



Global Pulse: FX Platforms

Measuring APAC Buy Side Selection Criteria and Satisfaction with EMS Platforms

Presented by The Finance Hive, in partnership with
EBS Institutional (EBSI), part of CME Group



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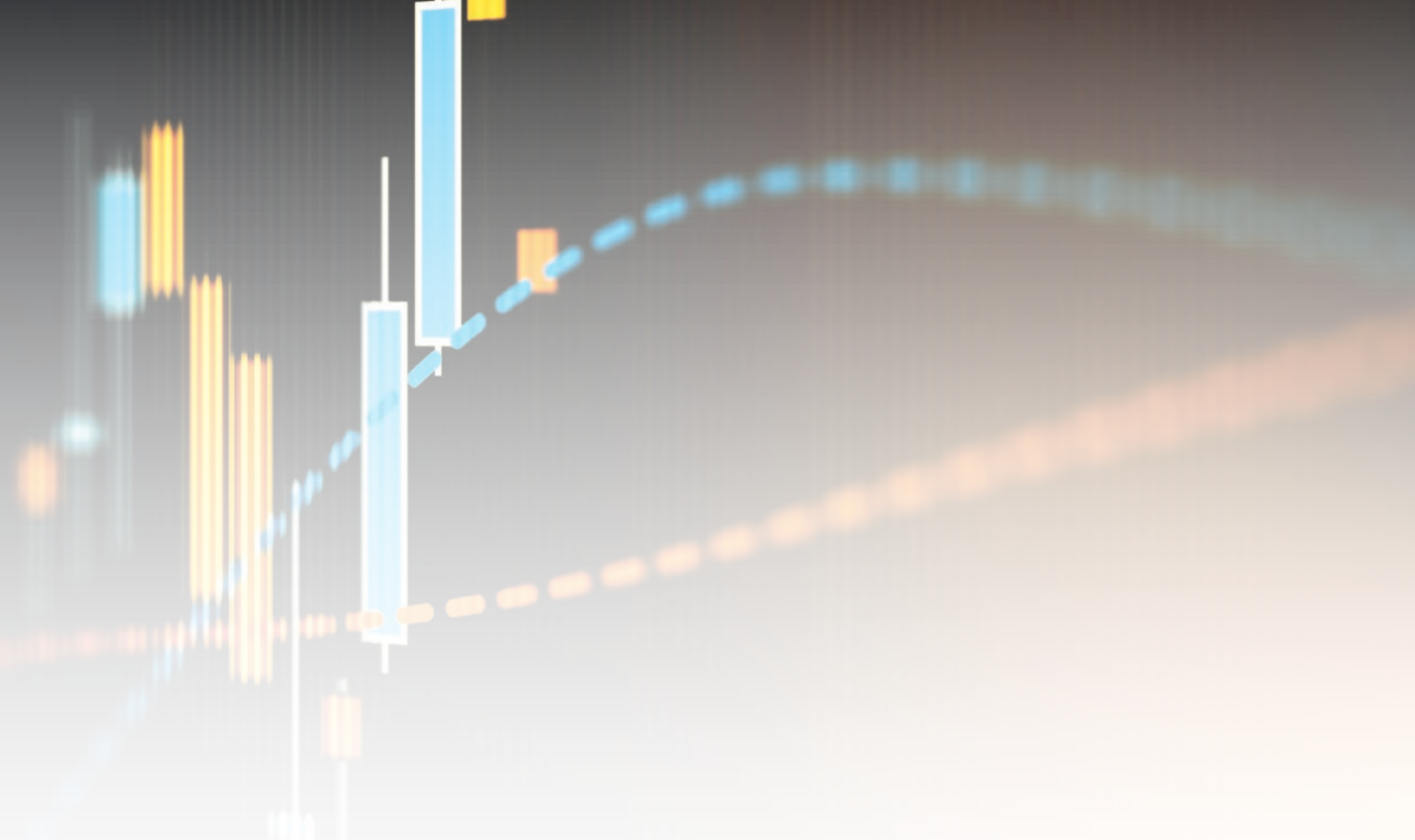
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Section 1:

Introduction

Why this report was written

Over the course of 2020, APAC based buy side FX traders have told us that innovation in the EMS Platform space is a necessity for their businesses to adapt to new working conditions brought about by Covid-19. This topic has been discussed anecdotally at regular informal Finance Hive member meetings over the course of the year, where a frequent key takeaway has been that buy side consensus and collective feedback to platform providers will be a significant driver to achieve their enhancement requests. A renewed focus on EMS functionality has also brought with it an even more pressing requirement to benchmark on how their peers are making decisions around what EMS they use, and what they look for when going to market with investment budget.

With this in mind, The Finance Hive set out to create this report to display an aggregated buy side voice on the pros and cons of their current EMS Platforms and lay out the most common demands for improvement. Previous reports have displayed European and US opinion and can be accessed from The Finance Hive resource library upon request.

Methodology

The report pulls together quantitative insights from survey responses fielded over the second half of 2020 which have been analysed by The Finance Hive. On-the-record interviews with senior decision makers add anecdotal evidence and examples to the statistical commentary. The scope of enquiry of the survey was created by roundtable sessions at buy side led Chatham House roundtable discussions, where heads of trading from the largest firms in the APAC region outlined specifically where they wanted to benchmark, and the insights they perceived to be of critical importance to their mid-to-long term strategic goals. All of the survey respondents are the key decision makers at their firms or a strong influencer in the decision-making process.

Key Findings

- Integration and support with OMS is the most important selection criteria across the board, followed by depth of liquidity
- A selection criterion that made the top five in APAC but not in European or US surveys is a platform's ability to deal with ad-hoc requests
- Integration with clearing houses and transparency on cost per trade were considered the two least important factors when selecting a platform
- For those with an awareness how the cost of a platform to the sell side impacts their spreads, this factor is very important, but other considerations take precedence among the majority of the market
- TCA and depth of liquidity provision are more important features for EM focused trading desks
- Tightness of spreads is considerably more important than depth of liquidity for desks trading FX for alpha, whereas the opposite is true for desks where FX serves a function of other securities, such as hedging or settlement
- The lower the percentage of a product that is traded electronically, the less important Transaction Cost Analysis (TCA) provision becomes.
- FXall is the most commonly used platform with FXConnect coming in as a close second
- It is far more likely for the buy side to outsource EMS compared to OMS
- Lesser used platforms outperform the incumbents in terms of customization and provision of TCA
- Streamlining execution and workflow is the main benefit of an EMS platform
- The ability to trade a wider scope of products and the need to streamline workflow and execution even further are the most common demands for innovation
- It is essential that EMS providers work with buy side on a 1-1 basis to understand the unique challenges and opportunities

Executive Summary by EBSI

Asset managers are increasingly shifting to a fully electronic trading model as they seek 'forensic' levels of TCA. They are motivated by the benefits data-centric systems provide in analyzing cost, selecting liquidity providers, choosing the right execution method and assessing trade performance. This trend reflects a change in trading style as asset managers look to utilize the market competitively, post-MIFID. With the growing use of algos and many asset managers switching from batch to intra-day trading, there is an increasing demand for sophisticated tools to manage large orders.

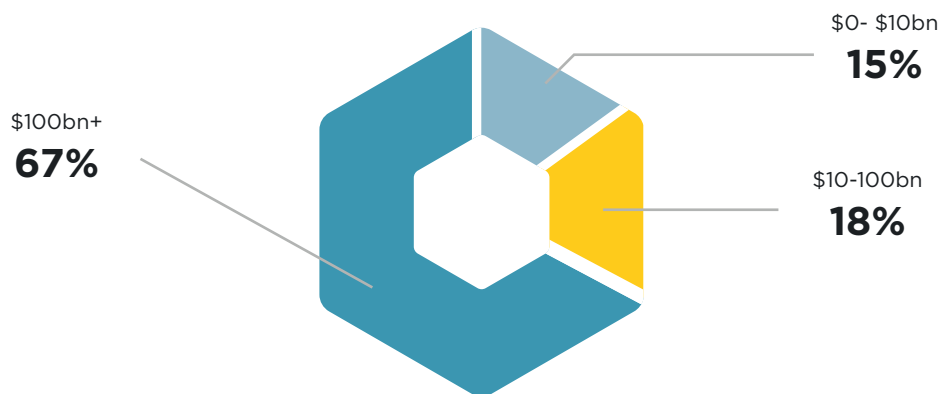
In response to these dynamics, many of the APAC based Asset Managers, surveyed by The Finance Hive, have expressed that innovation in the EMS Platform space is a necessity. Some of the key findings EBSI find particularly interesting include:

- Integration and support with an OMS is the most important selection criteria across the board, followed by depth of liquidity
- Streamlining execution and workflow is the main benefit of an EMS platform
- Lesser used platforms outperform the incumbents in terms of customization and provision of TCA

Section 2:

