overall mission to support its clients through as many capital markets workflows as possible. The firm's app-based Tbricks solution has delivered low latency, high throughput and extreme scalability for years, and recently the firm has invested considerable resources in providing such solutions for its clients' growing needs in the FX space. Now, after being acquired by Broadridge in May 2021, Itiviti has the support and backing of another trusted fintech player, further improving its position to transform these markets.

"When firms decide to replace their technology provider for FX, they will naturally attempt to identify vendors that can deliver efficiencies in other asset classes as well," said Jerome Cardon, FX Product Manager at Itiviti, a Broadridge Business. "Itiviti's longtime leadership in the equities space, combined with our highly flexible, modular architecture and now with the extended reach and enhanced capabilities that have come as a result of our acquisition by Broadridge, make us the logical choice." With greater flexibility, scale and cross-asset capabilities, firms can more easily chart their own course to the tools they need. In a world where longstanding providers are either too rigid or too limited, building in-house is a costly burden and banks' white-label solutions have grave business risks. Itiviti enables the comprehensiveness and oversight of the former and the control and bespoke functionality of the latter, making it the ideal solution for FX.