

Bayern LB leaves the aggregation to TraderTools and generates FX spread revenues from day one



Business Impact Summary

Quick Facts

Business:

Commercial bank

Location:

Bavaria, Germany

Assets:

EUR 338,8 billion

(31.12.2009)

Business

BayernLB is the leading Bavarian commercial bank for large and middle-market corporate customers in Germany and Europe. Although the FX unit has been profitable, it is still largely based on manual trading. This is not an optimal procedure in a business where every millisecond counts.

Challenge

If much of the FX trading could be automated, Bayern would be able to offer better prices, more liquidity and quicker response times than any other bank in its peer group. Step 1 was aggregation, in order to reduce spreads and increase profitability. Step 2 was full STP, in order to be able to introduce trading in Options and Emerging Markets.

Solution

After a relatively short, positive evaluation (PoC) period, TraderTools' Liquidity Management Platform™ (LMP) went live. Now Bayern FX traders are "more than happy" being able to stream 5 or more separate liquidity sources at a time. "STP to the front office works great and prices have improved significantly," said Marc Burgheim, Head of FX Trading.

Result

"What sold me on TraderTools was the fact that its LMP offered a lot more functionality than just aggregation," explained Marc. "We're looking forward to activating the algorithmic trading and auto-hedging modules in the future. Also, IT has been extremely satisfied with TraderTools' support and with the product itself. Our 'GoLive' was completely in line with expectations."

FX trading platforms

EBS

Reuters

Single-bank

Direct contacts (EM)

International brokers

Business

BayernLB is the leading Bavarian commercial bank for large and middle-market corporate customers in Germany and Europe. It is a member of the Sparkassen-Finanzgruppe in Bavaria.

In order to keep its competitive edge over peer regional banks in Germany, BayernLB is undergoing a massive restructuring focused on the consolidation of the bank's core businesses. One unit that has consistently outperformed over the past few years is the FX trading department, headed by Marc Burgheim. Although his department is considered a "boutique" within the bank, Marc is preparing for the day when FX trading will be recognized as an ordinary line of business.

Although the unit has been profitable, it is still largely based on manual trading. For an important deal, "sometimes I'd send out 5 traders to ask about prices," said Marc. This, of course, is not an optimal procedure in a business where every millisecond counts.

Challenge

Marc knew that FX trading was providing stable earnings for the bank. But he also knew that those earnings "could be increased with the right investment." The right technology was the answer. If much of the FX trading could be automated, Bayern would be able to offer better prices, more liquidity and quicker response times than any other bank in its peer group.

Step 1 was aggregation, in order to reduce spreads and increase profitability. Step 2 was full STP, in order to be able to increase trading in Options and Emerging Markets. "Having no manual inputs would be a huge benefit," according to Marc.

Marc checked out various aggregation tools as well as ECNs with aggregation functionality. The problem was that each one of these solutions would have to be integrated with additional tools in the future (i.e. to handle algorithmic trading or auto-hedging). That's when a colleague at BHF, another German bank, told him about the success they've been having with an FX trading platform by TraderTools™.

Solution

After a relatively short, evaluation (PoC) period, in which full STP was successfully implemented, TraderTools' Liquidity Management Platform™ (LMP) went live in the Bayern FX trading room.

With manual trading, it is humanly possible to handle only 2 or 3 liquidity sources at a time. Now Bayern FX traders are "more than happy" being able to stream 5 or more separate liquidity sources at a time.

"STP to the front office works great and prices have improved significantly," said Marc. "We calculate spreads in tenths of a PIP. If a spread can be improved by more than a tenth of a PIP, it's already better than expected."

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Marc Burgheim
Head of FX Trading

Result

"What sold us on TraderTools was the fact that its LMP offered a lot more functionality than just aggregation," explained Marc. "We're looking forward to activating algorithmic trading and auto-hedging functionality in the near future."

In terms of being able to benefit from these and other capabilities, such as the pricing engine and order management, "a lot depends on IT resources, but we're off to a good start. IT has been extremely satisfied with TraderTools' support and with the product itself. Our 'GoLive' was completely in line with expectations," he added.

Will the entire FX trading department be using LMP? "Today, about half the traders are using the system. From the positive results we've seen so far, I expect that number to increase to about three-quarters really soon."

About TraderTools

TraderTools™ Inc. is a provider of business solutions, software and services to financial institutions trading FX. TraderTools' Liquidity Management Platform™ is the only system to integrate the four disciplines of electronic FX trading: pricing, dealing, order management and execution. Our unique Dynamic Liquidity Manager™ monitors and controls inward and outward liquidity flows, making pricing and execution decisions in real time. We empower banks to maintain their leadership positions in FX with a single deployment and a single point of contact. And we work together with them to activate functionality according to their business strategy and timetable. Learn why the world's financial services giants are using TraderTools to better manage their liquidity and optimize their FX trading operations, by visiting www.tradertools.com or emailing us at sales@tradertools.com.

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