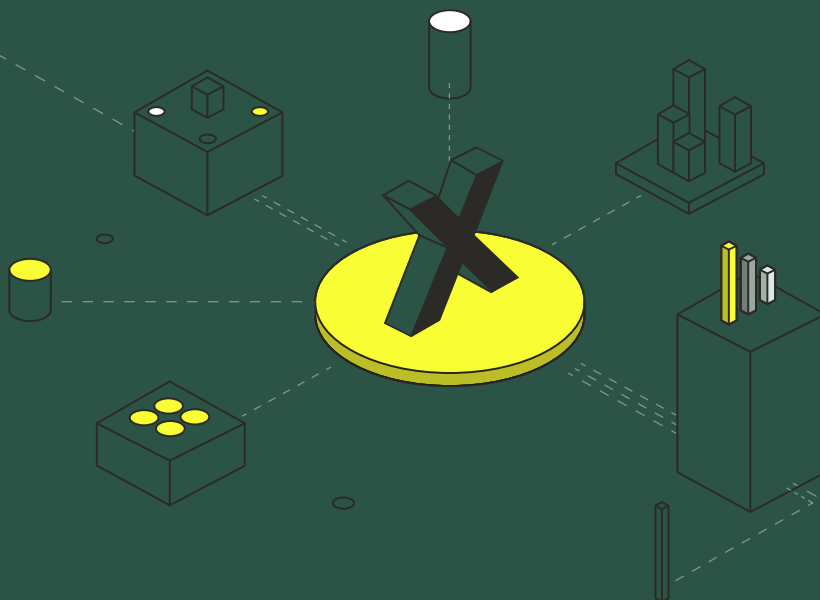


Integral



The Case for Centralization in FX

Why banks are centralizing their FX operations
to sharpen pricing and maximize profitability



The bank had big ambitions

It wasn't satisfied staying in the shadows of the global banks or being overtaken by fintechs - it wanted to compete, to offer better pricing to its clients, to win higher-tier clients, to be seen as a serious player in the market.

It knew what it needed - better pricing that is sharp, competitive and accurate. And not just in one place, but across its entire operations and for any financial instrument where an FX transaction was needed. Everywhere its clients looked, they should see a bank that was ready to do business.

But before it could go far and wide, it had to look inward.

Across the bank, different teams were handling their FX needs separately scattered and disconnected. The potential was there, but nothing was working together. If the bank could bring all these teams and their

FX activity onto one unified platform, it could unlock something powerful: better pricing, more liquidity, and a system that kept improving over time.

In the past, only the largest banks had the resources to centralize their FX operations. But today, SaaS technology has changed the game - making it faster, easier, and more cost-effective to unify FX flow, drive competitiveness, and fuel growth.

This paper explores how modern cloud-based FX solutions make it easier than ever for regional banks to achieve centralization, unlocking efficiency, profitability, and sustainable growth.



Why centralization is more important than ever

FX centralization is the ultimate win-win for banks. They can future-proof operations as they boost revenue and start competing for higher tier customers.

This quest to be bigger, and better connected, is rooted in the fascinating journey banks have undertaken over the past fifteen to twenty years. Industry-wide consolidation has led to larger organizations that were pieced together with the ambition of competing more effectively against international rivals. On their own, local banks might struggle against the big names in global finance, but when several are combined, they would be better placed to compete.

That was the idea, at least, but it has not always been the case.

Instead of achieving seamless scale, many have inherited fragmented systems, siloed infrastructure, and disjointed FX operations, making it harder to optimize liquidity, manage risk, and deliver competitive pricing.

Even banks that haven't undergone M&A still struggle with legacy complexity, as independent regional technology decisions have compounded inefficiencies over time.

This is why many banks have understandably become a collection of regional offices and branches rather than a joined-up and more effective centralized bank.

Now, as margins compress and competition intensifies, the urgency to centralize FX flow has never been greater. Corporate and SME clients are demanding efficient cross-border payments, while sophisticated institutional customers expect tighter spreads and more transparent pricing. Meanwhile, global banks - armed with centralized infrastructures - continue to set the benchmark.



Path to **success**

In FX, these siloes are holding back banks from pooling trade flows, alongside the better prices and more customer-friendly spreads that come with them. At the same time, failure to centralize FX trading not only hurts the regional bank's revenue earning prospects, it boosts income for larger rivals through flow leakage that is often avoidable.

There was a time when an institution could claim it could not grow and centralize its FX business because the technology was too expensive and complex. That is no longer the case. Centralizing FX trading has never been more affordable, and the business case of improved efficiency, increased revenue and superior customer experiences is crystal clear.

It not only makes sense, but the need to future-proof a bank has never been more pressing. Centralization allows banks to operate at a larger scale more efficiently, competing against the international giants. It also empowers them to compete more effectively against the fast and highly competitive services offered by the new breed of neobanks and apps.

