

# DIGITEC

## Talking with an e-FX specialist

DIGITEC is an award-winning IT company with a focus on FX & MM trading technologies and market data. The firm currently supports more than forty banks around the globe with its proven and reliable technology. DIGITEC has been providing technology solutions for financial and capital markets for nearly 40 years and its D3 product family is considered one of the world's leading core pricing engines. Peer Joost has held senior roles at DIGITEC over the past ten years and was recently appointed COO of the company. He is also the co-founder of the 'Swaps Data Feed', a market data feed offering streaming FX swaps market data in 1,800 crosses in G10, LM and NDF currencies, and that is offered in partnership with 360T. E-Forex spoke to Peer Joost to learn more about the next stage of the firm's growth and how it plans to develop more best-in-class products and services for financial market participants.



Peer Joost

**Peer, what responsibilities do you have in your new role as COO of DIGITEC?**

First of all, thank you for having me. This is a particularly exciting time both in the evolution of financial markets, but also for DIGITEC itself. For the past 4 years, I ran our sales team. As a business, during that time, we built strong momentum, and I am now very excited about my new role as we look to build on this success. As COO of DIGITEC I am now responsible for all business operations.

**The electronic FX market has evolved immensely in the last 5 years. What opportunities does this present for DIGITEC?**

We are seeing growing demand for our products and services. FX swaps, forwards and NDFs, all FX products that we focus on, have seen their market share grow rapidly over the last few years. Coupled with the continued electrification of FX, this has led to an increased need for better, more automated and seamlessly integrated core pricing capabilities as well as for more and better-quality market data. In addition to that, through our managed service, or in other words SaaS, offering and the private cloud 'hosted by DIGITEC' solution our products have become more accessible to a much broader set of FX market participants. While we are already in a very strong position, we will be looking to build on this success.

**DIGITEC has been a technology provider to the FX market for a very long time. Why has the firm been successful when so many others in this industry have not survived?**

Absolutely, we have been a technology provider to the FX market for a very long time. In fact, we are actually close to celebrating our 40th anniversary. During this time, we have managed to become the market-leading experts on core pricing technology, providing highly specialized software solutions that support our clients. We have put our focus on growing sustainably in line with our clients' evolving but increasing requirements. Our client focus and deep domain knowledge has led to us being seen as a trusted partner by our clients.

This has played a significant role in terms of shaping our product's evolution and its future path. The combined and deep knowledge of our product and development teams as well as a sense of future trends and requirements based on input from our more than 40 clients is a great differentiator.

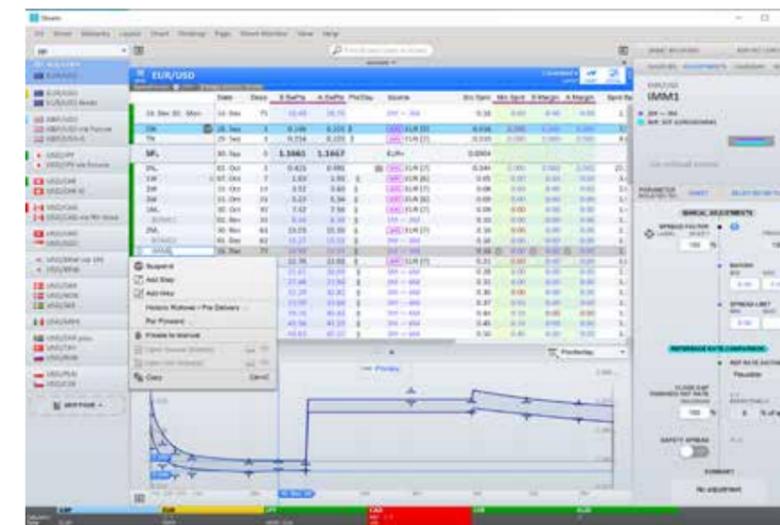
Increasingly, our clients are seeking a much higher level of automation and a seamless integration with their existing technology and systems. Therefore, we have also been open to partnering

with other best-in-class IT providers in the FX market.

