



Are you leading or falling behind?

The current innovations and strategies in FX payment processing and service delivery that separates the industry leaders apart from businesses that are just, mediocre.



There are more FX payment brokers and specialists in the current global market place, than ever before. This creates a highly competitive and even saturated space, yet at the same time, creates a unique industry environment.

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For either reader, the objective of this paper is to enlighten and confirm that the universal desire, is for the industry to continue to thrive through innovation, good business practice and expand, what is currently, a niche area the global FX payment arena.

It is important to note that the document is not intended to be a scoring meter, by which businesses may measure a “pass” or “fail”. Rather, the document is intended to present a collection of experiences, observations methodologies and operations, over the past 15 years, which have proved to work extremely well in brokerages and FX payment businesses, around the globe.

It is very clear that no two businesses are identical, which can be good, when one considers methods to stand out, over the competition. The ultimate objective of this paper, therefore, is to help the reader achieve ways to differentiate themselves from their competition and to find the “unfair advantage”, as it were.

From small bespoke specialists, to the much larger financial institutions, they all have many concerns in common, albeit operating at peak form and with the necessary quality, in order to keep their market share and stay competitive and relevant, to the ever- fickle and rapidly changing customer expectations, in this “global” industry.

Regardless of the size of your organization, are there elements of your business that can be improved upon, or even expanded?. For many, this document could serve as a simple validation that you are doing pretty much everything you can and your business is in good shape, to take on and grow in such a competitive market. For others, one might see areas of improvement or even something you haven't thought about, that could help you stay relevant and maybe even obtain new customers, at the expense of your competition.

(Sales and Customer Data Management)

Are you properly controlling and managing the leads, contacts and customers in your organization?

Hopefully, you are and if you are not, then it may be time to think about how that can affect your business.

While one considers that customers do come and go, it is a reality that so do sales and dealer agents. An important consideration is that one does not have to let departing agents, take one's customers with them when or if they leave your employ. Up to a certain point, customers can always choose where they do business and in some cases, non-compete contracts are honored with respect that a client of the business, is a client of the firm and not of an individual dealer/trader. But you can still protect your most valuable assets (your customers) by controlling the flow of information.

Some FX businesses let sales and dealers manage their own lists completely and independently via their own private CRM or Address book. At one point, in the past, a private book of business and the relationships and business they could bring to you, is what made a dealer valuable. The opposite is also true, meaning when they leave, so too can those customers, as well as all the “intelligence” that goes along, with them. How then would a firm know who, what, where and when the departing agent called, what they talked about and the nature of the customer's needs? The question then is could a manager better leverage that customer data to the improvement and growth of the business?

Having control of that critical customer detail through a corporate system, can be a significantly improved way of mitigating the inherent risks of employee change and managing and monitoring their sales efforts. After all, if an agent is using your system, then they literally would have to “steal” information from the business, which now protects the business, legally!.

The other point to stress about customer data and retention management, is getting your customers to engage more directly in your brand and unique services, so that the customer's loyalty gravitates to the business, rather than to the individual sales agent or dealer.

(Customer on-boarding & compliance)

So you have got that client to trade with you! Who are they and to whom are they sending money? More importantly, can you prove it to regulators, as well as your banking partners?

Compliance has been on everyone's radar for several years now, not that it wasn't important before, but with an ever-changing international political landscape and with the spectre of terrorist and money laundering activity, compliance is now an integral part of today's FX payment enterprise. Surprisingly enough, some businesses are not doing enough and some have paid the price with fines and worse, have lost bank accounts, as the result. In Canada there is a current trend of banks "de-risking" their business with MSB's, (Money Service Businesses) citing a lack of documentation and compliance enforcement, as their main concerns with the industry. Being able to prove that a firm is meeting and/or going above and beyond their due diligence obligations, is essential in today's FX environment.

There are several things a firm can do if the firm is not already doing so. First, make sure that procedures and measures, are well documented and available to all employees. Train staff relentlessly on those procedures and, most importantly, institute and ensure that those processes are enforced at all levels of your firm's business, not just when on-boarding a new customer. An independent review of the firm's regime is always a good idea if there is no dedicated compliance officer, on the firm's team.

Independent compliance experts, are advising their FX business clients to implement systems that can better monitor, enforce and report on these conditions and still remain flexible to future changes in legal requirements, like adding new fields and collecting new information E.g. if the person is a PEP (Politically Exposed Person).

To the best of our knowledge a business has never been penalized for collecting and enforcing too many compliance checks. Examine your current policies and measure your strength according to what you're collecting, how you can set warnings and notifications and how easy is it to report on your data. Then find ways you can take it, even further! A good recommendation is to have an independent compliance audit carried out. This will identify gaps in your regime for which you were not previously aware. Another prudent and forward thinking move with a most worthwhile return on the investment.

