

# EMS platforms: Functionally rich systems delivering ever more powerful solutions for the FX buy-side desk

Productivity and efficiency are more than buzzwords to buy-side firms. They are operational pillars as the pressure to reduce costs and improve execution has increased. EMS platforms play a critical role in helping firms hit these goals as Vivek Shankar discovers.

What makes a good EMS platform? A few years ago, The Finance Hive surveyed traders at firms managing more than \$10 billion of assets, and highlighted the depth of liquidity, OMS integration, and the ability to measure execution impact as important criteria in an EMS platform.

These needs have not changed much, but have evolved in complexity due to technological changes. "The execution part has always been important for FX buy-side firms, but with the evolution of the technology around data and automation, the need for a system that combines both of these components into one unique platform has become crucial for best execution," says Sebastian Hofmann-Werther, Chief Revenue Officer FX & Digital Assets, 360T.

Uday Chebolu, SVP, Head of FX & Digital Assets at FlexTrade Systems, points to data handling as a critical

component. "Handling vast data available to FX Traders means an EMS is now crucial for buy-side firms," he says. "You need the connectivity to pull in streaming and RFS pricing to engage and handle large volumes of trades. Across pre-trade, intra-trade, and post-trade, you need to be able to manage the whole life cycle. With an appropriate EMS system solution and the automation it can bring, you can free up the traders to focus on high-touch order flow."

Here's a look at the buy-side's evolving EMS platform needs and how service providers are reacting to them.

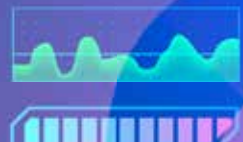
## CLIENT DEMANDS AND PLATFORM ATTRIBUTES

"Trading desks are constantly tasked to do more with less, and leveraging technology is the smartest way for them to do so," says John Marchese VP, Head of FX EMS Sales, Americas

at FactSet. "For example, many firms today do not have dedicated FX trading desks, and their traders must be multi-asset specialists."

He explains that these traders need holistic support to hit those efficiency goals and leveraging multi-asset solutions is key. "Best-of-breed multi-asset solutions should strongly support each asset class and have a dedicated team of industry experts that all work in tandem with each other to ensure a scalable and cutting-edge user experience."

Hofmann-Werther lists two qualities when asked which functionality is critical for modern EMS platforms. "Flexibility and interoperability are essential. The ability to adapt to client workflows while interacting with external technologies in the market, like analytics (Trade Cost Analysis) or Market Data providers, is something





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Sebastian Hofmann-Werther

every EMS platform needs to have if they want to keep up with today's standards and expectations.”

He points to 360T's data integration capabilities and easy access to liquidity as examples. “Our automation features, workflow customisation, and flexibility help to increase productivity, reduce operational risk, and streamline the entire trade lifecycle,” he notes.

Chebrolu explains that buy-side needs can vary depending on the type of firm. “The end users of an EMS can be broadly segmented into two segments,” he says. “Hedge funds,

which are prime broker-based, and asset managers, who trade bilaterally. Each segment has slightly different needs.”

“Asset managers are more workflow-oriented but still need the EMS to deliver high levels of STP and best execution,” Chebrolu continues. “On the hedge fund side, they have a prime broker, meaning they have more flexibility regarding how they trade.”

This means an EMS platform has to have baseline functionality, such as handling new requests for streams, executable streaming prices, broker algos, and manual trades. Chebrolu points to data analysis as a critical feature, given the mountains of data FX generates these days.

Beyond this, client requests determine ideal functionality. Given the need to do more with less, EMS platforms have matured. “Client relationships to trading assets have evolved over the years, which have naturally changed their demands and shaped EMS platforms,” Hofmann-Werther says. “In terms of assets, EMS platforms

had to follow the evolution of trading desks which increasingly diversified their spectrum recently.”

Chebrolu says cost is a primary driver of this shift. “You'll have multiple costs if you're dealing with multiple platforms,” he says. “Trading tech teams need to be aware of integration and infrastructure costs. People must spend time and effort integrating with two vendors or different systems.”

Given these needs, consolidating trading to a single solution brings significant savings. “From the trader's perspective, with all assets handled from a single, consolidated EMS, cross-asset workflows are possible, which weren't possible before,” Chebrolu says.

