

TRADING

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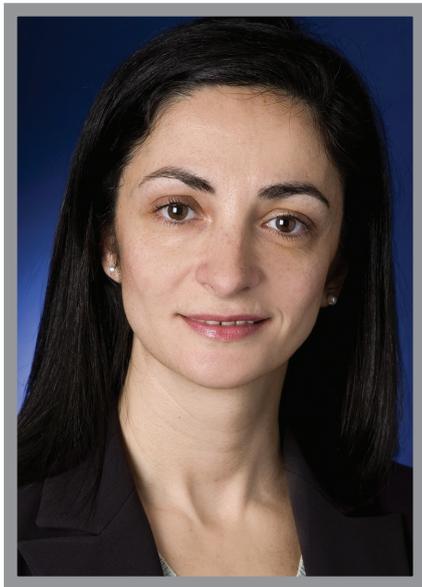
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EASING INTO AN e-SOLUTION:

DEUTSCHE BANK'S RITA SAVERINO DISCUSSES HOW OFFERING FULLY-INTEGRATED E-SOLUTIONS TO CLIENTS IS A CASE OF BOTH LISTENING AND LEADING.

> easing into an e-solution



RITA SAVERINO
Head of Corporate e-solutions,
Deutsche Bank Foreign Exchange

As supply chains expand around the world and consumer markets become increasingly international, foreign exchange transactions are becoming evermore commonplace. As such, therefore, there may not be an immediate priority in the search for efficiency gains, cost reduction or better risk management. But perhaps there should be.

"When people think of e-commerce, they tend to think about being able to execute on a price electronically," says Rita. "But that's not really what it's about; electronic solutions are not just about access to price. When we look at the underlying FX

Corporate treasurers are operating more and more in a globalised marketplace and have foreign currency exposure whether explicit or not. More than ever, today's challenging economic conditions have witnessed the rise of e-solutions as key in achieving the required efficient, error-free and information-rich FX solutions. Rita Saverino, head of Corporate e-solutions for Deutsche Bank Foreign Exchange, tells Drew Hillier how Deutsche Bank is both listening and leading.

activities of Corporate transaction, we see they are part of an interrelated workflow. The workflow value chain includes pre-trade and post-trade functions. Pre-trade functions such as cash forecasting, exposure management, maximising use of internal

liquidity for inter-company funding and post-trade functions such as reporting, settlement to standard accounts or third-party payments, confirmations, STP and risk management tools. Then in the middle, there's the trade execution part, where



decisions have to be made as to whether they trade electronically or via voice, with a single bank platform, or a multi-bank platform."

Drilling down in to these often complex requirements, Rita emphasises how she and her team are committed in their task of getting to know their corporate customers and figure out what is it that they need in a pre- and post-trade workflow, which, as she says: "Our aim is to tailor our solutions to the Treasurer's need. We have been successful with our autobahn® Treasury features with our German client base and plan to roll out these features globally next year. autobahn® Treasury offers features such as: intra-company trading that allows corporates with centralised treasuries to efficiently manage their subsidiaries exposures, full reporting functionality, as well as cross currency netting."

Rita went on to describe how many companies, especially those in the mid-cap space, still undertake a lot of this work on spreadsheets. "It's very manual, with room for error and no clear transparency," she

says. "Clients can then hedge the FX exposure or divert idle cash into high-yield investments via our autobahn® suite of products."

Rita explains how autobahn® FX is Deutsche Bank's electronic platform for trading foreign exchange and precious metals. Designed by traders and leveraging off Deutsche Bank's technical expertise, Rita outlines how it provides "easy-to-use trading functionality, with dynamically-priced, executable streaming prices and double-click execution. In addition," adds Rita, "clients can access an algorithmic tool that gives them the ability to control how they want to execute in the market – whether it's in the slicing, timing, or price point of their orders."

Focusing in the third party FX payment and receivable space, FX4Cash was launched in 2008 to provide global cross-currency solutions for corporations and financial institutions. This is achieved by pairing Deutsche Bank's industry-leading foreign exchange business with its top-ranked payment and clearing capabilities, which, Rita comments: "Since its launch last

year, clients have valued FX4Cash for its ability to help them minimise costs and simplify operations for their international obligations."

Certainly, FX4Cash has successfully enabled corporations and financial institutions to obtain real-time and competitive FX pricing across more than 2,000 payable currency pairs.

"The key thing," says Rita "is that the FX trade is linked to the accounting entry in their ERP systems, so all the information that comes from the client's accounting and billing systems gets consolidated in one file."

I wondered if the level of sophistication now being sought by corporate clients has come about as a direct result of the credit squeeze and resulting liquidity challenges? Or is it simply a naturally evolving process, driven at boardroom level, given the increasing bottom line considerations around an inefficient cash treasury function?

"It's both," Rita replies. "The last ten years has seen the whole FX industry migrate not only towards greater transparency, but also better access to rates and enhanced



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reporting. If you look across the board at over-the-counter products, FX is well positioned with plenty of access to liquidity sources and improved transparency."

Nor, asserts Rita, is FX as convoluted as some of the other credit derivatives. "I think the FX market in general has been moving that way," she maintains, "spearheaded mainly by the hedge funds and algorithmic trading models. What really impacted corporates since last year, from a market perspective – not so much the large corporates with treasuries – but small- and mid-caps, is that they realised they had a level of FX exposure where perhaps they never realised they did before. This has contributed a great deal to highlight the importance of counterparty risk. After all, bank credit was never expected to be the issue... it was always supposed to be the other way around!"

Counterparty risk and liquidity management constitute a crucial area of interest for corporates, as too, of course, does cash flow. With the normal progression of markets becoming efficient, how does Deutsche Bank's suite of tools help in cash forecasting?

"Well, in the case of Deutsche Bank, a leader in FX and Cash Management solutions," answers Rita, "it's about offering fully-integrated solutions leveraging the core competencies of the two groups. FX4Cash presents a very good case of two business areas working together to create solutions for clients. The direction in which I see us going is to continue working with clients who have chosen us as their cash management bank being able to make decisions on their balances – whether it's FX hedging or, investments. Obviously they can already do

this today; however, our goal is to streamline the workflow so there's no room for error."

Inasmuch as the building blocks are in place, the ongoing engagement with clients and thinking about their needs remain paramount. After all, banks are very silo-driven and fragmented: they're credit, and FX, and trade finance, custody, and cash management... many different areas with different systems... which need a coherent, holistic approach. In agreeing with this analysis, Rita Saverino is keen to stress how, in the case of the Deutsche Bank strategy, "...where our Corporate customers touch us across many different touch points in the organisation, it is really important that we integrate our platforms. When we look at the Treasurer's work day, we can help them understand their exposures, covering the risk and sending it back to their subsidiaries. We can definitely provide tools for them to access the market."

So, looking at the wider scenario going forward, how does Rita see things panning out?

"In general, I think there will be less volatility around. And while to some degree there will still be some credit concerns, they will be easing off. However," continues Rita, "what I do think everyone's going to be focusing on are the concerns around the regulatory environment going forward. It'll be very interesting especially to see what happens in regard to over-the-counter FX. For example, will the regulators insist that the FX cash products get cleared on an exchange?" She adds, concluding: "In my view, it's unlikely the regulators will come down on the execution of FX on an exchange but will focus more on the clearing FX products." >