Consider

the following:

- Collect all the legally necessary documentation and identification from your customers, in a timely matter (which required and by what time, might depend on local law and statutes).
- Perform regular verification checks of all your customers, their contacts and beneficiaries against KYC or Global Watch Lists sources and carry that out, often, not just at the time the customer signs up! Schedule to check all contact points, several times throughout the year.
- Ensure that there is an audit trail of all the firm's verifications, searches, comments and when and who carried them out, including the results of each search.
- Ensure that any warnings or flags, are issued to appropriate staff when raised for investigation and that your system or employees, can block flagged customers or beneficiaries from dealing with you, until a proper investigation is made.
- Ensure your procedures and security measures, can be executed through the entire business. (Pipe), traders, back office and delivery staff, should be able to see any changes or warnings when they are raised, before executing deals, not just after they are completed.
- Of course many brokers are already doing most, if not all the above measures, any that are not are leaving themselves open to possible problems when regulators or auditors "come knocking"! Regardless, going above and beyond the legal requirements in this area, is a prudent idea.

(Trading)

Are your traders still asking senior staff for rates or having to call customers back after they have a chance to get a deal status from the back office? Front line customer service should be able to handle everything a customer needs when they need it, which is usually, immediately!

If the firm is of a smaller size, or if it is a start up, Excel spreadsheets might still be used to manage most of the payments business. Without being judgmental, Excel is an Industry standard for spreadsheet applications, but it is certainly Not in any way, shape or form, a dedicated FX management platform. Whatever system or application the firm is using, one should look for the following elements and if you do not have them, seriously consider implementing them, in order to bolster your trading operations and call-in customer service.

Access to rates, customer data, existing deal information, open forwards, funds on hold, previous quotes, regular payments, limit and stop loss orders and all in a timely (read that as immediate) fashion, is nothing short of essential, while a customer is on the phone. If the firm's trading and customer support staff, are stuck "hunting" and "pecking" for information and are required to call a customer back, in order to complete a deal or execute a quote, then your customer's experience is well behind the curve and your competition is way ahead of you with likely, more responsive services.

On the other side of the trade room, whether your position trader is covering all deals back to back with your liquidity provider, or running a position and hedging to cover when rates are favourable, your trading platform should have the ability to monitor your positions in real time. If you're updating spreadsheets with deal data, or need to do it in a batch process, you could be leaving your business exposed to unfavourable rate movements. Ultimately, the strongest situation is to institute a platform that can integrate with multiple direct rate feeds and liquidity providers, in order to have direct tradable rates in real time. It is important to bear in mind, that not every rate feed is expensive. There are free services available, if your firm does not have the resources to pay for a feed ,or API services,with your provider.

Compare your existing trading solution, with the suggestions above and measure where you need to fill gaps in your services and how fast you can be responsive to your customers needs and order requests. Taking it one step further, to customer satisfaction and responsiveness, requires moving everything Online.

(Back Office)

Errors can kill your business, especially for a smaller firm. Large or Small, the Back Office is where the heavy lifting is done and just like weight lifting in the gym, this needs to be done, without hurting yourself!

The focus here is good management of your deal processing, in order to minimize delivery and your own financial accounting errors. Errors mean a payment goes to the wrong place, or has incomplete instructions and it gets returned. Errors mean fees that you have to pay or fight with clients about. Errors mean dissatisfied customers, who can't trust your service and stop dealing with you. Errors mean that the firm's books are going to be behind and difficult to reconcile. Errors most importantly, translate to lost time and money!

Some companies feel they are doing just fine in this area, their way is working okay and why change it? Perhaps those firms, could in fact, do a lot better. A recommended approach, is to take a real look at how much extra money the firm might have now, if those errors were reduced or even eliminated completely. When a business looks at how they could have made an extra several thousand, or tens of thousands in revenue, not to mention the retention of business, it starts to add up to some serious value. Which serious business would wish to leave a few thousand dollars lying on the table?

So how are errors minimized? This is accomplished through an efficient back office, that directs your process and secures it through a quality tasking pipe!.

Consider

the following:

- Do you have streamlined work queues that focus staff in the tasks they perform, or do you “spray and pray” your staff just handles getting it all done?
- Do you have real time deal management, so when changes and status move, so does the deal through the processing pipe, or can a deal be lost in the mix and forgotten?
- Are you relying on your traders to manage deals and ensure that they are getting done? (FYI, this is very problematic, even though many companies do it. Dedicated processing staff will reduce missed payments and reduce errors every time. Let your traders focus on making sales, not ensuring payments get processed.)
- Is your incoming funds process, easy to match up with deals, or is automated and matching records more preferable, so you only have to deal with exceptions?
- Can you bundle and easily use multiple receivables, in order to fund deals and equally in reverse disperse deals, to multiple beneficiaries?

- Are your payment instructions being properly verified so they can be passed through compliance verification, before they are completed and sent for delivery?
- Can you review, export and send full customer statements (Vostro) for account management?
- Can you report and manage who owes you money, for what and when?
- Can your staff easily identify when a deal is too risky and flag it from processing?
- Are you verifying all your deals and payments are complete, at the end of day?

These questions require much thought – and there are several more, besides, but taking a hard look at what you are doing and what you can do better to tighten your deal processing, means reducing errors and increasing your revenues. Of course, there is never just one way of doing anything, so if your processing pipe is meeting all of the above, your firm is probably in pretty good shape. However, if you see some room for improvement, then taking action sooner, than later, to make some of these changes, can only be beneficial.

