

MillTechFX
by Millennium Global

**The MillTechFX UK
Fund Manager CFO
FX Report 2024**



Foreword from CEO

As 2024 draws to a close, UK fund managers may finally find a moment to catch their breath after a year marked by turbulent conditions on multiple fronts.

With persistently elevated interest rates as a result of inflation control measures, **fund managers faced increased borrowing costs**. These rates are reshaping investment strategies as traditional fixed-income returns become more attractive, requiring a re-evaluation of portfolio allocations and hedging strategies. For leveraged funds, **higher rates are a particular burden, necessitating greater cash flow monitoring to avoid liquidity constraints** and weather this environment.

They have also had to navigate an **evolving regulatory landscape with increased scrutiny around transparency, ESG compliance and operational resilience**. These regulations require significant investment in compliance infrastructure and reporting capabilities, especially as ESG reporting standards grow more complex. Balancing these regulatory demands with performance objectives is challenging, and **non-compliance risks hefty fines and reputational damage** - a costly consequence in today's climate.

Profitability has been drifting downward for the past two years and is projected to continue declining through 2028, as investors increasingly **shift toward lower-cost options** like exchange-traded funds (ETFs). This preference for low-fee products intensifies the pressure on traditional funds, challenging them to adapt in a rapidly evolving market and avoid being swept away by the competition.

Meanwhile, geopolitical tensions, inflationary pressures, and global economic imbalances have come in unpredictable waves, fuelling market volatility that challenged fund managers to actively manage risk in an unpredictable environment.

Currency fluctuations, in particular, impact funds with cross-border exposure, making FX risk management and hedging strategies more essential than ever. Ignoring FX exposures in this climate is like setting sail without checking the forecast—an approach that risks serious repercussions when conditions worsen unexpectedly.

In this report, we examine the **latest trends in FX risk management and hedging strategies**, focusing on how fund managers can proactively manage exposure in today's choppy environment. With practical insights and actionable strategies, this research underscores the importance of foresight and flexibility in FX risk management.

In an era of relentless change, the ability to adapt and shield assets from volatility is not just advantageous — **it is essential for long-term performance and resilience.**

Eric Huttman, CEO at MillTechFX



Introduction

The second annual edition of MillTechFX's UK Fund Manager CFO FX Report has arrived!

Each year, MillTechFX undertakes a global research series across multiple geographies to reveal the key challenges and trends faced by fund managers in the foreign exchange (FX) market.

For this edition, we gathered insights from 250 senior finance leaders at UK fund managers, uncovering their FX challenges, hedging strategies, push towards automation and the influence of geopolitical factors.

The research revealed several compelling trends impacting UK fund managers:

Major challenges: The top three difficulties facing UK fund managers are **cost calculation, heavy reliance on manual processes, and the onboarding of new liquidity providers**, which collectively strain operational efficiency.

Top priorities: These challenges align closely with fund managers' primary objectives, which focus on **achieving cost transparency, automating manual processes, and minimising overall expenses**.

Credit crunch: Respondents noted that **finance providers are tightening lending criteria and raising fees**, creating significant hurdles in accessing capital.

Strong pound boosts returns: Nearly all UK fund managers have felt the impact of a strong pound, with the **vast majority reporting a positive effect on their investment** returns.

Increased hedging activity: There has been a noticeable **uptick in hedging** among fund managers compared to last year, with a significant portion actively exploring the use of FX options to protect their returns from currency fluctuations.

Geopolitics influencing hedging decisions: In the lead-up to the US election, fund managers expressed heightened concern over unpredictable market fluctuations. The majority plan to **extend their hedge lengths** in response to growing geopolitical tensions.

AI and automation drive: Fund managers are increasingly **prioritising the automation of settlement processes and the entire FX workflow**, with nearly all respondents exploring the integration of AI technologies in their operations.

Outsourcing benefits: The primary motivations for outsourcing FX operations **include enhancing scalability and flexibility, gaining access to specialized expertise, and improving risk management** and compliance capabilities.

