



Images by Shutterstock

EMS Platforms: Standing out from the crowd

Sebastian Hofmann-Werther, Head of EMEA at 360T, outlines what really differentiates EMS platforms today.



Sebastian Hofmann-Werther

Execution Management Systems (EMS) have always been of key importance to buy-side firms trading FX, but in recent years this has become more acute as these firms have been under

growing pressure to reduce execution costs, increase productivity, reduce operational risks and streamline the entire trade lifecycle.

Recognising the value and importance of EMS platforms to these client segments, 360T has in recent years invested significant time, effort and resources into building what we believe is a best-in-class, next-generation EMS.

This claim is backed up by the recognition that we have received from the financial industry — in 2023 alone, 360T was named as the Best EMS for FX at the US Markets Choice Awards, Best EMS Provider at the WatersTechnology Asia Awards, Best FX

Order/Execution Management System at the Euromoney FX Awards and Best Buy-Side EMS at the WatersTechnology Buy-Side Technology Awards 2023.

IT'S NOT JUST ABOUT AWARDS THOUGH;
WHAT REALLY MAKES A GREAT EMS PLATFORM?

Obviously, there is a set of standard functionalities that any EMS platform needs to have in order to help buy-side firms of all shapes and sizes improve their FX trading capabilities. But going one step beyond this, we believe that there are — broadly speaking — four main pillars which differentiate EMS platforms today: Automation, Data, Workflow Solutions and Innovation.



Having high-quality data integrated into the platform is a major differentiator

1. AUTOMATION

Whether it's a result of market volatility, company growth, internal pushes for efficiency, etc, it seems like every buy-side firm that we talk to today is being asked to handle additional tasks, while Trading and Treasury teams aren't necessarily increasing at the same rate. As a result, we're seeing a broad push towards greater automation across the entire FX industry.

But while every EMS platform provider is touting automation tools, "Automation" itself is a very broad term. To some it means automating manual time-consuming processes such as grouping orders considering bank basket intersections. To others it can mean auto-executing low value orders where traders add little value. In our opinion, an EMS should be able to support full automation across the entire trade lifecycle, including low touch or full no-touch execution where trades are sent automatically from the Order Management System (OMS) or Treasury Management System (TMS) to the EMS, netted

and executed based on a set of predefined parameters and using high-quality data as a benchmark, and then seamlessly transmitted back to the OMS or TMS without any human intervention.

The parameter setting capability built into the EMS is of vital importance for this type of trading. As extensive as the options are, where we have differentiated ourselves is in understanding the real use cases which clients face before and at the point of execution. Basic controls around currency pairs, notional size or time of day are standard but levels of liquidity in the market, what percentage of the bank basket is quoting, the speed of the quotes coming in are where we are helping bring an edge in the execution process.

Having high-quality data integrated into the platform which can be used as one of the parameters to ensure trades are never executing more than a pre-determined distance from the market midpoint is also, we think,

a major differentiator. And it is critical that the benchmark used is accurate not just for spot but the entire swaps curve. Which brings us onto....

2. DATA

Market data is the essential fuel of automation as real-time feeds can be used as a price tolerance check to help firms ensure that their execution performance is maintained (or even potentially enhanced), even with less human intervention.

We think that a key differentiator here though is the ability to support auto-execution across multiple products, not just Spot FX. That's why we have also integrated our in-house differentiator, the award-winning Swaps Data Feed (SDF) created by 360T and DIGITEC, into our EMS.

The SDF is a completely unique product because it is derived straight from the pricing engines of 20+ top FX banks. Alternatives exist but they are either from undisclosed sources, interpolated and missing critical market data points or simply

aggregations which are not subject to the sanity checking process that Digitec affords us.

As such, it is really the only accurate tool for proving best execution and, crucially, can also be used as a tolerance check for auto-execution, ensuring that no use as both a tolerance check and to prove best execution trades are ever executed more than a predefined distance away from the market midpoint.

Also, many of the major third party feeds are fully integrated into the EMS for decision making assistance and checks for deviation from fixing benchmark orders.

3. WORKFLOW SOLUTIONS

Workflow optimisation is a top objective for just about any buy-side firm in operation today. As stated previously, their workflows can be particularly complex due to the large volumes of FX trades which they are trading on behalf of a wide array of funds, each of which might have different credit or execution requirements.

One example of an innovative new workflow solution that 360T is pioneering within our EMS is a "Split Risk" functionality, which enables users to automatically compete the forward points before directing their Fixing Orders to the successful market maker.

Another is the "Mixed Givens" solution, which allows buy-side firms to net currency pairs with varying notional amounts and then trade the leftover value in competition, helping to ensure that they get the most favourable pricing available. As part of this workflow, buy-side firms can receive automated-pricing from their counterparties and enjoy full post-trade straight-through-processing (STP)



whilst also eliminating some of the "clean-up trades" often associated with these portfolios.

4. INNOVATION

All of the points above are examples of innovation, and we truly believe that this is crucial for any EMS platform.

In our experience, buy-side firms want technology partners rather than providers. This means understanding their needs not only today but also in the future and jointly developing a roadmap to build towards this which in turn benefits all clients. At a time when development resources everywhere are stretched thin, we see these firms increasingly looking towards their technology partners to help them continue to improve their FX trading.

For example, a number of our buy-side partners wanted to be able to trade Base Metals using the same streamlined workflows and automation tools that we have made available to them for FX trading. Working in close consultation with these firms we were able to build out this functionality within the EMS, providing an entirely new way for them to execute their Base Metals trading.

360T ensures that our EMS remains at the forefront of innovation through

our commitment to conducting three new technology releases per year, which helps to ensure that our EMS remains at the cutting-edge of the FX industry and is able to develop alongside the evolving needs of our diverse and global client base.

FX is, and always has been, a highly competitive marketplace, and buy-side firms have a number of EMS providers to choose from. That's why we have always believed that to stand still in this market is, in effect, to fall behind and therefore we need to be constantly and proactively innovating both in response to existing buy-side needs but also anticipated ones.

CONCLUSION

Clearly, this is just a broad overview of what we at 360T consider to be the most important components of a modern EMS platform – in reality, each of these differentiating factors are worthy of an article of their own. It also hopefully helps to provide an outline for how we have, and continue to, develop our own platform.

While we are proud of what we've built at 360T, we also understand that there is no room for complacency and so we will continue to enhance and refine the features, tools and functionalities already on our EMS whilst still delivering new and innovative ones.