The benefits of centralization:

- **Liquidity** – a single resource for a group's FX trading
- **Efficiency** – one pricing hub is more cost-effective than disjointed units
- **Risk management** – one source for all positions held
- **Unified service** – accurate and transparent pricing for clients
- **Trade flow** – increased revenue and favorable prices
- **Spread retention** – more internal deals, less leakage to rivals
- **Insights** – data-driven decisions and a unified view
- **Technology** – updated tech that is hosted at lower cost



Compete for higher tier business

Any successful company, or sporting team, knows that to win, you have to compete.

It is a simple axiom but competing with international counterparts can be difficult. Larger deal flows mean rivals can achieve spot rates a smaller institution may struggle to replicate. It's a self-reinforcing cycle: larger trade flows give a bank better pricing, attracting more business from major corporations, where even small price improvements lead to significant savings.

This is why it is so important for a bank to start to compete as a larger team, rather than a sequence of siloed business units. Through centralization, a bank can pool its FX operations into one hub and focus on a core price for a given currency pair, which can be used as the basis to price a given customer.

Rather than using a series of systems, where pricing and associated spread retention varies, a single hub is far more efficient. Plus, when the divisions of a bank come together, they can significantly improve deal flow, enhance their collective pricing efficiency, and start to compete for higher tier customers.



Internalize to avoid flow leakage and **protect spreads**

The case for centralization takes on extra urgency when banks stop to ask themselves not just how much money they are losing through inefficient operations, but how much are they making for rivals?

On any given day, particularly for the most highly traded currencies, one part of a bank will be buying or selling a currency with no insight into other trades being made within the group or the group's overall position on a variety of currencies. By treating each trade individually, a share of the spread (the margins between buy and selling prices) as well as commissions, will leak outside the organization.

So, rather than deal through siloes, a centralized FX function would see the trades its branches and offices are carrying out for clients and match them. Rather than automatically looking beyond the organization, transactions could be handled between offices wherever possible, all through one central platform. It not only boosts revenue, it improves trade flows which can only lead to putting the bank in a better position to compete for higher tier clients.



Central insight derisks trading

When different parts of a bank's operations, or wider brand network, handle FX operations individually, there is an obvious risk. The overall organization cannot get a detailed view of its trading positions, nor trading patterns. Working in siloes there is no central, companywide spot price for buying and selling each currency, there is no cohesion to the business.

The picture gets more worrying when one considers swaps and hedging. With multiple offices running their own operations, there can be no central understanding of the overall group's positions. There is no central source of truth on the company's exposure.

By putting all trades through one centralized platform, the group's overall position becomes clear. FX experts can see where risk may lay and where hedging may be required to avoid the potential for unwelcome exposure in the future.

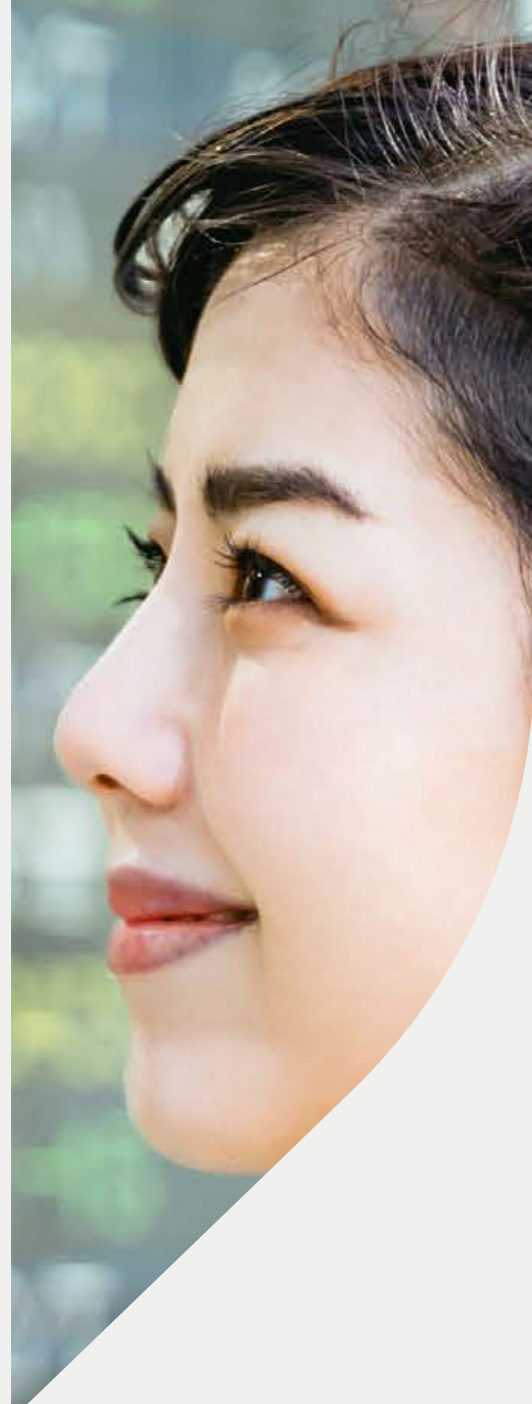


Beyond the FX desk

The benefits of centralization are not exclusive to the FX desk - they apply to any team trading financial instruments that generate an FX transaction.