**Please remind us about the key products and services currently offered by DIGITEC and the type of clients you work with?**

DIGITEC offers three key solutions for global FX markets:

Firstly, 'D3' is our core pricing engine specifically tailored to the needs of FX swaps, forwards, NDFs, and MM. It is mainly used by banks, but we are increasingly seeing interest by other financial market participants that are seeking a more active role like asset managers and hedge funds. In a nutshell, D3 deals with all aspects of the pricing workflow: from market data aggregation to setting interpolation methods and daily pricing tasks like spread management and reference checks as well as alerting and monitoring, e.g. suspending off-market prices. D3 is also used to distribute prices to downstream FX e-Commerce systems and digital client channels.

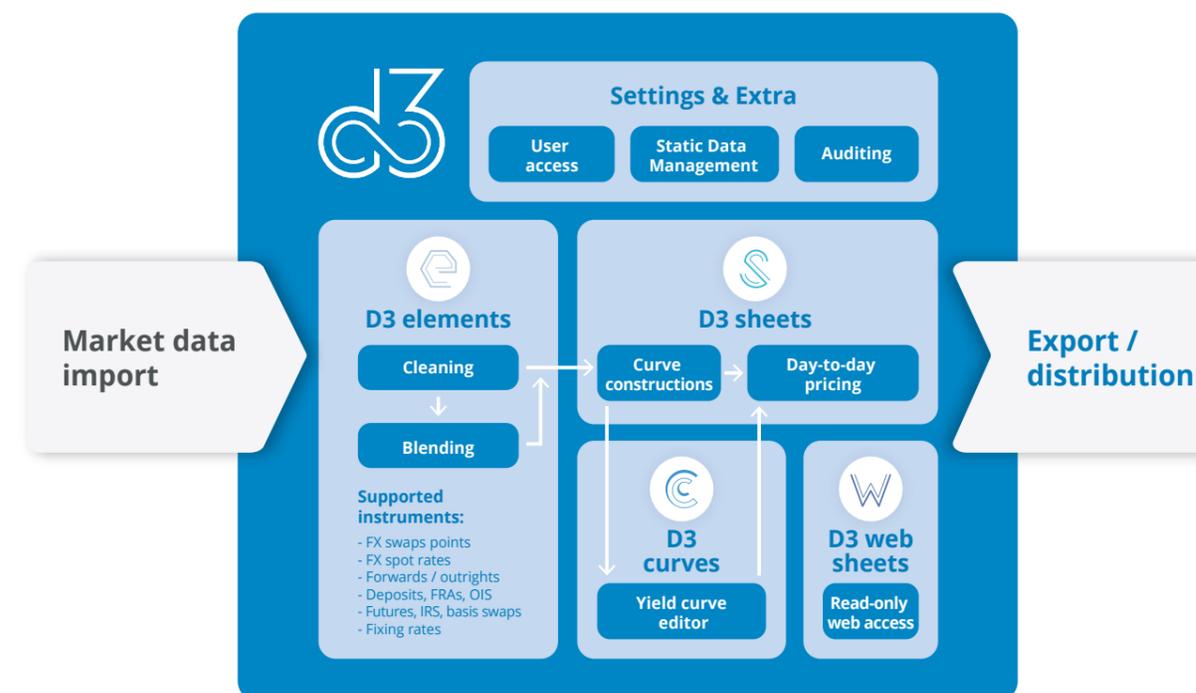


D3 sheets

Secondly, based on D3 and in close partnership with 360T, we have developed the 'Swaps Data Feed' (SDF). This market data feed for FX swaps offers a sophisticated blend of raw FX swaps prices from a panel of more than 20 contributors and allows us to stream FX prices in more than 1,800 crosses of G10, LM and NDF currencies including broken dates and turns. As the calculations are run on our D3 core pricing technology this was a very natural – and now extremely