“Let's say a trader is undertaking an equity or fixed-income trade with an FX component. That information about pre-executing the fixed-income trade can be fed into the FX portion. The FX trader will know they are getting a large “buy or a sell” of a certain currency pair, which can help guide the execution of what they have on their blotter.”

He points out that despite a preference for multi-asset platforms, clients don't necessarily trade every asset class.

“We see a broad spectrum of client demands,” Chebrolu says. “They could use us for futures and FX, equities and fixed income, or fixed income and FX. Sometimes, it's all asset classes — equities futures, options, fixed income, FX, and digital assets.”

Since the need for efficiency looms large for buy-side trading desks, automation in the trade lifecycle is a sought-after feature. FactSet's Marchese believes this has been a game-changer for firms. “Having the ability to completely, or partially,



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Uday Chebrolu

automate the execution of lower value trades, auto-route benchmark fixing deals or leverage algo-wheels to eliminate trader bias,” he says. “All this means fewer clicks for the traders and more time to focus on complex trading scenarios that require their focus and attention.”

Marchese says that automation is far from an all-or-nothing proposition. “Portware’s clients avail the entire spectrum of automation from very simple to extremely advanced,” he says. “Basic things like auto-netting trades into blocks, or sending out multiple pairs at once and executing

them in a single click, to more complex bespoke rules for full no-touch executions tied to curated liquidity pools and market data events.”

Despite automation’s benefits, Chebrolu points out that manual workflows still have a place.

“There are situations where, for example, a world event happens, and the market widens; sometimes, you must pick up the phone, leverage your relationships, and get the trade done,” he says. “The scope to have that option is vital.”

Despite this, he says that FlexTrade’s customers have been automating all of their flow across asset classes, including FX. “From a FlexTrade point of view and the EMS platform, we can deliver 100% automation, and we have clients who are already doing so,” Chebrolu says.

“There will always be manual workflows, and you would want to have that manual option to use in

case of emergencies or where it makes sense to trade manually.”

### ADDRESSING WORKFLOW COMPLEXITY

EMS platforms are facing increasingly complex buy-side workflows. For instance, large volumes of FX trades executed on behalf of a wide array of funds, each of which might have different requirements, can pose significant complexity.

Accommodating these complexities is a top priority for major EMS solutions providers. Marchese offers an example. “Another important workflow our clients had asked us to solve, is slicing larger FX orders with multiple allocations and ensuring that the post-trade aspect is correctly accounted for,” he says. “It’s a process that the market has struggled for years to solve.”

In this workflow, there could be hundreds of trade allocations needing correct pro-rata execution amounts booked back to the client’s OMS in real-time. “Fortunately, our team developed a solution for this years ago, and have been advancing it to be more cutting edge, and refined ever since,” Marchese says. “This truly allows our clients to have the best and most flexible trading experience out there, with the comfort of knowing all of the back-end plumbing is being handled properly.”

Hofmann-Werther offers another example. “One of the major challenges when it comes to managing different fund requirements is optimising for bank intersections,” he says. “At 360T, we have developed a tool to optimise these scenarios by automatically enhancing the bank basket using predefined parameters so that funds are not impacted by varying requirements.”

### EVALUATING THE SUITABILITY OF AN EMS PLATFORM CAN BE CHALLENGING



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Chebrolu says workflow and allocation complexity create data handling challenges. “It’s difficult for the trader to be without a system that takes all the variables into account and shows a streamlined, simple view where they can just think about the execution and not worry about “ this account has a certain restriction, or for that account, we can only trade with this specific broker.”

The system should automatically do that for the trader,” he says. Chebrolu says EMS providers must offer technology as a solution to handle these complexities, believing that complexity will never cease. “The buy-side is trying to invest in areas that will result in more order flow and is looking into how the market evolves to create, and this will create new workflows,” he says.

When asked how 360T is dealing with the challenges emerging from workflow complexity, Hofmann-Werther says the company’s focus is in four key areas — automation, data, workflow solutions, and innovation.

“The 360T EMS supports full automation across the entire trade lifecycle, including low touch or full

no-touch execution where trades are sent automatically from the OMS or 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,” he says.

“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 predetermined distance from the market midpoint is also a major differentiator,” he continues. “The key here 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) into the 360T EMS. The SDF is developed jointly by 360T and Digitec.”

