

Software AG Solution Series: Financial Services

FX E-Commerce

Direct electronic access for fragmented, fast-paced markets



Your Problem: At its core, being profitable at Foreign Exchange (FX) trading depends on being faster and smarter than the other guys. With volumes escalating and spreads narrowing, the only way to outpace the increasing number of “other guys” is with automated trading tools that can be used to develop, deploy and fine-tune real-time trading strategies trading strategies and pricing models in response to changing market conditions and trading pattern.

Software AG Solution: Exploit algorithmic trading and pricing services in an open-development environment, calibrated to the FX marketplace for both internal use and extension directly to the client. Rapidly deploy existing pricing models, develop new models, automate intelligent hedging for client orders and provide traders with tools to handle trade flow against a highly fragmented, real-time market.

Problem Details

The FX market is massive. By the end of 2012, average daily trade volume in the FX market reached an estimated \$4.68 trillion, reported Aite Group. That’s up \$180 billion per day from only two years prior.

With that kind of money at stake—and no formal regulation—lots of people are getting into the game. As more firms want to deal directly in these dynamic markets, banks need to differentiate their FX e-commerce offerings with customized solutions that maximize the value of their technology investments.

If you’re responsible for Sales, you’re selling prices to your clients. You’re evaluated against the increases in total revenue, increases in profit margins of client order flow and overall market share—and all of that depends on generating prices that bring clients to your desk. To be competitive without putting your organization at risk, you need instant access to the different pricing models demanded by different customers, multiple liquidity providers and the rapidly shifting currency prices and quotes. What you need most of all is an aggregate view of the market,

so you can tailor product prices in real-time for different clients.

If you’re responsible for Trading, you’re tasked with getting market data in, sending orders out and making a profit on the deal. Where this process gets dicey is when your traders can’t execute quickly enough because they’re mired in a manual process of reviewing multiple screens. You may not even have a clear idea of how many deals slip because of this manual process—and how dissatisfied both your clients and your traders may be as a result.

If you’re the CIO or CTO, you’re expected to deliver technology to your organization for aggregate views, Smart Order Routing (SOR) and electronic access for clients to submit orders directly—all at the high volumes required for the best possible interbank rates. You have to balance the benefits of quick deployment of a vendor-built solution with customized functionality that could give you competitive advantage.

What’s Software AG’s “Secret Sauce”?

Handling today’s FX e-commerce world requires state-of-the-art technology. At the heart of our solution is the world’s fastest Complex Event Processing (CEP) engine and development toolkit, along with advanced customizable solution components for:

- Liquidity aggregation
- Auto hedging
- Smart Order Routing (SOR)
- Custom pricing models
- Custom risk management strategies
- Multi-channel price distribution

Software AG's Solution

View connected markets in a single screen (FX aggregation)

- See best bid/ask across all markets in an instant
- Optimize SOR for best execution across all connected markets
- Increase profits with customized execution for market conditions, trading venues

Offer the best prices while managing risk (FX dealing)

- Tune trading services on a per-client basis
- Protect against excessive client risk exposure
- Maximize profits through intelligent auto-hedging

Maintain competitive advantage in fast-moving markets (FX internalization)

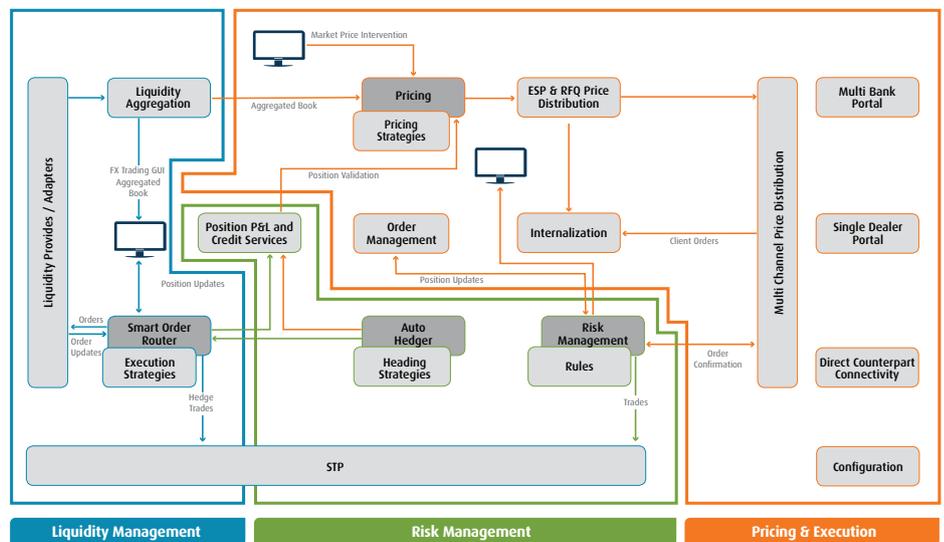
- Execute orders faster without round-trip time to external venues
- Reduce execution fees
- Reduce market impact

The common denominator for each role? Being able to combine current, real-time metrics from multiple sources—including big data sources—with historical data to identify favorable trading conditions as they're happening, allowing you to act quickly enough to profit. It's having immediate access to the full context—known patterns and relationships, existing data on exchange rate trends, real-time analytics that reveal new patterns—that's key to a successful FX business.

Tools that guide trading algorithm strategies—across multiple asset classes—can provide real-time insight for changing trading strategies to capitalize on changing markets. Innovative firms are looking to use the same tools to detect trading fraud, interpret quote stuffing and spoofing, and identify unusual trading patterns. By using the tools for multiple purposes, these forward-looking firms can reduce the overall cost of owning this technology.

Critical Aspects of a FX E-Commerce Solution

- FX aggregation: View connected markets in a single screen
- FX dealing: Offer the best prices while managing risk
- FX internalization: Maintain competitive advantage in fast-moving markets



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ABOUT SOFTWARE AG

Software AG helps organizations achieve their business objectives faster. The company's big data, integration and business process technologies enable customers to drive operational efficiency, modernize their systems and optimize processes for smarter decisions and better service. Building on over 40 years of customer-centric innovation, the company is ranked as a "leader" in 15 market categories, fueled by core product families Adabas-Natural, Alfabet, Apama, ARIS, Terracotta and webMethods. Learn more at www.SoftwareAG.com.

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