This report offers an in-depth analysis of how UK fund managers are navigating the evolving FX landscape amid rising costs, tightening credit and geopolitical tensions. It highlights how finance leaders are leveraging technology to drive efficiencies, providing financial professionals with the insights they need to manage FX exposures more effectively and optimise their hedging strategies.

Part 1

Fund managers' top three FX challenges

In today's rapidly changing FX landscape, fund managers are **facing intensified pressures to manage costs, streamline operations, and access liquidity more efficiently**. Currency fluctuations, regulatory demands, and rising competition have made FX management a cornerstone of profitability and risk mitigation. However, critical challenges are slowing down operational efficiency and eroding returns:

1. Cost calculation (37%)

In the world of fund management, calculating costs associated with FX transactions remains a **formidable challenge, impacting both transparency and profitability**. Managing multi-currency portfolios often means handling complex FX conversions, where **minute discrepancies in rates can compound significantly over time**, eroding overall returns. Unlike other cost elements that are more straightforward, **FX costs are inherently dynamic, influenced by volatile currency movements and variable transaction fees**.

This unpredictability means that fund managers are constantly seeking ways to more accurately forecast and control FX expenses to maintain their portfolios' performance.

The complexity of FX cost calculation is compounded by the **lack of standardised practices in the industry**. Many fund managers **rely on multiple brokers** or intermediaries, each with unique pricing models, spread markups and fee structures. The **lack of transparency in these FX markups** can make it difficult for fund managers to understand the true cost of a transaction, let alone optimise it. Moreover, **manual tracking** of these expenses often proves insufficient and **prone to human error**, especially as FX transactions increase in volume and frequency across diverse markets.

2. Reliance on manual processes (36%)

Many fund managers still cling to outdated, manual processes like phone calls and emails to execute trades. Operating FX processes via these manual processes is a **huge drain on efficiency and can take up a significant portion of funds' manpower** and time. It makes no sense to operate with these processes

processes when far more modern alternatives exist. **It's the equivalent of sending someone a message via fax in this day and age**, rather than a simple text message.

Despite technological advancements, UK fund managers still depend heavily on manual processes for their FX operations. **42% of firms still instruct FX transactions over email** and 35% still instruct over the phone. As previously touched on, managing manual processes is a key challenge for UK fund managers in 2024, with 36% reporting it to be a critical issue. However, this appears to be a particularly persistent challenge, with **39% saying this was an issue in 2023, and 37% in 2022**.

Smaller funds (£40-80 million assets under management) also relied more heavily on manual processes than larger funds (£9-16 billion AUM), with 38% instructing over email and 44% over the phone, in comparison to 36% and 21% respectively. This highlights a significant rift in the ability of smaller and larger funds to implement automation technology into their FX processes.

3. Onboarding new liquidity providers (34%)

The onboarding process for new liquidity counterparties is often still outdated and cumbersome, causing a great deal of trouble for fund managers. **Protocols often require vast amounts of paperwork and securing ISDA agreements.**

This process can often take months to complete, causing a huge drain on efficiency. Partnering with FX technology providers can bring this lengthy process down to only a few weeks, enabling them to get FX counterparties set up much faster. This opens up quicker access to new liquidity streams.



What else is there?

Adapting to T+1

This year, we saw the US move to a T+1 settlement system, meaning that **trades now have to be executed around a next-day settlement cycle**, as opposed to the previous T+2 (two days) cycle. With the US successfully pulling off the transition, eyes are now falling on the UK and EU to follow suit.

T+1 will bring efficiency improvements **for the market by speeding up trading timelines**; however, it does mean that firms have to adapt to a much faster settlement cycle when trading with the US. This equates to **fundamental changes in firms' trading and execution processes**. Our report delved into how UK fund managers dealt with this shift.

