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Barclays Upgrades White Label FX Trading Platform

IVAN RITOSSA

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Barclays Capital (BarCap) is releasing an upgraded version of its white-labelled FX trading platform in April, which will include Precision Pricing to enable partner banks to offer their clients more accurate pricing.

BarCap's white labelled platform, which was originally developed for Charles Schwab and went live in 2000, already provides executable prices for spot and forwards in over 49 currencies and 300 currency pairs as well as configurable pricing displays, rate calculators, quick deal panels and history graphs.

By adding Precision Pricing, which the bank introduced last year (*Profit & Loss*, May 2005), BarCap will quote prices to an extra decimal place to its partner banks. Typically if the custom spread in EUR/USD, for example, is two pips, BarCap will show two pips to five decimal places – the only bank so far that does this. Partner banks will then be able to downstream the price around the BarCap spread, offering their own clients competitive spreads, says Ivan Ritossa, BarCap's managing director and global head of foreign exchange.

Ritossa says that the bank is targeting both regional and large banks that want access to "superior liquidity and the Precision Pricing capability".

The partner banks will be able to choose whether they take trades themselves from their clients or pass them automatically onto BarCap if, for example, they are unable to offer a price in a non-core currency, which can happen with regional banks.

White Labelling Concept

'White labelling' is a practise adopted by top-tier banks that have made large investments in trading technology. They provide an unbranded version of their trading platform to smaller banks – typically regional banks – or corporates faced with mounting barriers to entry as technology costs soar. The partner banks then rebrand the trading system with their own regalia and roll it out to their clients.

For banks at both ends of the spectrum the model makes sense: The top-tier bank gets more volume and the client bank gets to offer an FX service to its own clients without making the necessary investment costs in technology.

In addition, in today's 24-hour market place, the ability for a regional bank to have a system that is live and auto-pricing overnight can be attractive and means the bank can stick to what it is good at during the day while giving a seamless response when a desk is unmanned.

Ritossa says the value for BarCap in upgrading its service is that it will likely see an increase of volumes transacted, although he adds that the bank has no target number of partner banks to sell the system to over the next year.

"It all depends on volume. If you sign up three customers that do a significant volume you may not want to sign up a fourth. However if you sign up 10 that do a little volume each day, then you will want to go and quadruple the amount to get a return on investment," he says.

While some observers say the white labelled systems on offer by the banks are analogous with the same look and feel in screen appearance and functionality, Ritossa says the differentiating factor for Barclays is its Precision Pricing and the fact that it autoquotes in larger sizes than many of its competitors.

"This means we are able to offer a high level of liquidity on the system and tight spreads," he says.

Barcap's extension of its white label offering is the first by a major bank this year. Previously, banks that were without a white label product stayed out of the market believing it to be relatively saturated.

It is widely believed that any bank now seeking to extend its service has to have a differentiator, and in Barclays' case it is seeking to leverage the series of innovations it has unveiled over the past year – not only Precision Pricing, but enhanced liquidity on its Turbo-deal function. ■

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