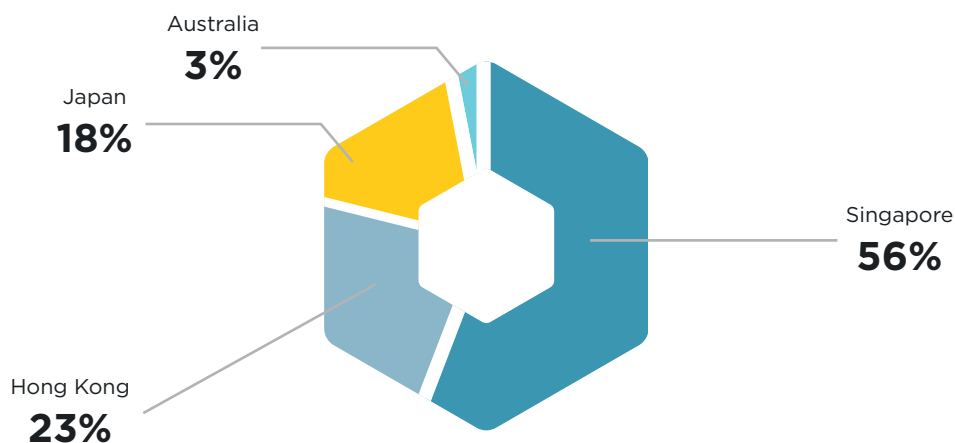
About the participants

2.1 AUM



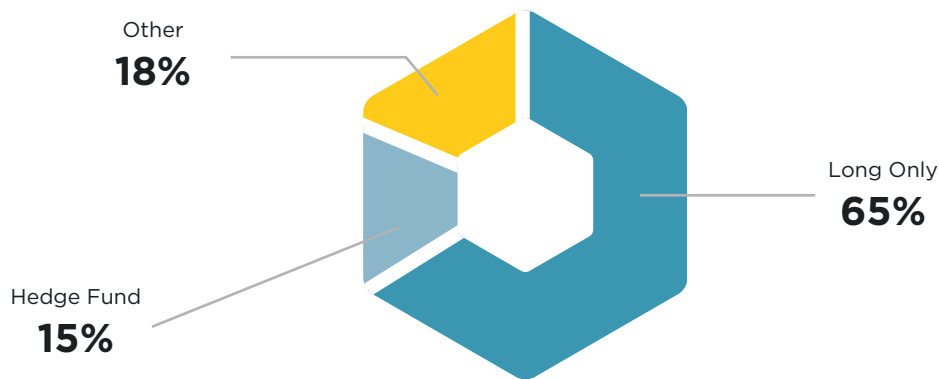
Two thirds of the survey respondents work for funds with over \$100bn of assets under management, while the remaining 15% and 18% managed less than \$10bn or between these two figures, respectively.

2.2 Region



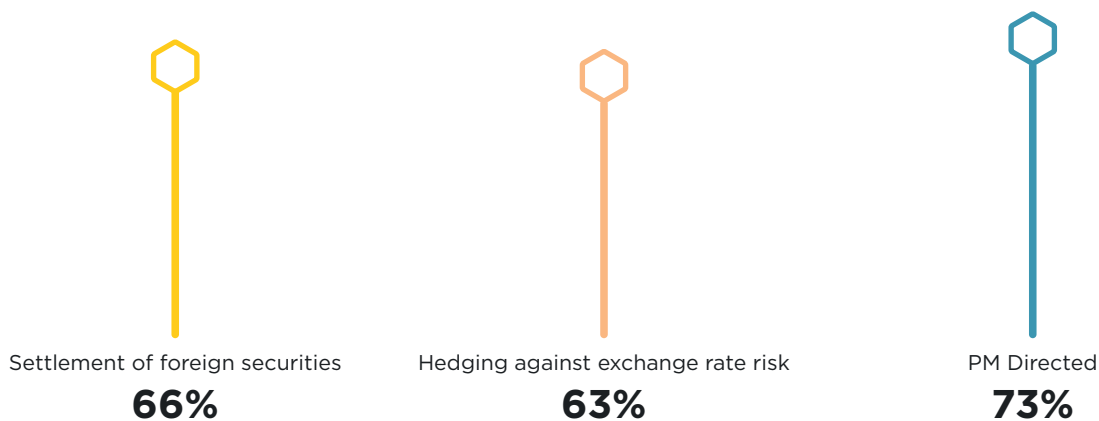
Slightly over half of the buy side surveyed were based in Singapore, while just under a quarter represented Hong Kong based firms. The remainder of the respondents were based in Japan or Australia.

2.3 Firm Type



The diverse pool of traders that participated work for many different types of organizations; from sovereign wealth funds, currency managers, central banks and CTA's. However, the bulk of the respondents came from the long only asset management community with a further 15% from hedge funds.

2.4 Purpose of FX Execution



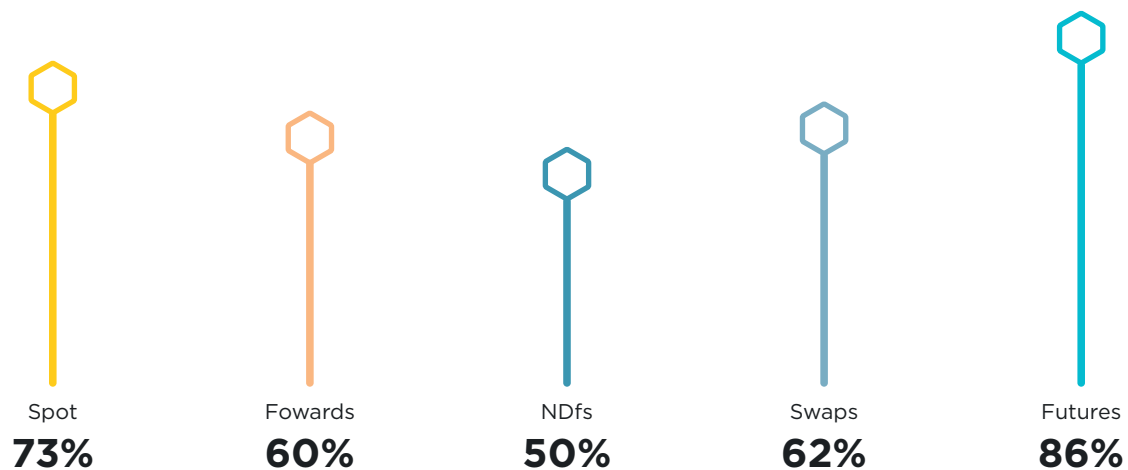
FX's unique position between asset classes and operational business functions warranted an exploration into the purpose of each participant's currency execution. Two thirds of the participants traded FX for settlement of foreign securities, FX was used to hedge against exchange rate risk on 63% of desks, and trades were generated by portfolio managers for 73% of the traders surveyed.

2.5 Average flow



Just as important as why the buy side were trading FX is the type of currencies that were being traded. We asked the participants to break down their flow into three buckets – G10, EM and NDF currencies. Chart 2.5 above represents the average breakdown for all the respondents and shows that just over half of the currencies traded were G10, with a further quarter coming from Emerging Markets and the remainder falling into the NDF bucket.

2.6 Average percentage of FX trades executed electronically for different product types



The level of electronic execution across the different FX product types is an important metric to consider when analyzing the different requirements of the platforms these trades are being executed on. Chart 2.6 represents the average % of trades executed electronically for all participants.

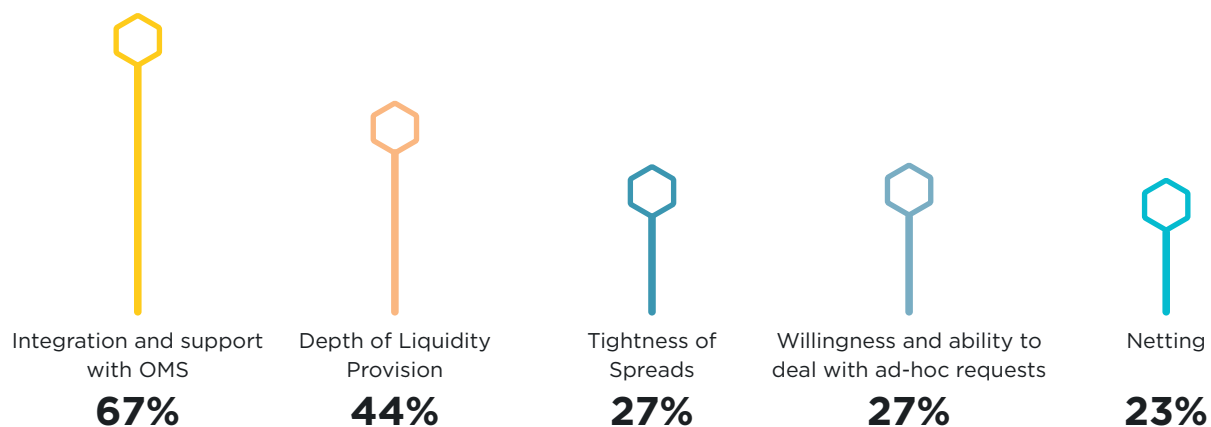
Section 3

Selection Criteria

Most and Least Important Criteria across the board

Before judging current satisfaction levels among the buy side, we determined the functionality, features and requirements that were the most important to them. Survey respondents were asked to select and rank, from a list of fourteen, their five most important selection criteria when they were going to market and exploring the platform provider landscape. Graph 3.1 and all other graphs in this section of the report display this ranking as a percentage of the score that would have been available if every respondent had identified a criterion as their top priority.