One of the most cited changes made by UK fund managers in response to T+1 was **upgrading their technology infrastructure (33%)**. This is unsurprising, as more efficient technology is needed to keep pace with a fast settlement cycle. This was also the change most reported by firms' CFOs (41%).

Other changes made included **extending working hours or shifts (33%)** and utilising additional external services (33%) to help cope with the transition.



The move to T+1 seems somewhat inevitable for all major countries, so this is something practitioners will need to prepare for and hopefully already have made great strides towards resolving as on the 28th May 24 the US, CAD and MXN went live with T+1.

Nick Wood,
Head of Execution at MillTechFX and Millennium Global



Credit crunch

Tighter lending criteria

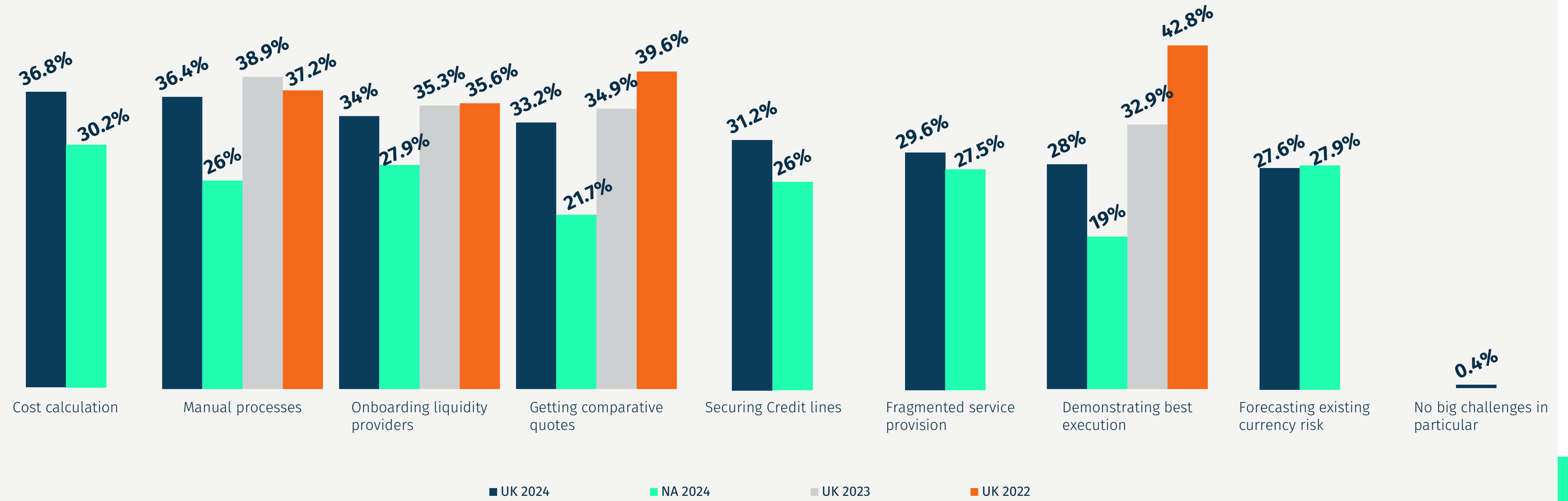
Along with higher business costs and interest rates come tighter lending criteria – a common feature of turbulent economic times. Our research reveals that UK fund managers are, on the whole, **experiencing more stringent lending criteria**. 68% of firms noted tightening lending criteria over the last year.

Interestingly, **larger funds** with AUM between £9bn and £16bn appear to have felt this **squeeze more**. 92% of larger firms say that lending criteria have become tighter in comparison to only 63% of smaller funds (with AUM between £40m and £80m). This may be due to the higher levels of financing larger firms require from credit providers.