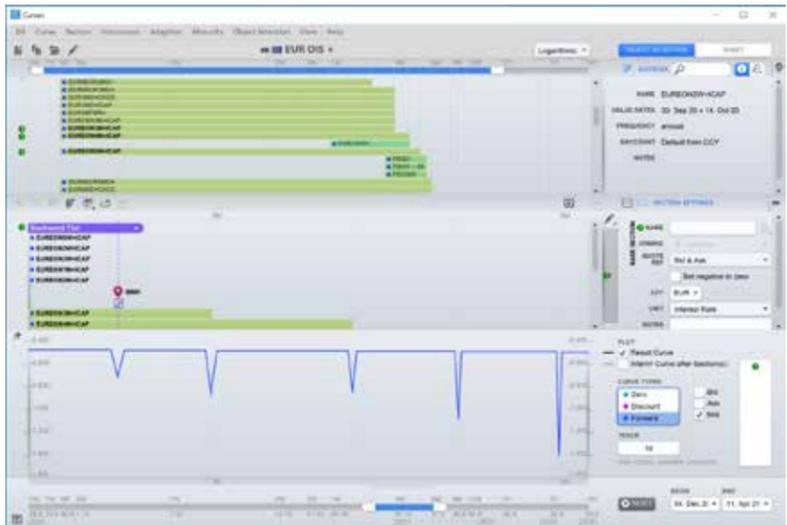
successful – addition to our product portfolio reflecting our expertise and deep domain knowledge in FX swaps and forwards. The SDF is consumed by the full range of FX market participants, from banks and brokers to asset managers and corporates.

Last but not least, with our product 'DealLane' we have been a provider of backoffice trade settlement technology solutions for more than 10 years. We have a complete and fully scalable backoffice settlement system



D3s modular architecture

DIGITEC – Talking with an e-FX specialist



D3 curves

that handles FX and Money Market transactions.

In what key ways can banks enhance their market making capabilities with D3?

D3 is the world's market-leading pricing engine for eFX swaps and forwards, with more than 40 clients that already trust in our solution. Although there are similarities across the various use cases, each instance represents our client's unique use case.

A very common theme is that banks with ambitious growth plans can increase their volumes with our D3

core pricing technology on multi-bank platforms, while they can also begin trading new currencies and extend their trading hours to other time zones – all made possible by the high levels of automation and the monitoring tools that D3 provides.

Yet - besides all the functionalities that define a pricing engine, we have also learnt from our customers that they often choose D3 because neither Microsoft Excel nor most in-house solutions are able to deal with the challenges of capturing audit trails, regulatory requirements, system monitoring, accountability and system

security. D3 addresses all these areas and offers much more.

Larger and globally leading FX businesses on the other hand often use D3 to offer the best connectivity across their different in-house systems. D3 serves as their dedicated distribution tool for downstream use, while some of them also turn to our advanced module D3 curves, a sophisticated yield curve editor used to build best in class models and curves via futures, OIS etc. These curves and models are then used in D3 sheets to derive FX points from. These are just a few of the use cases that have a common theme across our clients and I could go on for much longer. On the other hand there is always a unique element to all of our installations, as we offer a powerful and flexible tool, while our clients create their own models and curves.

DIGITEC has recently talked about expanding its customer base and supporting smaller banks to become competitive market makers. Why have you taken that decision and how are you going about it?

