

# New Solutions and Partnerships for the Next-Generation Corporate Treasurer

By Ted Howard

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**Global trading and treasury solutions provider 360T is broadening its reach with new products, services and partnerships. One area in which the firm is partnering with multi national corporations is in automated trading, with the introduction of its execution management system.**

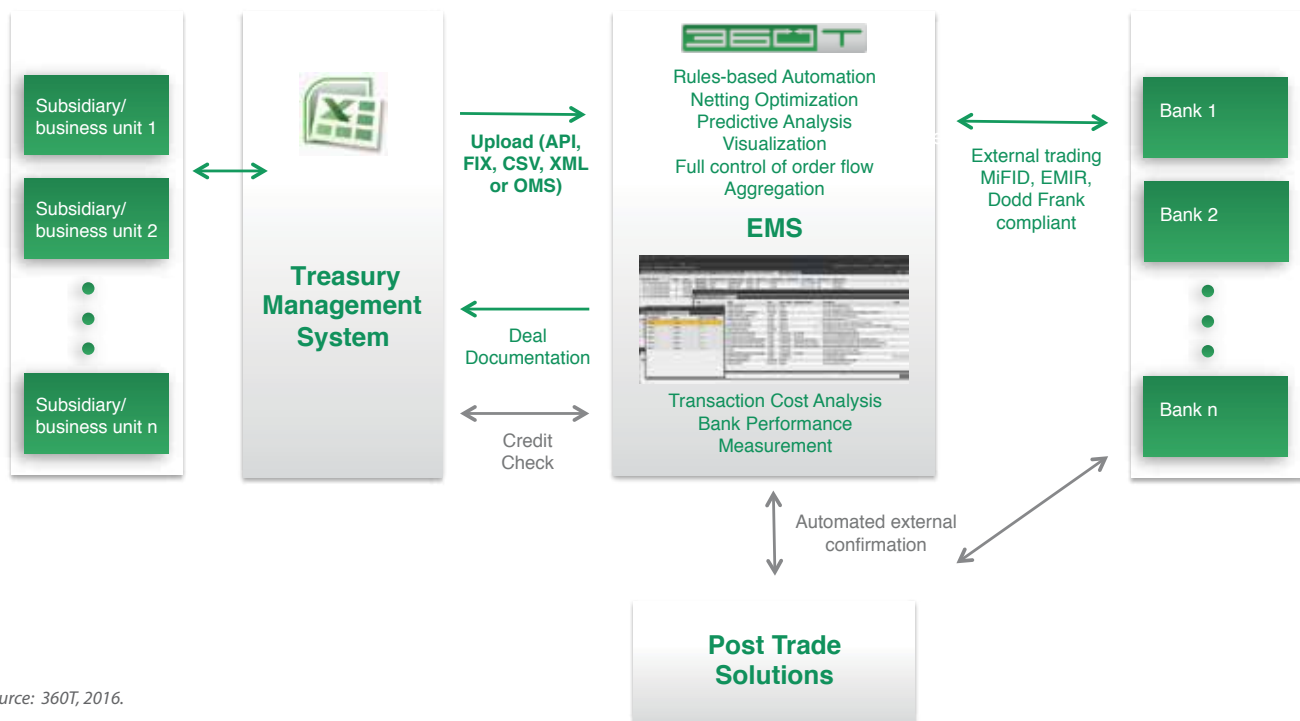
In recent years, companies have become increasingly focused on managing their FX risks. That's because they face challenges from seemingly all sides: strength in the US dollar, increasing regulatory constraints, bank-driven reductions of available liquidity, and on top of it all, the cost of hedging against all the volatility these factors create.

According to data collected by The NeuGroup at the end of 2015, treasurers put FX/Commodities risk as one of their top priorities for 2016. And a recent study from Chatham Financial substantiates this perspective by showing that companies can lose billions of dollars annually due to

unhedged FX exposures.

So with FX top of mind, companies are seeking ways to hone their FX management strategies and generally bring a more comprehensive approach to foreign currency risk management. One way to get to that holistic approach is through automation, which then raises the question, "Which provider?" The answer isn't always easy, but one way to arrive to it is to find the company that is growing in use and innovation, is backed by plenty of resources, scalable to your firm's needs, and seamlessly integrates into your systems. Meeting these criteria is 360T, a global firm with German roots that

## 360T'S EXECUTION MANAGEMENT SYSTEM: HOW IT WORKS



Source: 360T, 2016.



## Anonymously Speaking

Following its own mandate to be current and innovative, 360T is exploring new areas for opportunity. One such area is in the wholesale FX market, where trades are often executed anonymously. In this space, the company is developing products to complement its current trading model—which is a disclosed relationship trading model—with anonymous trading.

Anonymous trading is something that is used on a regular basis in the wholesale FX market; it is how banks trade with each other, how hedge funds trade with banks, and is a trading paradigm “that has attracted more attention from the corporate space,” Mr. O’Hara says. “We’ll be offering anonymous trading going forward, which should allow clients to achieve better pricing.”