(Online Dealing & Customer Portals)

Giving your customers the option to deal with your brand and service Online, is essential! Relying on the traditional call-in trade desk, will only mean you are missing out on opportunities and revenue. It is also a great way to retain clients, when sales and trading staff leave.

Today's consumer is an Online consumer, both in the office and at home. They want to engage with your service at their leisure and be assured that you are giving them the best price. Traditionally, this was done through personal relationships with their dealer and it usually looked like the following:

The client calls the trade desk and chats with Bob; (their "personal FX consultant"), they get a rate and they let Bob tell them they are getting a great deal and maybe, Bob knocks off a point or two, to "sweeten the deal" (even if they really just gave them the same customer rate they would normally get, its really all for the experience,!). The customer feels "looked after", trusts the dealer and the sale is made! Now, what happens when Bob leaves the company for another firm, across the road?... its only a matter of time before that customer moves their business across to Bob, whom they trust is going to give them a better rate and take care of their needs!

The issue here, is getting that customer to implicitly trust your firm's brand and pricing, more so than what Bob can offer. After all, Bob is just a trader, he doesn't really set

the price - he's just managing the customer experience. Give the customer the same sense of comfort and do it Online directly, with your brand, so as to remove Bob from the equation! Ultimately, you know that Bob is selling "Bob's brand", so customers will follow him wherever he goes, in order to make himself a valuable commodity, not your firm's brand.

It is clear that the "Bob's" of the industry, will not like this and some "Bob's" might even be reading this and not "loving" the message! The reality is that this is about the business as a whole and the fact remains that the "quality Bob's" of the FX world, will still and always be needed and employed. The crux of the issue then, is that the really great "Bob's", should be retained and that the salary and commissions of the "not so great" Bob's, be eliminated and most importantly, that your firm's brand does "the talking", moving forward from then on.

Consider

the following:

The following is an example of increased business that was provided by a good Online solution for a medium sized FX company, who backed the solution and actively marketed it to their clients and affiliates right alongside their traditional phone-in trade desk. The numbers below represent the number of actual trades done, not a dollar value.

Year End	Online	Trade Desk	Total	Online % of Total
Year 1	6,766	56,739	63,505	11%
Year 2	27,585	62,566	90,151	31%

What is a firm going to require in order need to see this kind of success? Firstly, the firm must actively market the service. The firm cannot expect to just have an Online solution to perform this way, unless the firm aggressively pushes their customers towards it. The firm will also have to downstream this service, through a progressive affiliate network and manage and actively promote that network, continuously.

How do you know if your current Online solution is “up to snuff”?

Measure what you have against the following, as a starting point and it will become apparent if your current solution is progressive and capable.

- Your customers have an easy and intuitive Online interface to use, that makes them feel comfortable, confident and in control of the process and empowered through your brand.
- Your customers can be assured that the rates you provide, are the same ones that traders issue, over the phone (You’ll need real time and robust pricing, that has all the same tiers and volume or value discounts a trader would provide.) There should be no indicative rates, they have to be tradable.
- Your Online portal gives your clients access to book deals for all your FX products and not just Spots. A firm requires Forwards, Draw-downs, Regular payments and Swaps and Options, if you offer them. These are real trades, not just requests, that will be honoured, priced and confirmed later. Via email etc.
- Your customers (especially Corporates) will need the ability to upload large payment templates and have dual approval authentication, to manage data entry and cost approval for deals.

- Your customers have a dual funnel for interacting with you, meaning they can trade Online and contact customer service, to handle any special circumstances, so your Online orders need to feed real time into your back office.
- Your customers can manage all their own payments, deals, beneficiaries and they still flow through your compliance pipe, complete with warnings and limits for security.
- Your Online portal allows customers to access, view, report on all their activity, statements and printing of confirmations and data can be exported to use as they need.

If your firm is not already offering an Online solution to your customers, then it is highly recommended that this be considered. If one is being considered, measure your current solution against the suggestions above and see how the system you are evaluating measures up. Is there room for improvement or are you cruising along with a great offering? Regardless, offering Online services, is a major necessity for growth, moving forward in today’s market place.

How did you do? Are there areas of improvement or have you covered all the angles in your firm's current FX payment business to be a leader? We trust that you have found value in this paper and perhaps you have gleaned an idea or two as to what you can do to increase productivity, growth and profitability in your existing organization and stop falling behind.

A large, faint, stylized graphic of an eye or a face, composed of several overlapping, curved lines that form the shape of an eye. It is positioned in the background, behind the text.

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About the author:

Nexolink is an FX payments industry leader with over 30 years of experience delivering FX business platform solutions and consulting services. Nexolink has provided business solutions and support, for organizations such as Amex FCS UK, Travelex Worldwide Money, UAExchange, Citibank FCS NY, Currencies Direct and First Rate FX, as well as others around the world. Our new industry thought-leadership initiative, entitled "FX Insights" will comprise a comprehensive collection of industry reports, articles, industry white papers and news and views tailored specifically for FX professionals. We are most pleased to share our global experiences, business practice advice, as well as field questions from leading FX professionals around the globe.