3.1 Most Prevalant Selection Criteria

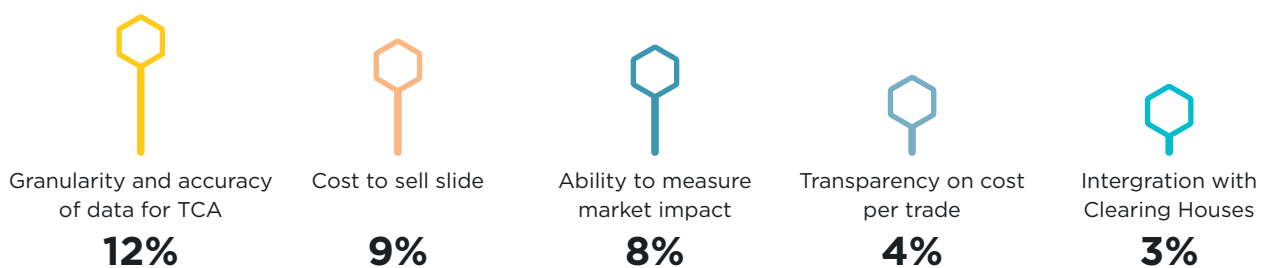


In line with the findings from European and US Reports, **Integration and Support with OMS** platforms came out as a strong favourite among the buy side. The freeflow of information from Order to Execution Management systems plays a pivotal role on buy side trading desks. Ensuring these two vital systems can talk to each other in an effective and efficient manner enables the buy side to streamline their workflow and generate more complex outputs that will be able to help them trade.

Another reason for the prevalence of **Integration and support with OMS** is the time it takes for asset managers to onboard an EMS platform. There are often concerns raised on the buy side that the benefits gained from switching to a platform more suited to their requirements can be outweighed by the cost, time and risk taken to integrate the new system. Ensuring effective integration from the very start means that more incremental benefits can be harnessed in a quicker and simpler manner, which on today's time- and budget-poor buy side trading desk is of critical importance. This is the case for Derek Mok, Chief Investment Officer at Fubon Fund Management. Fubon FM are not currently using an EMS Platform for FX, but expect to be onboarding one next year. "Integration is definitely a top priority for us," he explains. "One of the reasons we don't have an EMS yet is the size of the project to onboard and integrate the platform. Up until now the value that the EMS would offer has been outweighed by the burden of integration."

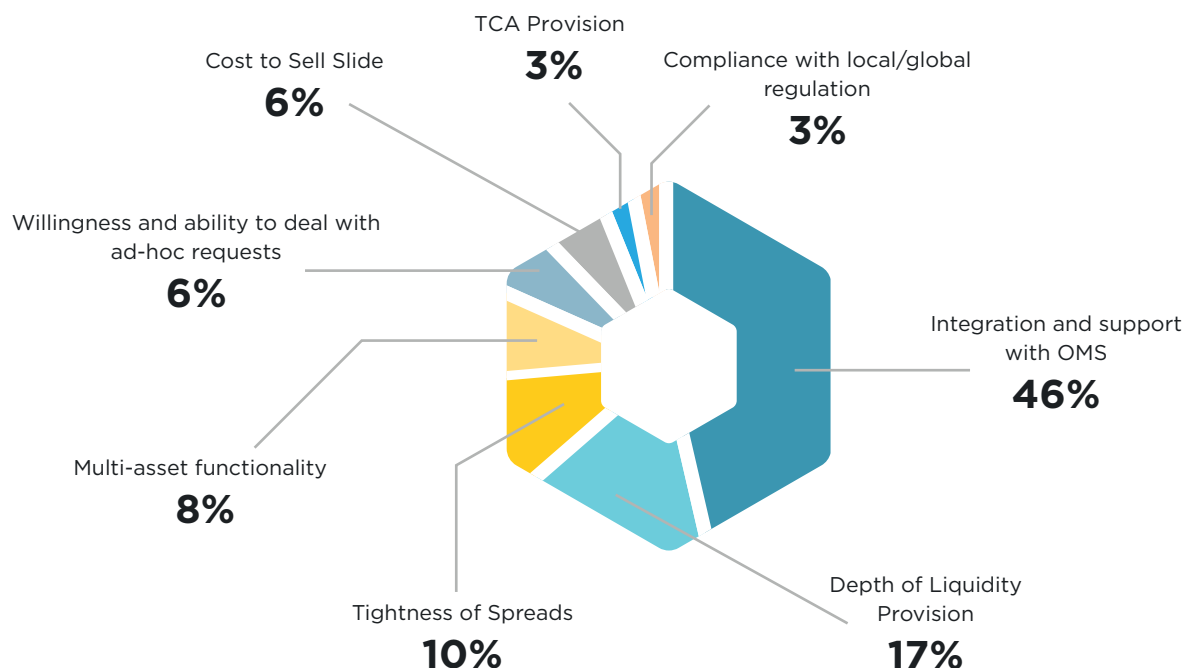
A selection criterion that made the top five in APAC but not in European or US surveys is a platform's ability to deal with ad-hoc requests. In fact, this factor scored just 5% in Europe and not a single buy side managing less than \$100bn placed it in their top five in the US. The customization required to transition trading desks to remote working could be a reason why this more consultative and flexible attitude among the EMS provider landscape is now more valued than before. Even though this is important to the buy side, not all platforms seem to be doing a great job. "We have made many requests and suggestions for improvements this year" Nadia Ben Djemiaa, Associate Director of Fixed Income Trading at HSBC Global Asset Management explains. "Unfortunately, a lot of requests have not been developed, but it's been a tricky year for everyone, so we understand and hope 2021 provides us with an opportunity to see some of our requirements prioritized."

3.2 Least Prevalent Selection Criteria



At the opposite end of the spectrum, integration with clearing houses and transparency on cost per trade were considered the two least important factors when looking at prospective platforms. A surprise in this bottom scoring category was that granularity and accuracy of data for TCA did not score more highly. More electronic trading, increase in algo usage and better access to data for FX TCA have all driven an increase in the appetite for the valuable trading insights TCA can generate and adoption has increased across the industry; so it is a surprise that access to this data on EMS platforms to ensure smooth integration with TCA provider tools is not more of a concern. Provision of TCA itself also scored just outside the bottom 5 at 13%.

3.3 Breakdown of Top Selection Criteria



Looking at the breakdown of the number 1 most important selection criteria outlined by the respondents, two interesting cases arrive. The overall top three scores of **Integration and Support with OMS** and **Depth of Liquidity Provision** and **Tightness of Spreads** make up nearly three quarters of participants' number one criteria, but the fourth most common is **Multi-asset functionality**.

This could tie into a more common theme The Finance Hive has seen on APAC desks for a move towards consolidation across asset classes and a desire to do more with less as budgets and human resource become more constrained. For those firms where multi-asset trading desks have offered the efficiency required to thrive in today's market, a platform's ability to support the desk across asset classes with functionality that can help navigate different types of securities liquidity pools is vital. Screen real-estate and creating straight forward workflow solutions also play important roles in the essential efficiency a multi-asset desk needs. However this is not the case for everyone, and there are compelling reasons why a multi-asset platform may not be the way forward that could explain this criterion's absence from the top 5 overall. "As a multi-asset trader" says Kai from NinetyOne. "If I think about what the different screens look like across FX, Equities and Fixed Income, they are all very different. It would be difficult for a single platform to replicate what the dedicated solutions provide."

Another striking observation that can be made looking at this breakdown of selection criteria is that cost to sell side was considered the most important selection criteria by 6% of the respondents, despite making an appearance as the fourth least important overall. Potentially, a reason for this could be that only more informed users who spend significant amounts of time in FX markets would have a strong understanding of sell side costs and make the connection that more expensive platforms could impact the spreads and performance on FX executions. For those with an awareness of this concept, cost to sell side would be of critical importance and justify taking their top selection criteria spot, whereas those with a lack of awareness or less FX activity would disregard this and focus more on their own workflow and usability.

A closer look

Types of currencies more commonly traded

3.4 Most Important Selection Criteria for desks with over 25% of flow dedicated to Emerging Market Currencies



While the top four selection criteria for firms with a focus on EM currencies remains in line with the industry as a whole, chart 3.4 shows that **depth of liquidity provision** knocks **integration and support with OMS** off the top spot as their most important selection criteria. Kai Chang from NinetyOne has some ideas on why this might be. “Liquidity in G10 currencies is usually of a satisfactory level for the majority of market participants under normal market conditions, but in EM currencies it can definitely be an issue at times. A lack of liquidity can make trading certain markets very challenging.” Emerging market currencies are by their definition less liquid than their G10 counterparts so this should come as no surprise, but this is still an interesting observation and consideration for firms with an active EM portfolio and for platform providers looking to cater for this segment of the market.

There was also a noticeable jump in the emphasis based on **TCA provision** by EMS platforms for EM focused managers. This could be due to the greater challenge desks face benchmarking trades where there is less volume and worse access to data for analysis. Therefore, the need for TCA is greater across the board, and EMS platforms are one of the tools this segment of the market are looking to for assistance. “It ties into the importance of depth of liquidity” Kai explains. “EM Markets are less transparent than G10 – price discovery is more difficult because of the lack of liquidity, so a sophisticated TCA tool is important to measure and benchmark trades” he continues. Kai thinks that Indonesia is a good example: “In some markets, like Indonesia, screen prices are not always reflective of executable levels, so it is important to be able to identify such situations as a point of challenge to counterparties with a view to enhancing the quality of pricing transparency.”