360T also recently introduced a new product known as its execution management system or EMS. This, the company says, is a very functionally rich and complete solution that allows a corporate treasury operation or a real-money client like an asset manager, to completely automate their trading processes. Mr. O’Hara says the product caters to corporates that have a significant amount of FX transaction flow to execute on a daily basis. This he foresees as being a big help for companies that have an in-house bank where it is doing numerous

has been operating in North, Central and South America for over a decade, with its Americas headquarters located in New York and regional offices in California, Mexico City and Sao Paulo. The company not only supports corporates, but also a host of different clients and segments that operate within the global foreign exchange market. “The market structure as we know it is evolving, and 360T is very committed to ensuring that we can provide the relevant services to our clients so they can ensure business continuity,” Matt O’Hara, CEO for the Americas at 360T, says.

360T was founded in 2000 in Frankfurt, Germany, and since then, supporting corporates’ needs has always been a core competency. More than two-thirds of its 1,600 buy-side clients are international corporations that use 360T’s multi-bank, multi-asset execution platform for trading over-the-counter FX and short-term money-market instruments. Average daily trading volume on the platform is 70 billion Euros. 360T “seamlessly integrate[s] into a corporation’s internal infrastructure... whether it is a treasury management system, an ERP or an accounting system,” Mr. O’Hara says.

There are noteworthy advantages for corporations who use electronic trading venues: greater price transparency, time savings and reduction in process risk, whether related to operations, price, markets, or liquidity. In adhering with the “new” regulatory requirements, corporations would also do well to consider a venue that helps to improve the trading process with pre- and post-trade analytics. Key analytics are the foundation of execution optimization, including, but not limited to, transaction cost analysis (TCA). “The entire range of 360T’s pre-and post-trade analytics gives the treasurers greater insight into their execution strategy and consequently increases efficiency in their day-to-day business, as well as predictability in the execution process,” Mr. O’Hara says.

Using the platform, treasurers can more easily mitigate risk while supporting their FX hedging objectives and compliance obligations. And perhaps most importantly, 360T has the capability to help companies navigate the various regulatory regimes that are evolving around the world.

The company services clients that operate in developed markets in North America, Europe and in developed Asia. It is also a growing presence in developing markets, including Latin America, Africa, India, Russia, and the Middle East. Mr. O’Hara says that 360T has been able to help clients in complex areas like China or Brazil where a myriad of regulatory rules and regimes, and tight restrictions on currencies can stump even the cleverest treasurer.

“We support clients that are either domestic to those local markets or international clients that have local operations,” Mr. O’Hara says. For instance, 360T might have a client domiciled in Dublin who also maintains operations in Brazil, and since the Brazilian real is an onshore-restricted currency, their local desks have to trade with local banks or liquidity providers. “We can facilitate centralized and decentralized treasury structures, where the head office has oversight so they can empower, enable and monitor trading activity at all their different branches around the world.”

### **PARTNERS AND CONSULTANTS**

One special aspect of 360T’s proposition is its strategic partnerships. The company partners with a number of organizations in order to provide its clients with a broad spectrum of solutions and seamless integrations. This includes companies like Mysis and BELLIN for post trade automation, in addition to multiple well-known and even bespoke TMS, ERP, and accounting systems.



360T is also uniquely aligned with the institutional money market products and services company, ICD (International Cash Distributors). ICD is fully integrated into the 360T platform, providing its clients pricing and access to a broad liquidity pool while granting access to the ICD suite of money market funds through 360T. “That’s a really important combination that can be a deciding factor of a corporate treasurer to select 360T with ICD.”

The company also counsels many of its clients, helping them to understand the countless complexities of today’s markets.

“It’s very much a consultative operation; we ask all of the relevant questions to understand what our clients are doing right now,” Mr. O’Hara says. This includes establishing which processes are already in place and how they influence client operations. “We’ll ask and sometimes challenge them as to why they’re doing something in a certain way with the goal of helping them determine the best solution for their needs,” he says. That result allows the company to reduce costs and ensure that they are executing according to best practices while adhering to the highest regulatory standards. This can save companies thousands of dollars on a monthly basis, particularly when it comes to achieving best execution.

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“There are all different ways that we approach working with clients but we always like to understand exactly what they’re trying to do, what they have been doing, and then incorporate our experience to give them a solution that is designed for their end-to-end workflow and helps to improve their execution process,” Mr. O’Hara says.

And 360T has found treasurers to be receptive, particularly as they operate in a world of restricted and sometimes shrinking resources. One of the driving forces of automation in treasury over the last decade or more has been the unwritten but all too evident convention of “doing more with less.” With that constantly in mind, treasurers are always on the hunt for better, faster, and more efficient ways of being more productive. Moreover, the impact of regulatory change on corporate FX management processes plays an increasing role.

