

# A quiet revolution in client connectivity

## The new FX battle ground for dealer banks wanting to add value for their clients



Jesse Drennan is a director of Product Marketing at Traiana

“We expect the right price at the right time. That’s the vanilla offering and we expect our bank to deliver above that. I want to hear what they can do for me.”

The comments of one corporate treasury manager speaking at a London lunch are becoming more common as the banks compete to put clear blue water between themselves and their rivals in terms of client service.

Now as daily FX trading volumes increase, post trade services are becoming a new way for banks to add value to their clients, and to differentiate from their competitors. FX dealers manage a bewildering series of processes tracking their client trades, from trade date activity beginning with the receipt of orders, to trade allocations and confirmation, then proceeding to

settlement date with processes such as trade and payment netting, client reporting and position and settlement reconciliation. Typically each of these activities has a separate internal process, which leads to grossly inflated costs, and in many cases, a level of duplication which would have many CIOs gritting their teeth.

### Traiana

Post trade service specialists Traiana are evolving into the market leader for FX post trade services, and many banks are now taking all of their client connectivity and post trade services and outsourcing them to Traiana. Traiana’s Harmony platform is already the market leader in terms of post trade services in the FX prime brokerage space. Now the ICAP-owned business has chosen to take the whole concept of post trade processing to a new level with a renewed focus on its single client connectivity solution - in effect, a ‘universal adapter,’ linking a bank to its clients, with a single hub that centralises all post-trade client interactions.

Built around the philosophy that the client connection should be singular wherever possible, so that adding a new service is quick and efficient, Traiana’s client connectivity provides

unparalleled service with minimal IT footprint. While STP is important to the client, they are resistant to the idea of going through months of plumbing each time they ask for a new asset class or service from a single dealer. Traiana delivers the holy grail of client trade processing, without imposing technical protocols and standards on the client. The client sends information in their preferred format using their preferred delivery mechanism including spreadsheets, PDF reports and faxes.

### Pre-trade

Pre-trade, Traiana works to gathering orders from clients - bulking when necessary - prior to fill. Client requests for breakdown and preference for trade consolidation are all stored with the order enabling trade processing to happen as the order is filled.

In addition, FX orders are derived from cross-border transactions in other asset classes such as equity and fixed income, creating contingent FX market orders. Restricted market activity (such as Korean or Brazil) can also be bulked up across the enterprise, making one consolidated order for the local agent, which in turn can be allocated back to the customer’s accounts upon fulfillment.

### Post trade

At the post trade stage, Traiana’s client connectivity solution provides an automated and direct feed of deal tickets, market data and position summaries can be sent, analysed and processed as and when, required by clients, in the format they require.

Beyond managing trade flow and processing, Traiana offers a single screen for managing client account setup. These screens enable operations to link disparate account definitions across internal systems to the client as well as to apply client-specific naming conventions to reports generated on behalf of the client. This end-to-end solution reduces errors and breaks in the system while delivering better processing time with fewer systems and interfaces to maintain, both for the bank and the client. It also makes it far easier to reconcile across multiple systems by consolidating them through a single processing hub.

In one example, a major bank had more than 25 steps and systems across its pre and post trade infrastructure. They teamed up with Traiana to bring these processes down to a handful, so booking, allocation and confirmation have all been externalised to a single hub.

### Advantages

The advantages of this client connectivity solution is most apparent in the bank-to-client space where a client can be connected to their bank through a single service consolidating allocation and confirmations, give-ups, and netting on flows for a range of currency products including cash, options and NDFs.

Traiana also provides bank to bank connectivity, both multi-dealer platform to bank, and single dealer platform to bank, providing solutions for both buy and sell side.

Traiana’s first major foray into post trade servicing in FX came with the EBS-tested NetLink service. Recognized as a major success story, NetLink is delivering up to 95% reduction in FX tickets being processed by operations on dealer to client flow which is particularly beneficial given the large number of tickets algorithmic and retail aggregation clients can produce.

At the trade confirmation stage, Traiana offers both connectivity and tracking as well as direct confirmations for clients, consolidating the status from all confirmation venues into a single report.

For the final stage of the process, settlement, Traiana provides both trade-by-trade portfolio checkout as well as position reconciliation matching on net or gross position and marks to within preset tolerances.

Traiana’s goal is to provide customers with connectivity across the whole lifecycle of the trade – pre trade, post trade and settlement. Ultimately, more efficient processing acts both as a catalyst to market expansion as well as a facilitator for the adoption of electronic trading, increasing liquidity to the benefit of all.



## About Traiana

Traiana provides global banks, broker/dealers, buy-side firms and e-trading platforms with solutions to automate post trade processing of financial transactions. Its Harmony network is used by over 50 of the world’s leading banks and has become the market standard for post-trade processing of FX transactions.

Traiana’s technology is used to process tens of thousands of deal tickets every day and contributes to the orderly growth of the global financial markets.

Traiana’s business model is driven by the growth in the number of trades as each trade triggers multiple post trade events and Traiana charges for each event. Traiana has been very successful in operating as a neutral platform in the foreign exchange market and enjoys a great partnership with all the market participants.

It is estimated that there are 500 million transactions annually in the OTC markets (ie excluding futures), which cost USD 5 billion to process. Improving the efficiency of the whole process allows volumes to increase whilst removing risk and reducing costs to all market participants.

ICAP is the world’s premier voice and electronic interdealer broker and the source of global market information and commentary for professionals in the international financial markets. The Group is active in the wholesale markets in interest rates, credit, energy, foreign exchange and equity derivatives. ICAP has an average daily transaction volume in excess of \$1.5 trillion, more than 50% of which is electronic.