Purpose of FX execution

Respondents were asked to select all the reasons for trading FX that applied to them from Settlement of Foreign Securities, Hedging against exchange rate risk and PM Directed flow. Taking a look at the significant selection criteria identified by those who were only using FX for a business function compared to those who were only trading for a PM led to some interesting comparisons.

3.5 Most Important Selection Criteria for desks trading only PM directed flow

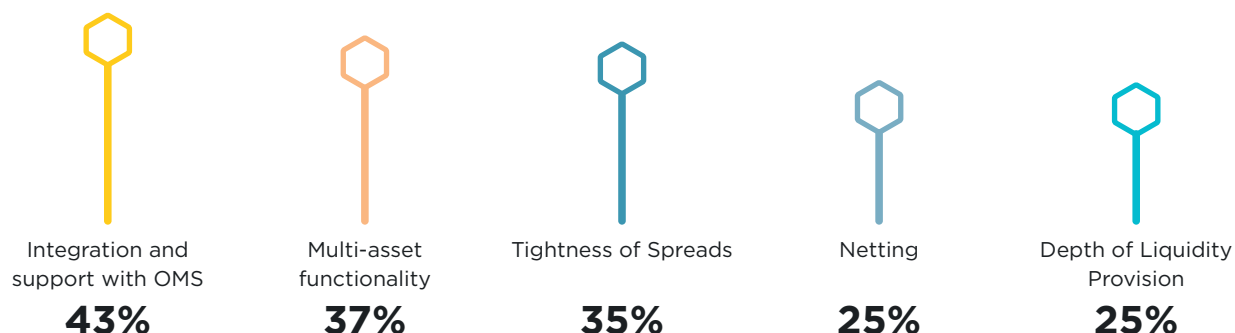


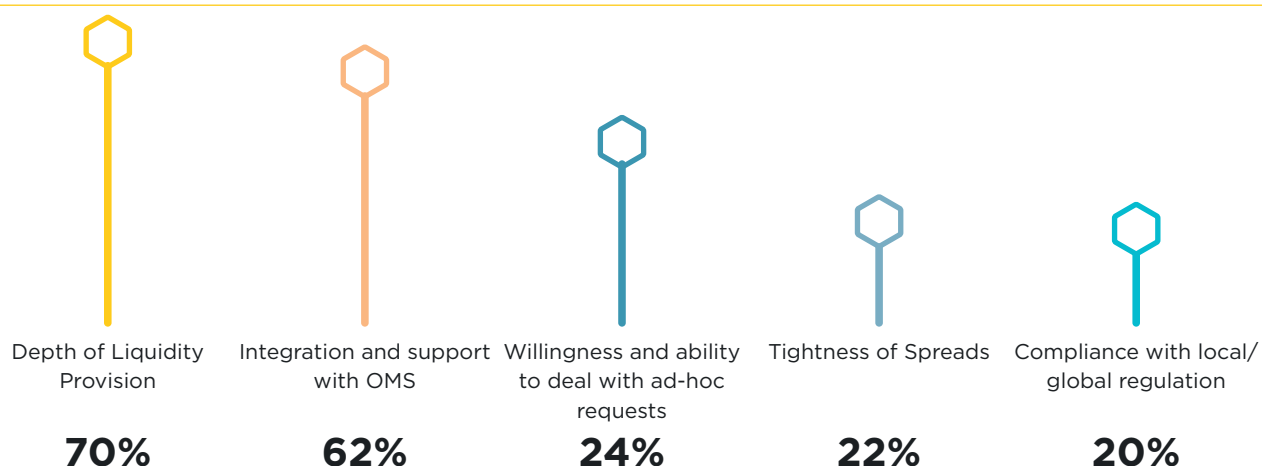
Chart 3.5 shows that while **integration and support with OMS** stays in first place among this group, **multi-asset functionality** and **tightness of spreads** come in at a much closer second and third, whereas depth of liquidity provision moves significantly down the pecking order to joint fourth at 25%.

Comparing this to chart 3.6, which demonstrates the most important selection criteria for desks only trading currency for settlement and hedging purposes, a far greater importance is placed on **depth of liquidity provision**, where it pips **integration and support with OMS** to the post. There is also a notable skew towards these two most common priorities, whereas the criteria that are important to the PM directed desks are far more balanced across different areas.

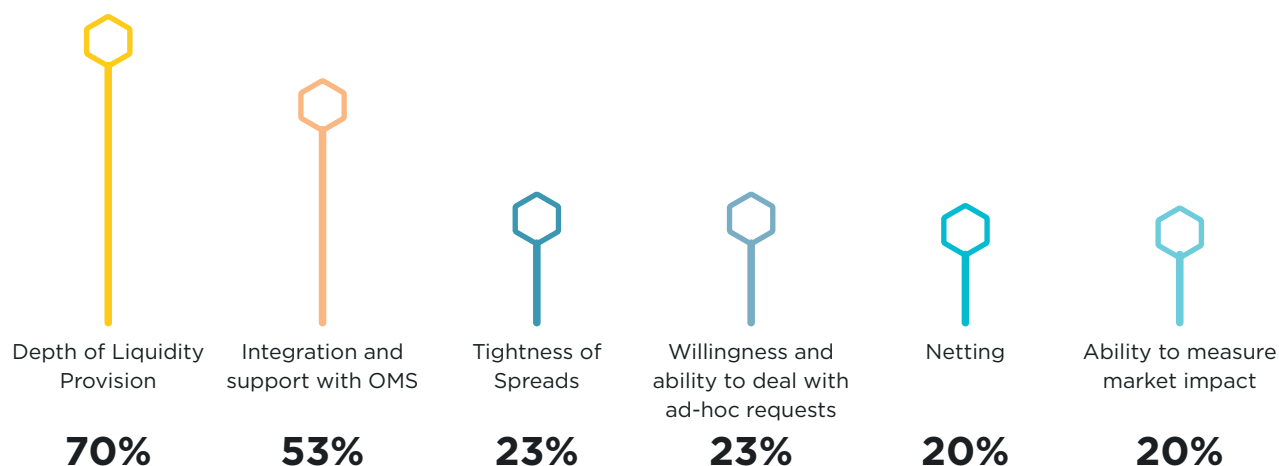
“Most of the time, our FX is a by-product of the trades of our underlying equities and fixed income trades” explains Derek Mok from Fubon Fund Management. “While getting the best price is definitely important and we are always looking to achieve best execution in FX, sometimes getting the trade done to facilitate the underlying transaction is more important. We don’t trade FX for alpha directly, so the liquidity is more important than the spread in the big picture.”

The position of **depth of liquidity provision** in these rankings compared to **tightness of spreads** could also speak to different priorities for those trading FX for different reasons. While those trading for more operational and business reasons may be more interested in **depth of liquidity** to make sure that the trade is executed in a timely manner and taken care of for the other functions it serves, PM directed trades for currency alpha are more likely to prioritize capturing the investment potential with a tighter spread.

3.6 Most Important Selection Criteria for desks only trading for settlement and hedging



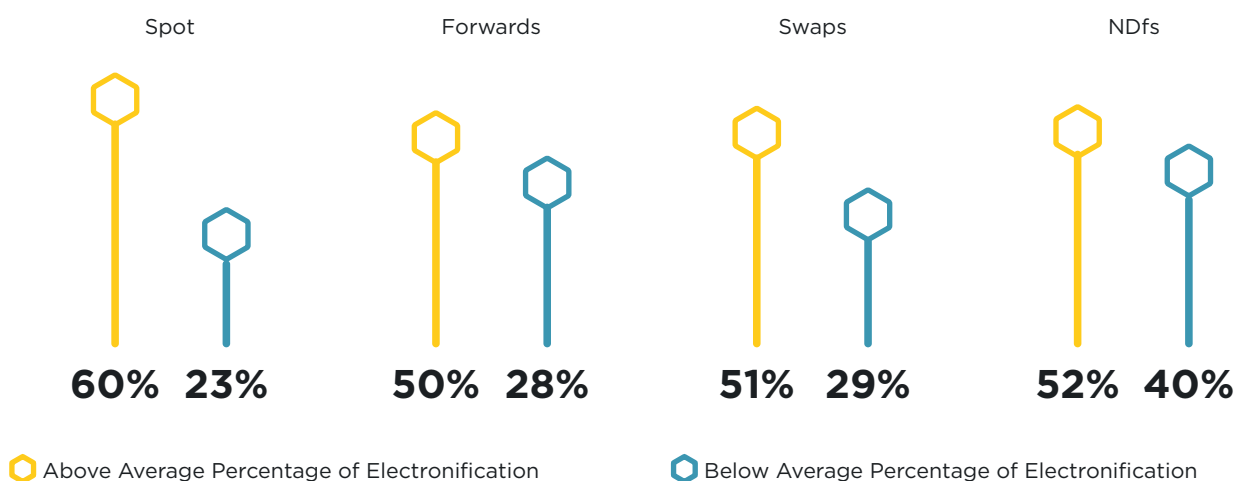
3.7 Most Important Selection Criteria for desks trading futures



