

# PROFIT & LOSS

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## 360T: Executing On Its FX Strategy

2018 saw 360T – part of Deutsche Börse Group since 2015 – make a number of changes to its business, both internally and externally.

Internally, there was a significant turnover within the group's senior management. Alfred Schorno left after 15 years at 360T, with Sebastian Hofmann-Werther replacing him as head of EMEA at the firm; Christian Schuegger left his role as head of technology and was replaced by Jens Kramer, and Matthew Kuppe changed from having a regional role covering APAC to a product-focused role based in Sydney, with Andrew Jones named as managing director for APAC in his stead. In addition, Jens Quiram (Eurex) was added to the group's executive board and Vincent Sangiovanni joined as part of the GTX acquisition that was announced in May 2018 and retains responsibility for running that platform.

"It's a big shift to make so many changes to an established management team," says Carlo Kölzer, CEO of 360T Group and global head of FX at Deutsche Börse. "Fortunately, the transition was very smooth as the people we appointed took on their new responsibilities very quickly."

Externally, the biggest move that 360T made was the aforementioned acquisition of GTX for \$100 million. The logic behind this purchase was that because GTX is primarily an inter-dealer platform, its spot FX focused and US-centric, it can help round out 360T's traditionally more dealer-to-client, European-centric FX business.

"GTX is a very different platform, there is a much higher sensitivity to latency, there is much more correlation to volatility and more of the flow is concentrated in the top 10 customers. As a result, it needs to be managed in a much more high-touch manner. So whereas many corporates will only want contact with 360T sporadically, you might be in contact with people on the GTX platform a couple of times per day. There's a different level of intensity required," explains Kölzer.

Most of the integration between the GTX and 360T platforms was completed at the end of January 2019, with the final phase of this process – which in many cases is largely getting clients from each platform to amend existing legal agreements – is set to be done by the end of Q1 this year.

The GTX acquisition represents part of a broader strategy being pursued by Deutsche Börse in FX that *Profit & Loss* has previously reported on – namely to build an offering that enables market participants to execute any FX product in any manner, whilst also offering pre- and post-trade services around that execution.

The firm has made progress on the product and execution side as it now offers RFQ and RFS trading, has an ECN and an anonymous and a no last look central limit order book (CLOB),



Carlo Kölzer

although Kölzer says that there were limitations on how far they could scale up this CLOB in 2018 due to upgrades that were being released on the Deutsche Börse T7 trading architecture at the time. Meanwhile, the exchange's FX futures business was re-launched at the end of the year and at the time of writing is seeing just north of 500 to 1,000 contracts traded per day.

The only setback in the strategy so far, says Kölzer, is that it has taken longer to launch the FX clearing business than anticipated. He attributes the delay to the number of regulatory clearances needed to launch such a business, adding that the end of Q1 is the new target go-live date for it.

"We now offer all kinds of trading models for all kind of products, but the clearing solution still needs completion. So the width is there and the depth is almost there, yet," he adds.

For 2019, in addition to building out this depth, the focus for 360T will be to develop a business structure that Kölzer describes as enabling "a cascade of FX flow" across the platforms that it operates.

"We're finding and collecting FX flows from the firms that they originate with and then we have bilateral trading on the 360T platform for the customers that want or require that execution mechanism. But for firms that don't have a preference for this execution method, we can cascade their flows into the ECN where there is still last look and segregated liquidity, and then for firms that don't require this functionality, we can cascade their flows into the CLOB. And from the client side, they benefit from having the option of bilateral liquidity, ECN liquidity or CLOB liquidity," he says.

It seems that for now the building blocks are all in place to realise the strategy laid out by Kölzer after 360T was bought by Deutsche Börse, but in 2019 could the exchange group be ready for more acquisitions to further accelerate its growth in FX?

On this front, Kölzer is noncommittal: "If you're a professional in this business, you have to look at organic and inorganic growth. If there are assets in the industry available we will look at them. That doesn't mean we will actually go out and get them."