



Leveraging FX ecommerce services for Private Wealth Management



By John Bartter, Deutsche Bank

FX ecommerce for Private Wealth Management is gaining strength as firms look at ways to expand their product offering to clients in a more constructive and efficient way. Breadth of product is an essential ingredient in being a

complete and effective Wealth Manager which is why more and more firms are looking at ways to fine tune both the product selection and delivery – in many cases looking to an open architecture framework to meet these needs. In addition, FX as an Asset Class is getting more attention as clients look to diversify away from more traditional asset classes and build a more diversified portfolio. Clients are also increasingly taking control over their own product selection and seeking tools which enable them to act independently. These factors put together are creating a growing demand for FX ecommerce products.

Meeting the needs of PWM clients

Given the nature of the users and their different product requirements, both from a strategic and compliance point of view, Investment Banks are putting time

and effort into re-engineering their ecommerce product to meet the particular demands over and above that offered out to their traditional institutional and corporate client base. When determining your

ecommerce strategy, you first need to assess what FX products and in what form, will be of interest and applicability to PWM clients. You will also need to establish a means to identify exactly what users within the PWM “distribution chain” will be using your application.

When segregating FX products, it is traditionally divided between ‘flow products’ and ‘customized products’. When identifying the users, these can be broken down between users within the PWM entity or direct clients of PWM. Once you have established your product delivery and application users, you can then begin to extend your ecommerce offering.

FX Flow products

FX Flow products are the core FX products which include Spot, Forward and Options. Given the volumes and the sheer numbers of tickets traded within these markets, FX Flow products are well positioned for the ecommerce space. The past 10 years has seen these products become the core FX

ecommerce products as clients needed quick access to the most liquid market in the world. PWM clients have recognised the value in FX as an asset class and are benefiting from developments in technology which enable them to directly access this growing market themselves.

Along with other Investment Banks and Financial Intermediaries, Deutsche Bank has addressed this need for the retail market by offering an execution only, online trading platform called dbFX. It allows end clients to access the FX markets through an application downloaded onto their PC. It's very simple to use and offers multiple currency pairs which can be executed at a click of the button.

A margining system in the background ensures clients are trading within their limits and offers real-time profit and loss numbers along with the ability to enter Stop or Profit orders to fit their trading strategy. The platform is available both to existing Deutsche Bank PWM clients and to external retail clients. For the more sophisticated investor, banks can provide their core ecommerce applications that are used by institutional clients. These core ecommerce applications are also used within PWM where they need to execute flow products on behalf of their clients in an accurate and timely manner.

FX Customized Products

FX Customized Products can come in the form of FX Structured Deposits, Principal



Protected Notes, Certificates, Funds, and Total Return Swaps. By nature ‘Customized’ products need personalising and additional oversight from a suitability point of view and so execution is generally maintained either by the Client Advisor or Product Desk and not extended out to the PWM Direct Client. One of the first products offered to retail clients through ecommerce platforms were FX Structured Deposits. Traditionally classified as a yield enhancement product, these have had traction in the market for a long time. A perfect alternative for cash or money market deposits they allow a client the chance to achieve a higher return than is available on a plain vanilla deposit in exchange for accepting some currency risk. Given the popularity of these products, effective pricing and execution are imperative in meeting

Wealth Management client's needs. DB has joined other Investment Banks in offering these products within their AutobahnFX platform which is the core FX ecommerce technology at Deutsche Bank. The benefits of improved technology and pricing/booking features enable client advisors to build, price, and trade a structure in a matter of minutes. If a Relationship Manager needs to consider a number of structures, term sheets can be automatically produced through the ecommerce applications which explain comparative risks and pricing.

The opportunities and advantages are endless for FX ecommerce and the expansion will continue as the demand continues to grow. I think all banks would agree that these are exciting times within the PWM space.