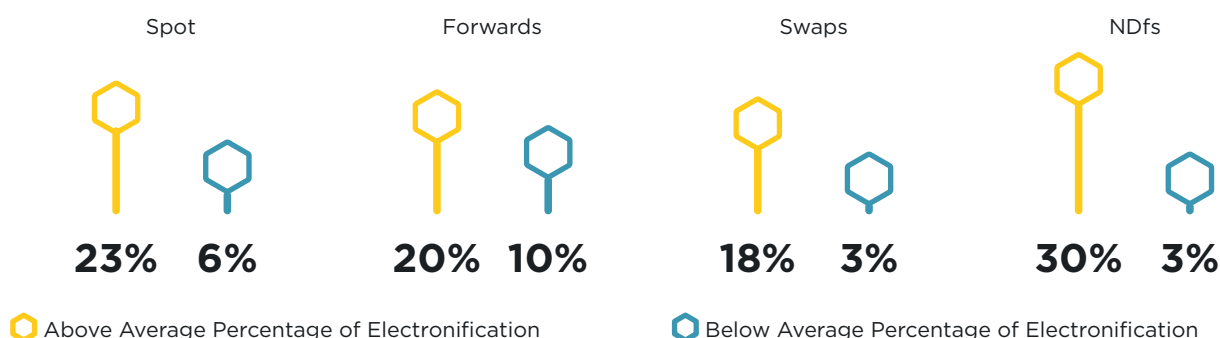
For traders with part of their flow dedicated to FX Futures, there was a greater emphasis placed on **depth of liquidity provision**. Deeper liquidity has been a common request from both buy side firms with FX futures as part of their existing flow and identified as a barrier to adoption for those who only trade OTC forwards at various Finance Hive roundtables, so this finding shouldn't come as too much of a surprise. Other than **depth of liquidity provision** scoring as the most important, there isn't too much difference to the overall scores for selection criteria.

Comparing the most important selection criteria for respondents above and below the average percentage of electrification by product type led to some interesting observations. Firstly, **depth of liquidity** was valued almost three times as much in Spot, and nearly twice as much in Forward and Swaps, but the importance placed on **depth of liquidity** remained more consistent for electronic and non-electronic NDF currencies. Electronic liquidity in NDFs has been improving recently in the eyes of Kevin Long, Trader at GIC. "I'm encouraged by the recent developments in the Asia NDF space." He says. "Over the last couple of years, we've seen an increasing number of brokers offer algos in Asia NDFs and we've also seen improvements in broker electronic risk pricing for Asian NDFs. Liquidity in these channels continues to improve."

3.8 Importance of depth of liquidity for level of electrification

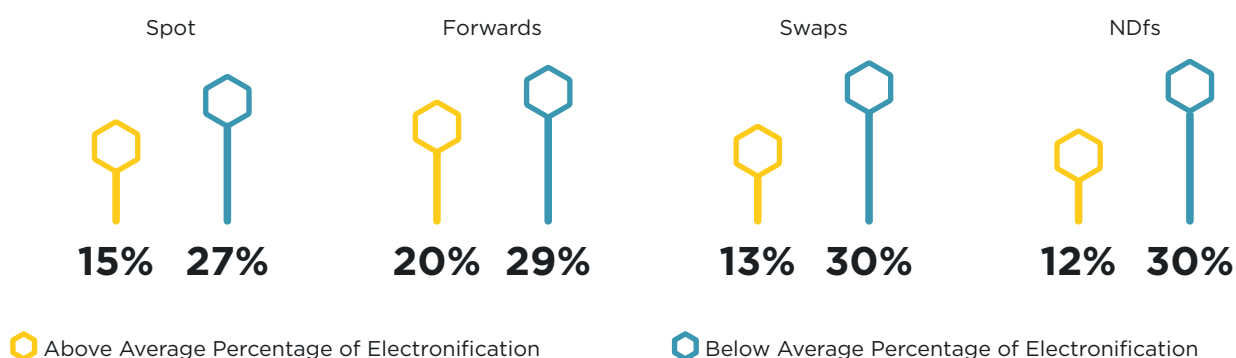


3.9 Importance of TCA Provision for different levels of electronification



Another clear pattern that emerged was that the lower percentage of a product that is traded electronically, the less important **TCA provision** becomes. Due to the difficulties of data capture and timestamping for non-electronic flow, it should be expected that the majority of FX TCA is run for electronic trades, and here we can see that for firms with low levels of electronification this barely factors in as a consideration.

3.10 Importance of compliance with local and global regulation for different levels of electronification



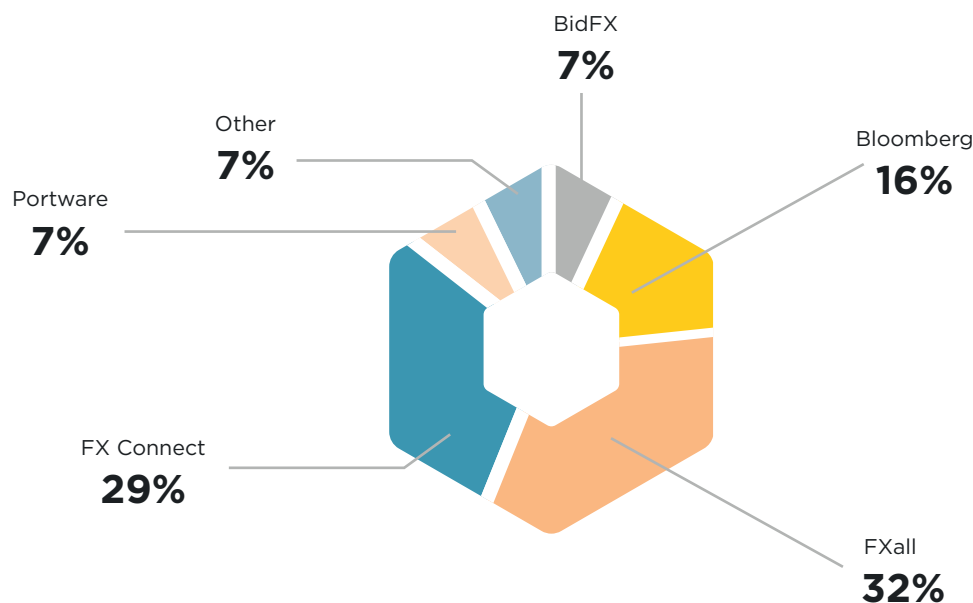
On the flip side, **compliance with local and global regulation** was valued more highly among firms with low levels of electronic flow across all FX products. It's possible that this finding stems from the fact that traders with less electronic execution are using the EMS for less sophisticated purposes, and therefore compliance takes a higher spot on their list of priorities. Whereas a desk with more sophisticated electronic execution would be looking for a host of features designed to support this, with compliance acting more as a necessity to consider after these initial requirements have been satisfied.

Section 4

Platform Functionality and Satisfaction

Having taken the time to analyze the selection criteria employed by the buy side, the next section of this report will focus on how satisfied the buy side are with the various elements of functionality on the EMS platforms they use.

4.1 EMS Platform Market Share



As with our analysis of the European and US Markets, FX Connect and FXall arose as the most commonly used platforms, although in both these regions FXConnect took the top spot when it came to market share. The remainder of the platforms employed include Bloomberg, Portware, Bid FX and a final category comprised of other platforms where no meaningful sample size could be created. NinetyOne use three different FX platforms. “We use different platforms for different subsets of our flow. Most of our daily flow goes through FXConnect, but there are certain circumstances where we will route to Bloomberg if we are trading a bond in a restricted currency for example. It’s just to keep workflows clean and have everything in one system.”

4.2 OMS Market Share



We also took a look at the OMS used by the buy side and observed that In-house OMSs were far more common among the buy side than EMS Platforms, which are more likely to be outsourced to a third-party provider. Charles River, Bloomberg, and Aladdin were the three most common outsourced platforms.

Functionality Grid

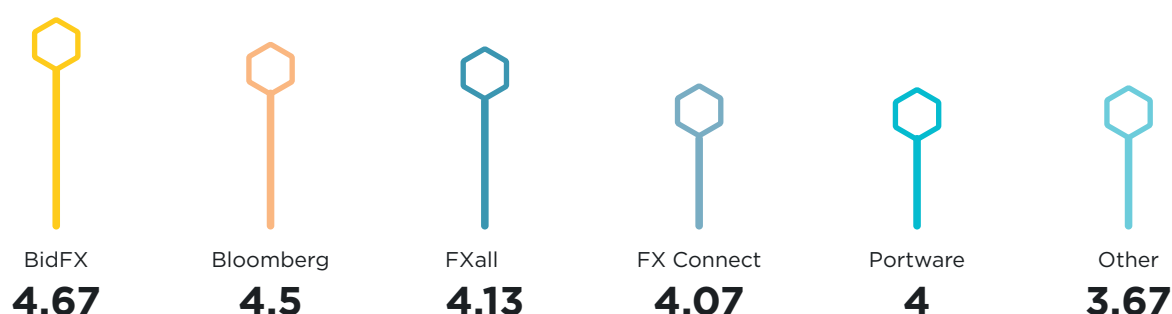
	BidFX	Bloomberg	FXall	FX Connect	Portware	Other	Average
Market Share	7%	16%	32%	29%	7%	7%	n/a
How did your platform cope with increased FX volatility and helping you adjust to WFH conditions in early 2020?	★★★★	★★★★	★★★★	★★★★	★★★★	★★	★★★★
Would you recommend your platform to a peer?	★★★★	★★★★	★★★★	★★	★★	★★	★★
TCA Provision	★★★★	★★	★	★	★★	★★★★	★★
Ability to Host Algos	★	★★	★★	★★	★★★★	★	★★
Integration with OMS	★★★★	★★	★★★★	★★★★	★★★★	★★	★★★★
Post-integration Support	★★★★	★★	★★	★★	★★★★	★★	★★
Netting	★★★★	★	★★	★	★	★	★★
Depth of Liquidity	★★★★	★★	★★	★★	★★	★★	★★
Tightness of Spreads	★★	★★	★★	★★	★★★★	★★★★	★★

We asked our members to rank their platform out of five for each of the above criteria and then took the average to grade them one, two or three stars – resulting in the table above. An interesting finding was the niche, lesser used platforms were more likely to outperform the average than the more widely used platforms FX Connect, FXall and Bloomberg.