Whether it's equities, fixed income, commodities, or derivatives, a centralized approach ensures that the bank is offering the best FX price possible to each client at a given time.

Central insight also gives a bank what all businesses crave – data. Without detailed information on all the bank's confirmations and settlement instructions, the organization cannot fully understand its trade flows. In the age of AI, where computers are empowering businesses to uncover actionable insights from large volumes of information, banks need all the relevant data available. It is only then that they can innovate new strategies based on the true position of the bank's trading patterns rather than gut feel, estimates and delayed reports from each regional branch.



Automation may have appeared out of reach

Technology has transformed FX trading over the past twenty to thirty years. Experts are still required but automation can easily handle most of the work in quoting, trading, confirmation and settlement. It is a far more efficient, streamlined way of working in real time, rather than the speed of a paper trail.

Technology has lowered the barrier to launching an FX function, empowering banks to either build new revenue streams from services they previously did not offer or make better margins on their existing business. The trouble for banks, though, has been the technology required involved huge investments. The systems were expensive to set up and were then a drain on IT resources to maintain and keep secure, through constant updates and patches.

For a bank there has been an additional concern. Having grown through consolidation or siloed regional processes, they have had to concentrate on extending back-office systems, so acquired divisions can work alongside each other. They have also had to put considerable effort, and IT budget, into ensuring their customer-facing touch points, such as the internet and apps, provide a consistently excellent experience.



When making what they already have work across divisions was a considerable 'ask' for IT teams, it is little wonder that future-looking work, such as building a centralized FX function, have been considered a good idea rather than an urgent priority.



Why it's time to act now

In business, as in life, it's very easy to get used to the status quo and carry on operating in a comfort zone. That is, right until the point where the cost of inaction is greater than taking the front foot on FX.

Banks have arguably become used to staying in their proverbial lane and making a good return. The international giants of banking may be considered to be operating in different markets, at a higher tier of clients, and so the cost of investing has seemed too high for the comparative gain.

This has now changed. Modern FX platforms are being built to be cloud-native and operated on a Software as a Service (SaaS) basis. That means there is now an alternative to investing up front in a platform and then hiring the right people to set it up, keep it running and ensure it is secured and fully patched. They are also easy to integrate with other systems, through API technology.

With the latest advances, a bank's regional offices can be connected to a central FX platform hosted in the cloud to create a unified, central source of truth for pricing. Rather than have a large team of IT experts running the system, support teams can be minimized because hosting, maintenance and security is provided with the platform.

This opportunity has come at exactly the time when many banks are finding the systems they have inherited are coming to the end of their serviceable life. So called 'legacy' platforms are at the stage where they will no longer be maintained by a software provider.

This makes it the perfect time to move away from outdated systems and invest in a far more efficient cloud-native, SaaS solution.



Conclusion:

Three reasons to act now

1

The money

The case for FX centralization is compelling because it unlocks new revenue opportunities. A central platform provides a unified view of currency positions and trading activity, enabling a bank to optimize pricing, capture more flow, and enhance client execution. By internalizing flows, a bank can retain more revenue rather than losing margin to external counterparties. With improved efficiency and a superior customer experience, banks can strengthen their competitive position, improve trading yield, and drive revenue growth.

2

The tech

Centralizing FX operations simplifies business complexity, reduces operational risk, and ultimately lowers cost. The technology that makes this all possible also makes a compelling business case. As many banks face decisions over legacy systems that are often no longer being supported, it makes perfect common sense to go for a cloud-native platform to provide an efficient central hub - while eliminating inefficiencies caused by silos. By reducing reliance on outdated, unsupported legacy systems, banks can streamline workflows, minimize errors, and mitigate risks. With a SaaS hosted, maintained, and secure solution, banks can focus on growth rather than IT overhead, making FX centralization a logical step toward long-term operational and financial efficiency.

3

The competition

The time to act has to be now because the technology is available and the need to deploy has never been more urgent. Banks have a clear opportunity to grow their business by operating more efficiently - delivering a single, accurate rate that can be priced competitively in local markets to increase trade flows and improving splits. To strengthen relationships with customers and attract higher-tier accounts, banks also need these better rates and a slick customer experience to compete against digital-native neobanks and fintechs.



Next steps

To find out what FX centralization could do for your organization, visit integral.com

About Integral

Integral is the currency technology partner to hundreds of financial institutions - including banks, brokers, and cross-border payment companies - who have embedded Integral's technology into their workflows and customer facing services.

In a market weighed down by years of accumulated legacy systems, Integral's cloud-native, API-first solutions simplify, automate, and liberate trading workflows across the execution lifecycle, making institutional-grade technology more accessible than ever.