“One of the trends that we’ve noticed with clients is that they want to be educated,” Mr. O’Hara says, but they don’t necessarily have the time to go out and understand best practices in the foreign exchange market or in trading, or what’s happening in the changing market landscape” and how these factors impact their day-to-day jobs. “So our function is to provide them with all of that information so that they can come to the answers themselves.”

## **A REGULATORY FUTURE**

The aftermath of the financial crisis of 2008 has delivered an almost quarterly supply of new regulation with which companies must contend. Dodd-Frank in the US and Markets in Financial Instruments Directive (or MiFID) in the European Union, along with Basel III and its capital requirements, have created unique challenges for corporate treasurers and FX managers alike.

transactions in a day with many different subsidiaries around the world. And they might be very small trades or payments that are in the range of \$10,000, \$50,000 or \$100,000 – payments often referred to as “nuisance trades.”

“We’re working with certain clients who are adopting our EMS platform to allow them to automate varying levels of their daily foreign exchange business,” Mr. O’Hara says. “And it might be that they want to manually intervene on a trade of a certain notional size or in a certain currency—it might be an exotic currency—but for trades that are vanilla and fairly small in size—they can be fully automated; so a human doesn’t have to touch those trades.”

The EMS executes all of the trades and will pull the trades out of a company’s treasury management or accounting system or ERP, execute them in the marketplace, and then post them. It will then put the result of the trade back into the company’s internal systems, coupled together with automated post-trade affirmation and confirmation matching. Mr. O’Hara says 360T already has several large multinational corporations around the world that are adopting EMS currently.



## Deutsche Börse

360T was purchased by Deutsche Börse this time last year and Mr. O'Hara says the tie-up will help the company innovate. "We are now at the forefront of Deutsche Börse's FX strategy; 360T is responsible for everything relating to Foreign Exchange within the Deutsche Börse Group." Mr. O'Hara also points out that this means product offerings and support will only get better. "For our existing and potential clients, 360T as they know it will remain consistent," he says. "Our business and commercial model, our agreements, and our people all are remaining consistent" with the only change being improved and expanded listed FX derivatives products.

"It has been a very complementary marriage," Mr. O'Hara says. 360T has immediately been able to bring new offerings to clients to help them navigate the changing market structure that foreign exchange has been witnessing—particularly those driven by new regulation. For instance, getting together with Deutsche Börse has allowed the company to offer a unique breadth of product choice within OTC and exchange-traded FX, such as FX futures. "So we will now be able to offer clients what they need based on current market structure and what they could potentially need based on future market structure," Mr. O'Hara says.

And so far that future appears to be highly regulated; an area where 360T knows it can provide valuable solutions.

For members of The NeuGroup FX managers' groups, MiFID and the updated market conventions in the Code of Conduct and Practice, seem particularly burdensome. These trends are resulting in market conditions where the corporate segment could soon encounter a squeeze on liquidity and, consequently, trouble executing necessary trades mandated by their FX risk-management policies, according to experts.

Some of the issues include regulations which drive banks to increasingly take an agency approach in the markets, augmenting the buy-side's exposure; and rising volatility and spreads have made liquidity conditions tougher. Thus, trading reductions may be in order, or netting may help companies do all of the trading their hedge program requires. All of this will require better analysis and reporting to help FX pick both the ideal time of day to execute a trade, and at what size. This is also where algorithmic trading can help.

"Given the structural shift ongoing in the market and the associated progression of the FX market, it is even more important for our clients to become the next generation treasurer. 360T allows participants to choose the right style of execution they need while giving them the ability to quickly respond to the impact of evolving market conditions," Mr. O'Hara says.

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And being able to promise business continuity means widening the range of products offered. 360T provides so-called vanilla foreign exchange products that include FX spot, FX forwards, swaps, non-deliverable forwards, non-deliverable swaps, and options. The company also runs a swap execution facility (SEF), which will position 360T well if regulations begin requiring clearing for everyone. "When the regulators mandate that these instruments need to be traded on SEF platforms, we will already have all of the components in place," Mr. O'Hara says, mentioning that Deutsche Börse is a large, well established and mature exchange operator.

Mr. O'Hara acknowledges that currently clearing is less important to corporate treasurers because so far they are exempt from those particular regulations and clearing rules. But it does have a related impact as it affects the banks with which corporates have relationships. "And maintaining relationships with their banks will absolutely be relevant to them."

### THE CHALLENGES OF TODAY NEED AUTOMATION

The foreign exchange market has undergone massive technology-driven changes over the last 10 to 15 years, particularly since the financial crisis. But despite the advances and robust offerings out there, corporate treasuries have still been slow to automate when it comes to meeting the challenge of getting visibility to their FX exposures. A March 2016 survey from Deloitte bears this out: the lack of FX exposure knowledge was reported by 56% of the survey respondents.

That's far too many corporations losing far too much money to negligence. Whether it's a company with a comprehensive offering like 360T, with millions at stake, it's an issue that companies need to address, and is one that should be confronted sooner rather than later.