Additional findings from this table include:

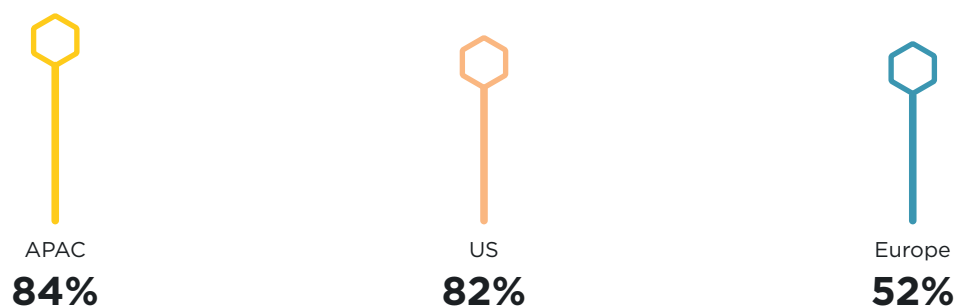
- Overall, the buy side were impressed with how their platforms were able to support them moving to work from home conditions as a result of Covid-19, with all of the most widely used platforms scoring an average of 4 or over. Hive members have told us that rather than technological issues, maintaining strong relationships and communication with banks as they deal with similar working conditions and disruption has been a key challenge of the Covid era, along with internal culture. Overall, the buy side seem happy that their systems have remained robust and can work from home just as effectively as they can from the office. “Relying on electronic platforms to help us transition to remote working was absolutely essential” Nadia Ben Djemiaa, from HSBC Global Asset Management explains. “It’s been part of our policy for a while to trade electronically, so reverting to anything other upon leaving the office would not have sufficed as it wouldn’t suit any of our workflows”

4.3 Support during transition to remote working



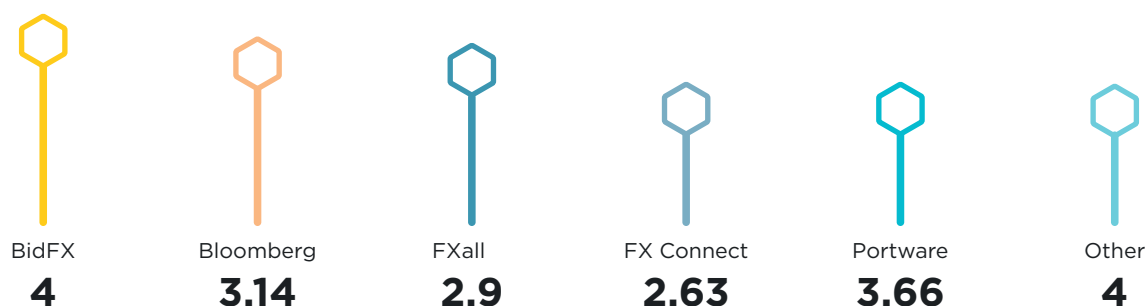
- The majority of the buy side were happy to recommend their platform to their peer group. Overall the referral rating was 84%, the highest of all the regions this research has been conducted in. A key finding from our US report was looking at the reason for the disparity between US and European attitudes when it came to their overall satisfaction. We concluded that although these levels were quite different, the challenges and opportunities identified for EMS providers were largely the same with a tougher regulatory environment causing European managers to be more demanding of their platform providers or perhaps broader cultural factors within the industry or region itself might explain the variance. Further in this report it becomes clear that APAC demands are in line with US and European demands too, so perhaps similar factors are at play here.

4.4 Willingness to recommend a platform to a peer



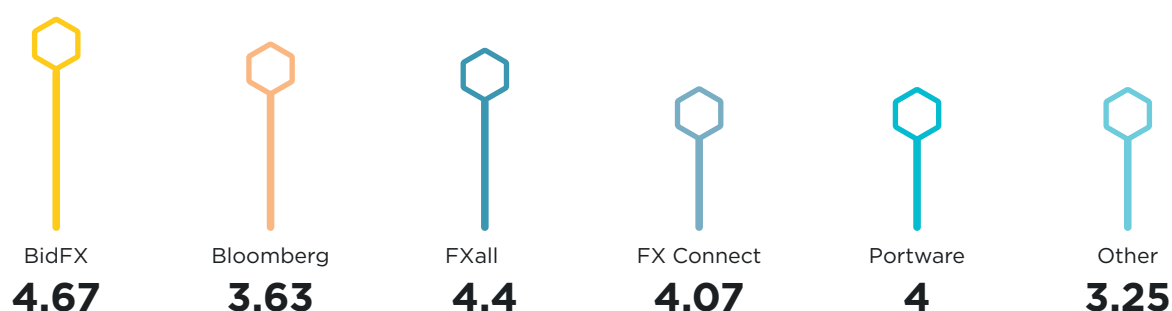
- TCA provision has arisen as a more prevalent priority for certain groups of buy side in the previous section of this report. But where should those traders in need of this feature look? The table above shows that the most widely used platforms, FX Connect and FXall, both fall short of the newer and more niche platforms in the eyes of the buy side. BidFX and the other category comprising smaller, lesser used platforms scored the highest in this category, so if TCA provision is a key priority for your desk, looking away from the incumbents could be the way to go. “We use a third-party provider that isn’t linked to our EMS Platform (FXall) for our TCA” Nadia Ben Djemiaa, explains. “FXAll are developing the solution, but we haven’t been able to see a demo or anything yet. It’s definitely an area we would like to see them focus more on looking into next year.”

4.5 Buy side satisfaction with TCA Provision

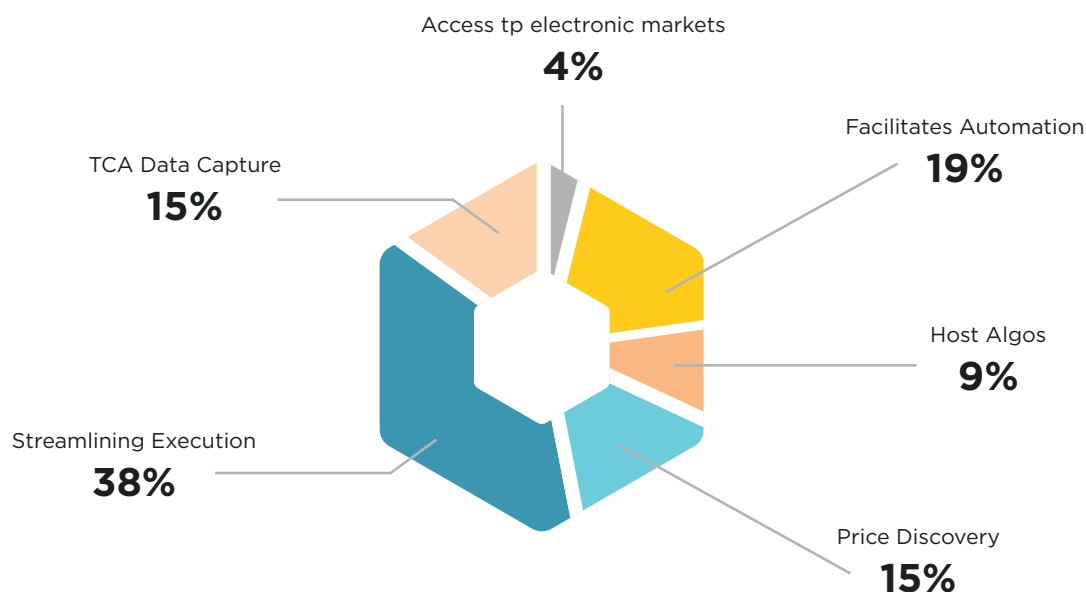


- Finally, considering integration with OMS took the top spot overall when it came to selection criteria, it would be useful to understand which platforms integrate better in the eyes of their clients. Chart 4.6 shows that Bid FX, FX Connect and FXall all score above four points out of five in this category, whereas Bloomberg and the “other” platforms are lagging behind.