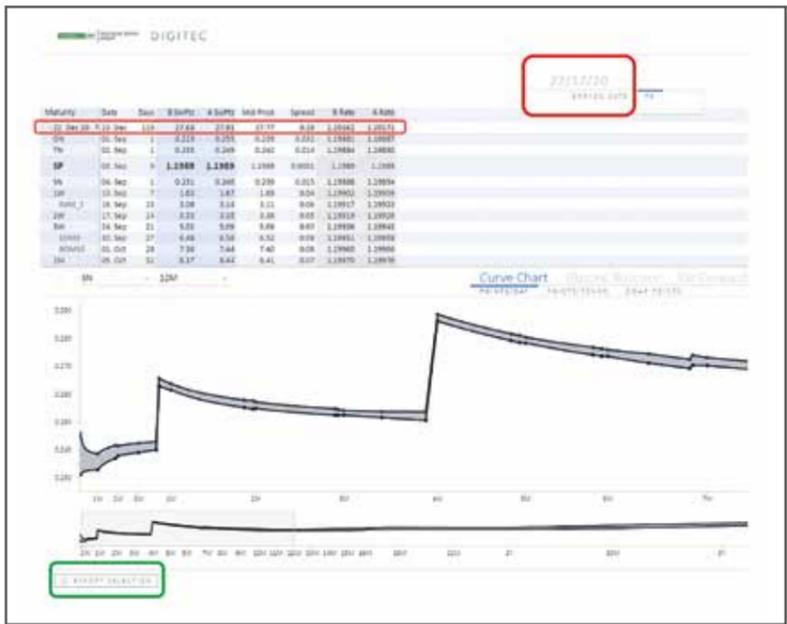
This development is obviously closely tied to the fact that the banking industry is increasingly opening up to cloud and SaaS technology solutions. Until very recently most banks were running third party software solutions on-premise.

That would have been particularly true for powerful applications with complex calculations like our D3 pricing system. That always also implied an additional investment into hardware and admin resources on our clients' side that would have been needed. Now, with our private-cloud hosted by DIGITEC and especially our plug-and-play full-service SaaS solution, a D3 installation has never been easier, more resource-friendly and accessible.

Recently we have onboarded new clients with only two or three traders on the desk, but who are ambitious to scale up the number of currencies they actively risk manage, extend trading hours and generally enhance their market making capabilities.

With the increased electronification of FX swaps and forwards markets as well as an increasing appetite for and evolution of client preference to electronic trading, we have seen strong interest among smaller and medium-sized banks to move away from back-to-back and become more independent.

With a much more accessible range of D3 technology solutions, like the D3 SaaS solution, and combined with a comprehensive and reliable market data source like the 'Swaps Data Feed', this has now become possible.



Swaps Data Feed

In 2018 you played a key role in the launch of the award winning DIGITEC / 360T Swaps Data Feed (SDF). What role does it play and how successful has it been?

We can see from the client interest that there has been a lot of talk about the SDF. It has effectively become the market standard for FX swaps and forward market data in a relatively short period of time. And, of course, we could not be happier about its success and popularity in the market. Also, we have been very lucky to have partnered with 360T to launch this product. Both their deep understanding of the FX market together with their sales and marketing capabilities have helped to make the SDF as successful as it is today.

How ambitious are DIGITEC's goals for the coming year in terms of launching new products and broadening your industry footprint even further?

I would say we have very ambitious goals. This is a very exciting time in our industry and there is a tremendous opportunity for DIGITEC to build on the strong momentum and growing demand for our products and services.

Advances in technology are now making our products and services more accessible. While this is true for many technology providers, it is especially true for the market-leading core pricing technology that DIGITEC offers. With the increasing electronification of FX swaps and forwards as well as NDFs, there is also greater demand for core pricing technology for these products in FX. As a result, we are currently in the process of expanding our presence internationally.

Historically, we have only had one location in Hamburg, Germany, that we have operated from. We are planning to open additional offices to support our sales and business development efforts globally. Productwise, D3 is a truly never-ending product. We have a team of product specialists and developers that continue to bring new features and capabilities to market, based on our clients' requirements. Recently we have focused on our sophisticated NDF pricing functionality and D3 curves, our more powerful yield curve editor and we have an exciting roadmap with new and additional features. Market data will, of course, also continue to be a major area for us going forward.

Infographic titled 'D3 HOSTING SOLUTIONS' showing three options: 'On premises self-hosted by client', 'Private cloud hosted by DIGITEC', and 'Full-service SaaS solution by DIGITEC'. It also lists 'Import market data' sources (360T/DIGITEC SDF, Refinitiv Elektron, Bloomberg B-PIPE) and 'Export / distribution' methods (DIGITEC FIX API, DIGITEC JAVA Streaming API, RIC EXPORT).

D3 Hosting solutions

PROVIDER PROFILE