

Executive Decision to Develop a Proprietary Back Office Solution

By Peg Reed, COO, Forex Development Corporation

January 04, 2018 – The decision to develop or buy an existing back office solution is crucial to any growing business, more so for FX Brokers. A ‘back office’ has different connotations to different users – CEO, CFO, Dealers, Head of Sales, Compliance, and so on. We will attempt to outline some of the main functionalities in this article. While a single system that covers all business, needs is the theoretical ideal, one must weigh this decision carefully in terms of practicality, cost and usage. Different solutions currently available have many advantages in terms of specialization, training, security access, reduced risk of one system failing affecting others, to name a few.

Many businesses looking for back office solutions are often referring to the initial client onboarding process. This development may include a full CRM component, integration with another CRM system or simply the next step in the sales funnel. The onboarding process includes providing and maintaining online applications, verifying data, collecting and storing all documents required, and performing all KYC checks either manually or automatically. Once complete, the system would either open or reject the client account and either automatically report this back to the client or notify the proper personnel in a streamlined efficient manner. This category would also include a client portal for clients to update their information, make deposits via credit card or PSPs as well as to notify the broker of a wire or withdrawal request. This portal should also be a hub for client communication for support and other requests using a ticket system, so the clients and employees can track the full history of client requests. Additionally, the system must allow rebating IBs and other agents through multiple methods as well as to handle client promotions and contests.

Others refer to a back office system as the trade processing system to match buys and sells, monitor margin, charge swaps, and send settlement notifications. In retail FX trading this work is done by all the major trading platforms such as Condor FX PRO, MT4, or cTrader and the back office simply must receive this data and report this. Institutional FX systems often need this additional backend to be built by the broker. Even on the retail side the back office can be used to store data not available in the platform itself such as end of day snapshots and change history as well as additional performance calculations.

The most important function of a back office system is reporting, both for internal business intelligence and analytics and for the clients. Clear dashboards should outline KPIs without having to make a request. The KPIs vary from company to company and even user to user so the dashboard should be customizable as needed. For example, a CEO may only focus on revenue, dealers are focused on open exposure and risks, while heads of sales and marketing may focus on new account conversions and deposits. Detailed drill down reports must be available to show activity such as trade flow, cash flow, and sales productivity. A complete reporting back office should cover all reporting needs companywide including accounting, dealing, regulatory, and sales. The goal is for each user to get the report they need in a streamlined fashion without having to run multiple queries and aggregate results elsewhere. Client segmentation must be considered in all reports be it currency based, client type or geographical.

Risk management is crucial in any back office reporting system. Users should be able to quickly see open exposure and identify risks, match this exposure with covering trades at the liquidity providers. A margin monitor must notify users immediately of any risks of a client going below margin or abusing credit lines. Alerts should be provided on screen with color and sirens, as well as email SMS and other messenger options to get the issue resolved as quickly as possible.

Alerts can also be used for big trades or other potential risks. The system should highlight the most active and profitable traders as well as perform automated checks for potential fraud or undesired scalping.

The back office system may receive data via FIX protocol, a web services API, or even by parsing files posted to an FTP server. In many cases different data sets will come in different formats and the system must aggregate from all three. For example, the back office may aim to combine data from a trading platform, liquidity bridge, and liquidity provider as well as pulling additional data from the CRM or other sources each having their own method. A broker offering with multiple platforms or multiple instances of the same platform may be looking to aggregate and consolidate all the data in one place though care must be taken that the original source is identifiable.

A crucial decision that must be made is if the data must be seen in real time or if a delay is acceptable. Real time data may require a plugin on the actual trading platform. This is a risk as any problem in the back office can bring down client trading. Additionally, since the trading server cannot be restarted during business hours important updates may have to wait for the weekend. In many cases a slight delay of a few seconds can significantly reduce the complexity and expense of the project if that is reasonable with the business objective.

Design of the system is extremely important. Users spend a lot of time on the system and it must be easy to use and visually appealing. Client portals must be customizable to corporate image and branding. This is often a drawback of some off the shelf solutions where all users are forced to the same look and feel. Additionally, the reporting system must report the data in a format you need it, for example should thousands be separated by commas, periods or spaces. In some out of the box solutions these options are not available often causing challenges when trying to export properly to Excel for further analysis.

In search for scalability there is a tendency when building to try to build reports that can handle any query asked. There are numerous frameworks, many open source, that can be used for this. While this certainly sounds ideal, this type of development takes significantly longer, and the advanced queries are rarely used. Often the better choice is to build what you need.

In all phases of development data security must be treated with utmost concern to protect sensitive client data. Role or data based permissions may be needed to expose different aspects of the system to different users or user types. Additionally, the system must check itself to make sure that data is accurate and constantly updating

As described, there are numerous options to consider when searching for or developing back office solutions that require a great deal of thought and planning. The industry best solution may not be appropriate for your business needs, or the cost may be overkill when a more tailored solution can be developed. Our team of software and business experts can help you find the right solutions to help you stay ahead of your competition. Contact us [today!](#)

About the Author

Peggy S. Reed, COO

Ms. Reed joined Forex Development Corporation in August 2016 as its Chief Operating Officer. As COO, Ms. Reed is leading Company's operations with the primary focus on scaling customer base, managing customers, and expanding

operations globally. Further, Ms. Reed is overseeing sales, marketing, business development and implement Company's aggressive institutional OTC B2B strategy.

Ms. Reed is an experienced professional in the financial services industry for over eighteen years. Ms. Reed was a successful institutional currency trader for firms such as Barclays, Bank of America, Credit Agricole, and AIG. Ms. Reed managed multimillion of dollars for hedge funds, large corporates and central banks throughout the world. In early 1999, she started the first ECN trading platform with a group FX professional and designed a state-of-the-art and one of the first prime broker systems to accommodating customers to trade across many bank venues through 'give up' agreements. In 2006, Knight Securities acquired the ECN company for \$89 million, resulting in a very high return on capital for investors of ECN company from an initial investment of \$14 million.

In January 2006, Ms. Reed became the head of global sales and trading of Lava Trading, a subsidiary of Citibank. Under her leadership, revenue of Lava Trading increased from \$65 million to \$130 million.

From February 2008 to February 2010, Ms. Reed focused her services as an FX consultant for several retail brokers, where she built their foundation in the B2B market to increase their sales and marketing division. Ms. Reed is an expert in Asian FX Market, with special insights in South Korea, where she made InterbankFX as one of the leading online brokers. From February 2010 to February 2013, Ms. Reed was appointed as the Global Head and became the second in command for GFT/Gain Capital. Ms. Reed was responsible for business development of FX and CFDs for Gain Capital resulting in a profit of approximately \$80 million. She gained deep expertise and knowledge, and enhanced her network, especially for CFDs business in Japan.

Ms. Reed received a degree in 1983 in Economics from the University of Southern California.