4.6 Integration with OMS



4.7 EMS Platform Market Share



The final question we fielded to the group was on the single most useful feature or function of their EMS. Streamlining or even automating execution arose as very common benefits cited, with over 50% of respondents listing this as their EMS's greatest benefit to their desk. Since the start of the Covid-19 pandemic, The Finance Hive has observed a new sense of urgency and focus towards automation as a result of the cost benefits, removal of operational risk, clear demonstration of best execution, and empowerment of traders to focus on more "value-add" tasks. While EMS platforms managed to hold up, the period undoubtedly shone a light on some of the inefficiencies on the trading desk and for some demonstrated or reconfirmed the value of having nuisance trades taken care of by a machine, while more difficult orders were managed by traders themselves. This is the case for GIC, as Kevin Long explains: "With the advent of Covid-19 this year automation has become even more critical to help the trading desk efficiently manage workflows in a world of higher market volatility, larger volume of orders and infrastructure challenges of moving to a Work from Home environment."

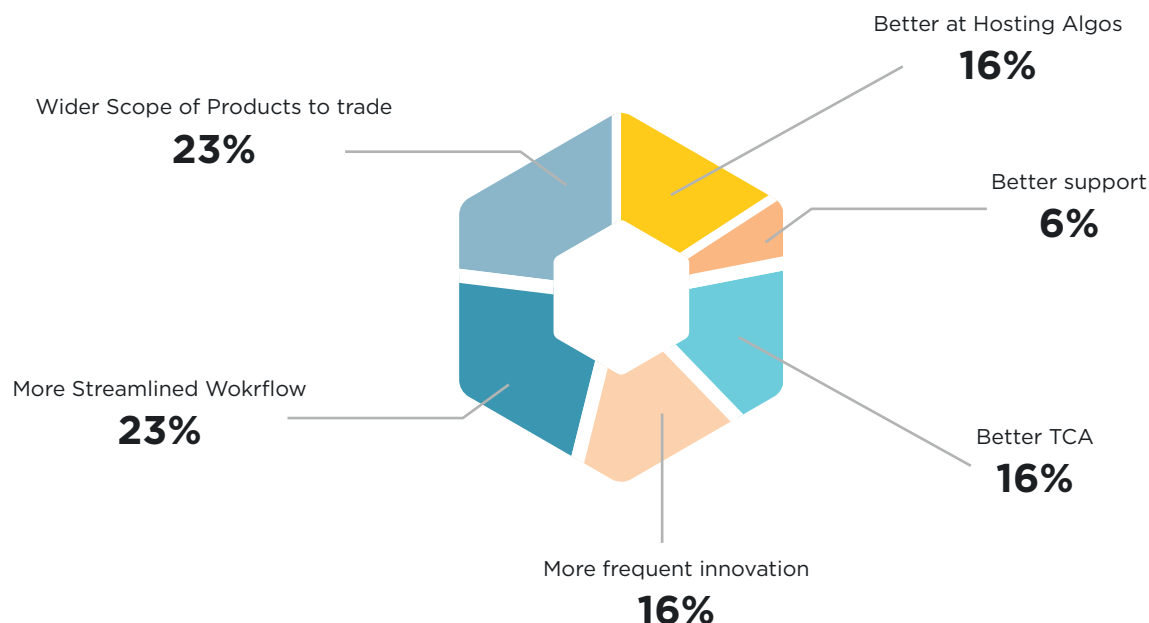
Automation cannot be a one-size-fits-all solution – each individual firm will have its own unique opportunities and challenges, and the very term automation will mean different things to different people. The focus on streamlining execution and enhancing automation through EMS Platforms could explain the higher priority placed on **willingness to deal with ad-hoc requests** so platforms are more customizable to suit the specific needs of individual desks looking to automate more of their flow.

TCA data capture also scores as an important benefit generated from EMS. This once again lends credence to the idea of this functionality very much being all or nothing for buy side. There is a small group of traders who consider access to this data an important selection criterion, as outlined in section 3, but for those traders who are harnessing the power of that data, great benefits are being reported.

Section 5

Buy side demands for innovation

5.1 Most common demands for innovation



Streamlining workflow and the ability to trade a wider scope of products featured as the two most common demands for EMS Providers, followed by more frequent innovation and a greater ability to host algos.

Streamlined workflow is a necessity for the buy side in an age where consolidation and cost-cutting has seen the human resource on the trading desk decline, and emphasis on best execution increase simultaneously. This means that desks need to be more and more efficient to continue to deal with the orders they receive in an effective and timely manner. The free flow of trade information from OMS to EMS is also an important part of streamlining workflow, so the integration between the two systems is important. Platform providers should focus on this important selection criteria, as well as improving the UX and reducing the need for manual data input to help the buy side meet these workflow goals. At HSBC Global Asset Management, streamlining FX workflow and execution through automation is a key priority. We use the EMS platform, FXall for all FX execution and have worked closely with them for several years in order to improve our execution performance and governance. In 2020 improvements to the platform, new services and upgrades slowed as we expect the pandemic to have shifted some priorities to focus on supporting people working from home, stabilizing connectivity and assisting clients with any technology issues.

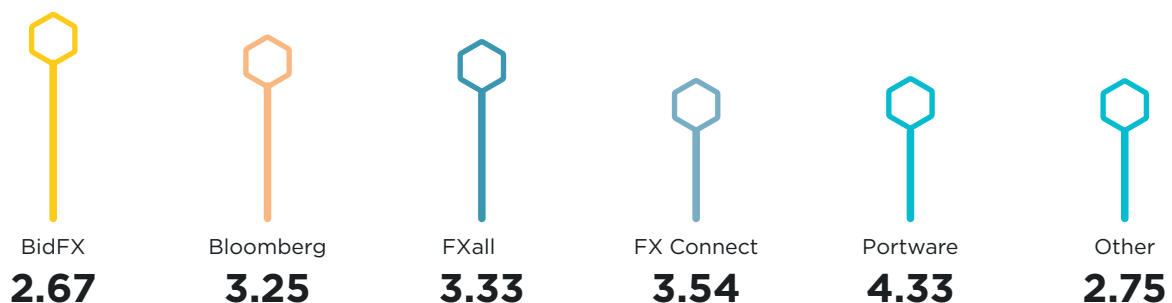
“One of the main things we’d like to see changed in FXall is the ability to trade NDF as a swap” explains Nadia Ben Djemiaa. “Right now we are not able to net two different settlement legs for NDFs, so we have to trade our NDF rolls by voice and manually book the trades in our OMS. It is not efficient and it could be definitely improved by a greater scope of FX products becoming available.”

Making sure traders are comfortable with new automated workflows is an important part of the puzzle, Kevin from GIC has found. “As our systems become increasingly sophisticated with our automation efforts, there is an increasing challenge for the trading team to remember and understand the various processes that are in place.” Kevin advises that good design thinking and proper documentation goes a long way in alleviating this challenge.

The ability to trade a wider scope of products extended to FX products and different asset classes. Both of these demands tie into a similar quest for efficiency as more and more trading desks are consolidating asset classes into multi-asset desks. Currently, there is a consensus in the industry that no O/EMS has developed a truly multi-asset tool, and selecting a best-of-breed platform by asset class or type of product provides dedicated functionality that specializes in trading a specific product. However, this brings with it the challenge of integration between systems, screen real estate and managing multiple vendor relationships. This explains why taking steps to achieving a fully functioning multi-asset system where you can trade everything you need to is a common buy side demand. “One of the main things we’d like to see changed in FXAll is the ability to trade an NDF as a swap” explains Nadia Ben Djemiaa. “Right now we are not able to net two different settlement legs for NDFS, so we have to do this by voice and manually book the trades. It’s quite inefficient and is definitely a workflow problem we face that could be solved by a greater scope of FX products becoming available.”

The ability to host algos more effectively was another common request. Looking back to our functionality grid, ability to host algos scored the second lowest satisfaction score across all the different categories, only coming ahead of netting capabilities. BidFX scored the lowest of all platforms in this category, with Portware offering the greatest ability to do this in the eyes of their clients.

5.2 Ability to host algos



Algo usage on the buy side has been on the rise for a number of years, but many turned to algos as a means of dealing with excess volatility and volume of trades this year. The workflow benefits of trading via algos also helped traders adjust to working from home, so reliance on EMS Platforms to host these algos is likely to continue to grow in importance over the coming years. EMS Platforms looking to support their current and prospective clients should ensure they are set up to host algos effectively in the future.

Section 6

Conclusion

The experience of 2020 certainly led to a re-evaluation of the value EMS Platforms are able to offer to FX desks. Unfortunately, the year has also seen a deceleration of enhancements, updates and additional functionality provided by the market. These two factors mean it is essential that the buy side make their demands for innovation, their areas of satisfaction and their desired selection criteria well known as the EMS provider community turns its attention to meeting these new requirements in 2021.

As with previous iterations of this research, integration of an EMS platform plays a crucial role. Regardless of the type of firm, the currencies they trade or the purpose of their FX execution, the ability to integrate well with other tools employed on the desk is vitally important. Ease of integration should be an important consideration for platforms looking to onboard new clients, as often the burden of integration and the resources that would need to be dedicated to setting up a new EMS outweigh the benefits that a new platform may offer in terms of its functionality or ability to trade certain securities.

