

Modular Financial Technologies launches new automated FX risk management and execution solution

Modular Financial Technologies' new technology/software solution empowers FX market participants to access wholesale markets, transact efficiently in a complex and rapidly evolving market structure and scale their operations at the lowest cost.

London, UK – 11th April 2016 – Modular Financial Technologies, a technology solutions provider for wholesale financial markets, launched a new automated market risk management and execution solution for Foreign Exchange (FX). This software service allows clients to benefit from the potential netting, reduced market-impact and lower execution costs of a risk warehousing solution, as well as lower operating costs.

Market participants and users have exposure to FX risk through global trade, international financial markets and foreign currency payments. The market is, therefore, used to transferring FX risk between counterparties and its participants employ a range of risk management strategies, from agency to risk warehousing. Access to the wholesale FX market has traditionally required a bespoke and costly trading infrastructure, together with risk management logic (human or automated), and analytics to make best use of the market structure. Technological advances and a maturing of the business area enable this wholesale market to be accessible to a wider range of market participants at significantly lower cost.

Risk warehousing is a short-term buffer between the incoming trades (client trades, internal trades) and the outgoing hedge trades (to the market). This warehousing creates a potential netting opportunity (“internalisation”) for spread capture and reduced hedging cost, as well as reducing the market impact of hedging. Risk warehousing delivers the flexibility to help navigate fragmented liquidity and the evolving market structure, including access to wholesale markets directly; it enables a richer set of (automated) hedge execution strategies including passive order placement, algorithmic execution and price-driven algorithms. Risk warehousing supports an efficient and resilient FX market.

“Our clients benefit from potential netting, reduced market-impact and lower execution costs, as well as lower operating costs,” says Stephan von Massenbach, Chief Executive Officer of Modular Financial Technologies. “Improved spread capture through risk warehousing and the ability to price competitively into both existing and new client channels empowers our clients to expand their services and scale their businesses at the lowest cost. Our modular system is specifically designed to interface to existing systems, both in-house and third party, leveraging existing infrastructure to minimise integration cost. Client management is an important element of any business and our system comes with full trade and execution analytics, including real-time performance monitoring.”

Howard Grubb, Chief Technology Officer of Modular Financial Technologies, explains: “Our automated risk management and execution solution/services consist of a position and execution management system. It facilitates warehousing of client trade flow, following a set of rules and configurable thresholds, to achieve both a degree of netting of client flow and low market impact execution – by decoupling the hedge trades from the incoming trades. This decoupling is essential for effective attribution and evaluation of properties of the various flows. Our hedging execution uses a range of algorithms for low market impact and to make most effective use of available liquidity. Technological developments enable us to provide this service via a set of distributed modules, interfacing to existing systems as well as to the wholesale market. By integrating proven modules, clients avoid the risks and high costs of complex “green field” builds, as well as benefitting from our extensive experience in automated FX trading, risk

management and eFX, across a number of the largest sell-side institutions and from the buy-side.”

The automated risk management and execution technology provided by Modular Financial Technologies is a software service that can be integrated with existing trading infrastructure. It provides the logic, control and monitoring for risk warehousing and low market impact-execution in FX, with risk-reducing only algorithms to make most effective use of fragmented market liquidity. The system is provided on a “Software-as-a-Service” (SaaS) basis, with a bespoke deployment and hosting solution tailored to a client’s requirements, including agreed service levels. The core system consists of position and execution management and interfaces to existing system components. If required, additional components such as a client pricing engine and connectivity layers are available.

This technology service mitigates conduct risk through increased automation and facilitates obligations around effective pre-trade controls and monitoring, arising from a wide range of regulatory regimes.

About Modular Financial Technologies

Founded in 2015 by Stephan von Massenbach and Howard Grubb, Modular Financial Technologies is a technology solutions provider for wholesale financial markets, providing automated risk management, trade execution, client pricing and advanced analytics software solutions as-a-service.

Technological advances and a maturing of the business area enable wholesale Financial Markets to be accessible to a wider range of market participants at significantly lower cost. Our solutions are high performance, flexible and scalable and prepare our clients for future developments, both in banking and capital markets technology as well as financial markets and services regulation.

We service the full range of clients, from banks and financial services firms, corporate and institutional clients to payment services providers and innovative business models such as peer-to-peer platforms, empowering Financial Markets participants to access wholesale markets, transact in a complex and rapidly evolving market structure and scale their operations at the lowest cost.

Modular Financial Technologies is a member of Innovate Finance and an exhibitor at the Innovate Finance Global Summit 2016.

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