Hofmann-Werther highlights 360T’s split risk functionality, “which enables users to automatically compete the forward points before directing their Fixing Orders to the successful market maker.”

Chebrolu points out that while some platforms are great at aiding manual trading and others excel at automation, few excel at both. “It’s certainly not easy, as it’s not just your core technology platform and functionality that you need to stay abreast of – it’s also the connectivity to multiple counterparties and the ensuing integrations you need to maintain to them,” he says.

“Conversely, these counterparties and market entities need tech spending to integrate with your solution.”

“While it can be time-consuming,” he continues, “we have spent time and effort over the last several years to achieve good coverage across both electronic and manual trading capabilities.”

Ultimately though, Chebrolu says, the ability to offer data analytics for use within the application is a major differentiator. “We can expect it to consolidate within a few years, as only so many data points are useful to a trader,” he says.

#### WHAT FACTORS TO CONSIDER IN AN EMS PLATFORM

As data quality becomes more important than ever in the trade workflow, evaluating the suitability of a platform has become challenging. Hofmann-Werther stresses the need for a commitment to innovation in a solutions partner.

“Flexibility and adaptability are crucial, as the technology must be able to evolve with changing market conditions and firm requirements,” he says. “It’s in the clients’ best interest to choose an FX technology partner who is committed to constant innovation via regular new release cycles, one that could help them keep up with the changes and deliver quantifiable benefits at the same time.”

“Additionally, the partner should provide robust liquidity access and facilitate easy onboarding, ensuring that the firm can efficiently tap into various liquidity pools and bring new assets or strategies online without significant hurdles,” he continues.

“Lastly, interoperability and integration are essential to ensure that the technology seamlessly integrates with the firm’s existing systems and other market infrastructure, promoting smooth and efficient operations.”



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Marchese echoes the point about flexibility, saying this is the key to helping firms adapt to changing needs. "Finding a dedicated technology partner is crucial to giving clients what they need as they scale," he says. "Their needs change and become more complex over time, and they need a partner who is flexible and willing to work with them to achieve their goals. Giving clients a boilerplate platform just doesn't cut it anymore."

Chebrolu suggests a step-by-step approach, starting with examining a service provider's functional capability. "Are you looking for an individual asset class or multi-asset solution?" he says. "You need to ask and understand how any new partner and their system can handle your trading teams' current and future requirements."

"Secondly," he continues, "what is the firm's history, track record, and

client list? Choosing to partner with a firm that their peers leverage and knowing it's a proven, functionally rich solution successfully delivered to their requirements versus a new vendor that might possess unknowns can help reduce perceived risk."

"It makes the outcomes of selecting an established vendor over a new vendor more predictable, which, with understandably risk-averse clients, is optimal," he says.

Chebrolu lists further factors such as ownership, infrastructure, or a potential partner's commercial drivers, "...which could affect their ability to set their product roadmap to deliver innovation."

"For instance," he says, "is the potential technology partner investing in functional areas of the EMS, which, although they might not be immediately profitable for their bottom line, are designed to benefit the client and

broader market over the longer term?"

### LOOKING AHEAD

"A client recently told me that the holy grail in FX trading is to incorporate automated data-driven analytics into the front-end of the platform so they can inform the next trading decision regardless if it's automated or manual," Marchese says.

As technology and innovation within EMS platforms continue, we are moving closer towards this vision. "We've already started to close the feedback loop by providing curated liquidity pools based on the client's historical trading activity to help decision-making and integrating real-time market data into these pre-trade measurement tools to help facilitate the next level of automated executions," Marchese notes.

While innovation is great, Hofmann-Werther notes that developing products in line with regulatory requirements is critical to future-proof them. But communication isn't limited just to them.

"The most important steps leading EMS providers like 360T are taking regarding the future can be summed up in one word: communication," he says. "360T has a constant stream of communication with buy-side clients to understand and stay on top of the challenges they face. Maintaining communication with partners in the market is another critical step necessary to ensure 360T EMS clients have the necessary tools at their disposal to leverage fully integrated methods, monitor and analyse their trading activity and optimise their FX trading operations."

While trade workflow complexity will continuously increase, solutions providers have their fingers on their clients' pulse, ready to offer innovative solutions.



Finding the right dedicated technology partner who is flexible and adaptable to a clients specific needs is essential