Integration with other systems once a platform has been onboarded is also a key part of ensuring an efficient and effective workflow, which was a consideration that the majority of respondents in this survey were looking for. Many reported that their EMS's main benefit was facilitating workflow automation and streamlining processes, and a large number of buy side also requested improvements in these areas to help them develop this further. Taking care to understand how any potential platform sits alongside other technology employed by the desk should be a critical aspect of the EMS selection process.

Another key theme of the importance of this report was data. While lesser used platforms received higher scores when buy side ranked their satisfaction with the TCA on offer, this isn't a key differentiator for the industry as a whole in the same way integration and liquidity are. However, for traders spending a lot of time executing in emerging markets, the importance of TCA skyrockets. These types of firms should consider taking a closer look outside of the incumbent platforms to meet this requirement.

While the numerous demands for improvements APAC traders highlighted match the requests of their US and European based peers, the willingness to recommend a platform was closer to the US perspective than the European. A tougher regulatory environment in Europe and a subsequent necessity for quicker improvements in platforms functionality to keep up could explain this, as too could more cultural reasons.

The main point this report demonstrates is that beyond offering deep liquidity and an easy to integrate system, platform providers need to work on a one-to-one basis with their clients and create a flexible, consultative service. The drivers of platform adoption are all similar, but each buy side firm faces unique challenges and opportunities that this mentality from the EMS provider community will help to solve and realize. This has been true for a while, but increased volatility and the difficulties of remote working have emphasized this point to the extent that providers have no option but to acknowledge and act swiftly, before their reputation is called into question.

Section 7

Response from a platform provider

A key finding from this report is that workflow considerations are front of mind for buy side when they are making decisions around which EMS Platform they want to use. This makes perfect sense, and we would implore all buy side to make sure they are willing to provide customized workflow solutions to solve friction in their execution when making this decision.

When exploring the selection criteria of different types of trading desk, it was particularly interesting to note that desks that have a high level of electronic trading consider many different factors to those with less electronic execution. We would suggest that some of the additional factors these trading desks should consider include the complexity and array of netting execution methods, the availability of rich API to support pre, post and on trade allocations and connectivity to a wide selection of OMS providers.

More emphasis was placed on compliance with local and global regulation by trading desks with less electronic execution, but it is important to note that robust regulatory reporting capabilities should still be high on the list of buy side requirements. Two final criteria we would highlight is the need for speed of execution and deep reporting functionality which combines both pre- and post-trade analytics.

One of the main reasons this research is so important is the turbulence that the buy side have experienced throughout 2020. With this in mind, it is more important than ever for EMS platform providers to be dynamic, transparent and communicative. Through direct and frequent dialogue with their clients, providers can maintain a better understanding of the headwinds experienced, whether new or old, enabling successful collaboration on potential solutions, whether short, medium or long term.

Taking full advantage of the data that an EMS is able to capture was found to be one of the main benefits of using an EMS platform in the eyes of the buy side. At EBSI, we have observed that buy side that use both pre and post trade data gain value from the feedback loop using this data to objectively validate each and every trading decision, and the friction cost of a particular execution method. This can inform future decisions made by Portfolio Managers.

The debate between multi-asset vs best of breed platforms is one that continues to rage. Ultimately, it depends on the needs of the buy side, and how they are operationally and technically aligned across each asset class. Moving towards multi-asset solutions, there tends to be less innovation and more standardization, whereas best of breed platforms can be more dynamic, innovate faster, adapt to trends and be more accommodating to the bespoke requirements of a particular buy side.

Another particularly interesting finding of this report was the preference to outsource EMS among the vast majority of buy side firms, whereas nearly a third kept their OMS in house. Historically, an OMS has often been the central nervous system to any investment operation which means they are heavily integrated into the front, middle and back office functions. Once integrated, it becomes very difficult to replace as a firm's operations and processes are built around the OMS. EMS' are designed to execute trades efficiently and require connectivity and access to real-time market data, liquidity and complex execution methods supported by accurate post trade TCA, reporting to OMS providers. Outsourcing EMS' is an easier more cost-effective decision as many are connected to OMS providers or are willing to develop custom OMS solutions. This removes the need for an asset manager to underwrite and continuously develop liquidity providers, algos, execution methods and keep abreast of the latest technological advancements in trading and execution protocols.

Section 8

Appendix

Contributors

Agrocorp

Allianz Global Investors

Amundi

Aralian Capital

Aviva Investors

Aware Super

Bank of Singapore

BNP Paribas Asset Management

BNP Paribas Wealth Management

Cargill

Castle Rock Global Capital

Colchester Global Investors

DAX Partners

Dimensional Fund Advisors

Fidelity International

First Degree Global Asset
Management

First Sentier Investors

Fubon Fund Management

GIC

GMO

HSBC Asset Management

Invesco Hong Kong

Kairos Partners

MAN Investments

Manulife Investments

NinetyOne

Omega Global Investors

Ortus Capital

Partners Group

Pilgrim Partners

Q Super

Rhicon Currency Management

Sarasin

Saxton Systematic Trading

Schroders

T. Rowe Price

UOB Asset Management

WorldQuant

Plus additional anonymous buy side contributors

Finance Hive Global Pulse Survey

Finance Hive Members in Asia always tell us that EMS platform selection is an incredibly difficult and time-consuming project. Even just keeping up to date with the new functionality that incumbent and new platform providers offer is no easy feat. Following on from our European and US platform benchmarking reports, we have received numerous requests to create a consensus around APAC buy side's selection criteria, desired improvements, and most valued functionality for the EMS platforms they use.

Thank you for helping us to build this benchmark. All responses will be kept entirely anonymous.

1. What is the approximate value of assets under management that are serviced by your trading desk?

2. What percentage of your flow falls into the following categories:

G10		EM		NDF	
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3. What is the purpose of your FX execution? (select all that apply)

<input type="checkbox"/>	Settlement of foreign securities
<input type="checkbox"/>	Hedging against exchange rate risk
<input type="checkbox"/>	PM Directed
<input type="checkbox"/>	Other (Please Specify)

4. What Percentage of your FX trades are executed electronically for the following product types?

Spot:		Swaps:	
Deliverable Forwards:		Futures:	
NDFs:			

5. Platform Selection

Please rank the top 5 criteria you pay attention to when selecting a platform – with 1 being the most important.

Integration and support with OMS	
Multi-asset functionality	
Ability to measure market impact	
Granularity and accuracy of data for TCA	
TCA Provision	
Transparency on cost per trade	
Integration with Clearing Houses	
Netting Functionality	
Depth of liquidity provision	
Tightness of spreads	
Willingness and ability to deal with ad-hoc requests	
Security	
Compliance with local/global regulation	
Cost to Sell Side	
Other? (Please Specify)	

6. Platform Evaluation

a) Which EMS platform(s) do you use?

b) Which OMS Platform(s) do you use?

c) How does your EMS platform improve the way you trade?

d) How did your platform cope with increased FX volatility and helping you adjust to WFH conditions in early 2020? (please circle)

Very Well
Well
Ok
Poorly
Very Poorly

e) What is the single biggest improvement you would like to see your EMS platform make to their product?

f) Would you recommend your platform to a peer? (please circle)

Yes
No

g) Are you looking to increase the number of platforms you are using? (please circle)

Yes
No

h) Please score the following aspects of your platform out of 5 (5 being the top score) (1 being the bottom square)

TCA Provision	
Ability to host Algos	
Integration with OMS	
Post-integration Support	
Netting	
Depth of Liquidity	
Tightness of Spreads	
Netting Functionality	
Depth of liquidity provision	
Tightness of spreads	

About The Finance Hive

The Finance Hive supports the global buy side trading community by promoting collaboration and facilitating opportunities for innovation. The objective is to gather brilliant minds and create ground-breaking content, so market players can thrive in a continuously evolving ecosystem.

As financial markets are increasingly traded electronically, widespread change sweeps through not only the technology provider landscape but the market structure itself. One of the most noticeable effects has been an increased reliance on digitalisation and automation which has reduced the need to build relationships or engage in cohesive communication.

The unique platform The Finance Hive provides, enables the most senior and influential buy side trading professionals from across the globe to respond to industry issues, successfully engage with regulators, share knowledge and benchmark with likeminded peers.

It is specifically designed for global heads of trading, heads of equities/FX/fixed income trading, C-level executives and managing directors from long-only asset management companies, corporate treasuries, currency managers and hedge funds. The network also includes senior representatives from banks, market-makers, prime brokers, exchanges, platforms and technology providers.

About EBSI

EBSI is a leading provider of electronic trading platforms and technology services in foreign exchange markets. EBSI is a part of CME Group. As the world's leading and most diverse derivatives marketplace, CME Group (www.cmegroup.com) enables clients to trade futures, options, cash and OTC markets, optimize portfolios, and analyze data – empowering market participants worldwide to efficiently manage risk and capture opportunities.

CME Group exchanges offer the widest range of global benchmark products across all major asset classes based on interest rates, equity indexes, foreign exchange, energy, agricultural products and metals.

The company offers futures and options on futures trading through the CME Globex platform, fixed income trading via BrokerTec and foreign exchange trading on the EBS platform.

In addition, it operates one of the world's leading central counterparty clearing providers, CME Clearing. With a range of pre and post-trade products and services underpinning the entire lifecycle of a trade, CME Group also offers optimization and reconciliation services through TriOptima, and trade processing services through Traiana.



Presented by The Finance Hive, in partnership
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