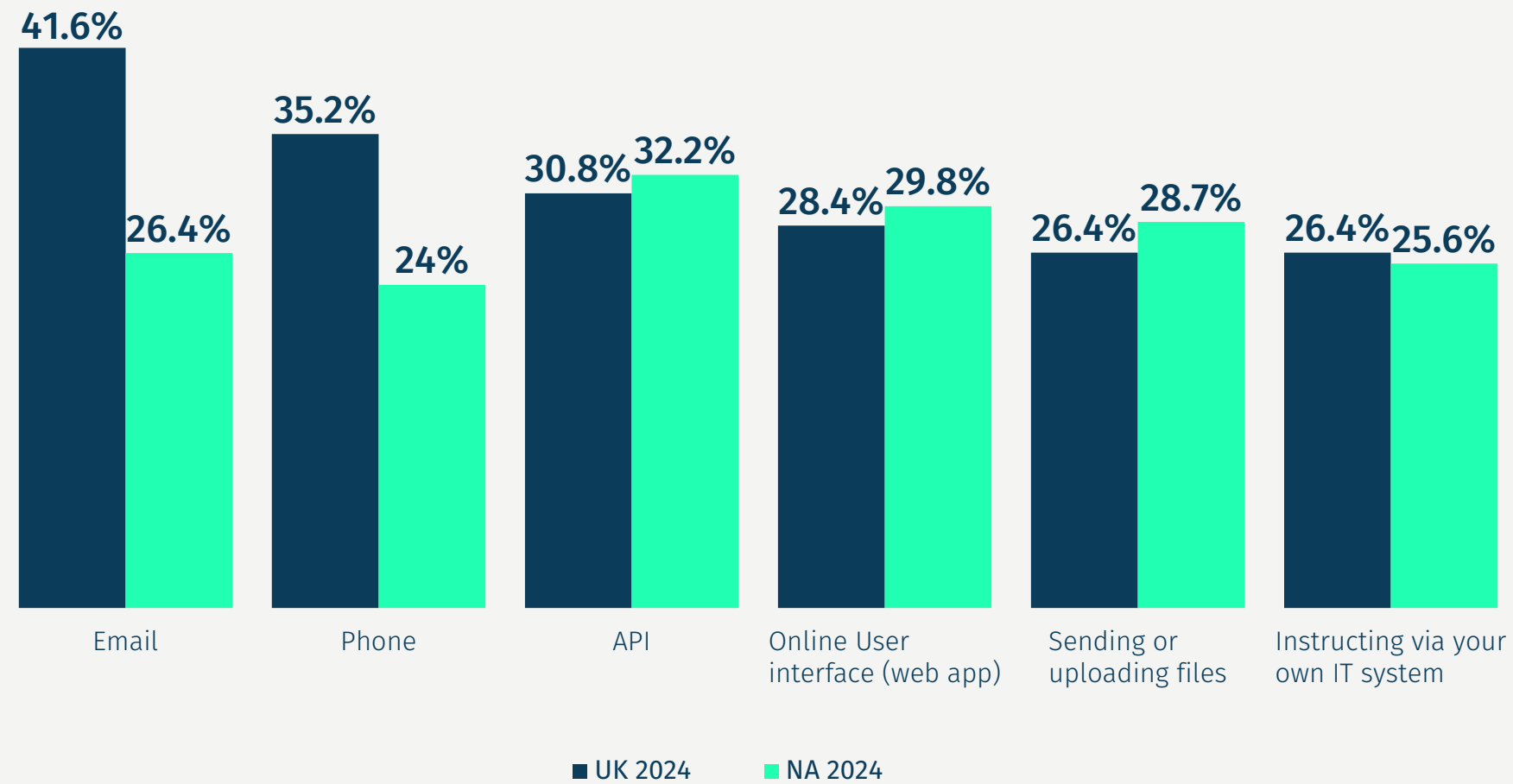
Fund managers also noticed an increase in interest rates and fees from their credit providers in recent times. **88% reported an increase in rates or fees**. Once again, larger funds were more susceptible to these hikes. 100% of those with AUM between £9bn and £16bn noted an increase, whereas only 82% of those with AUM between £80m and £400m noted a rise.



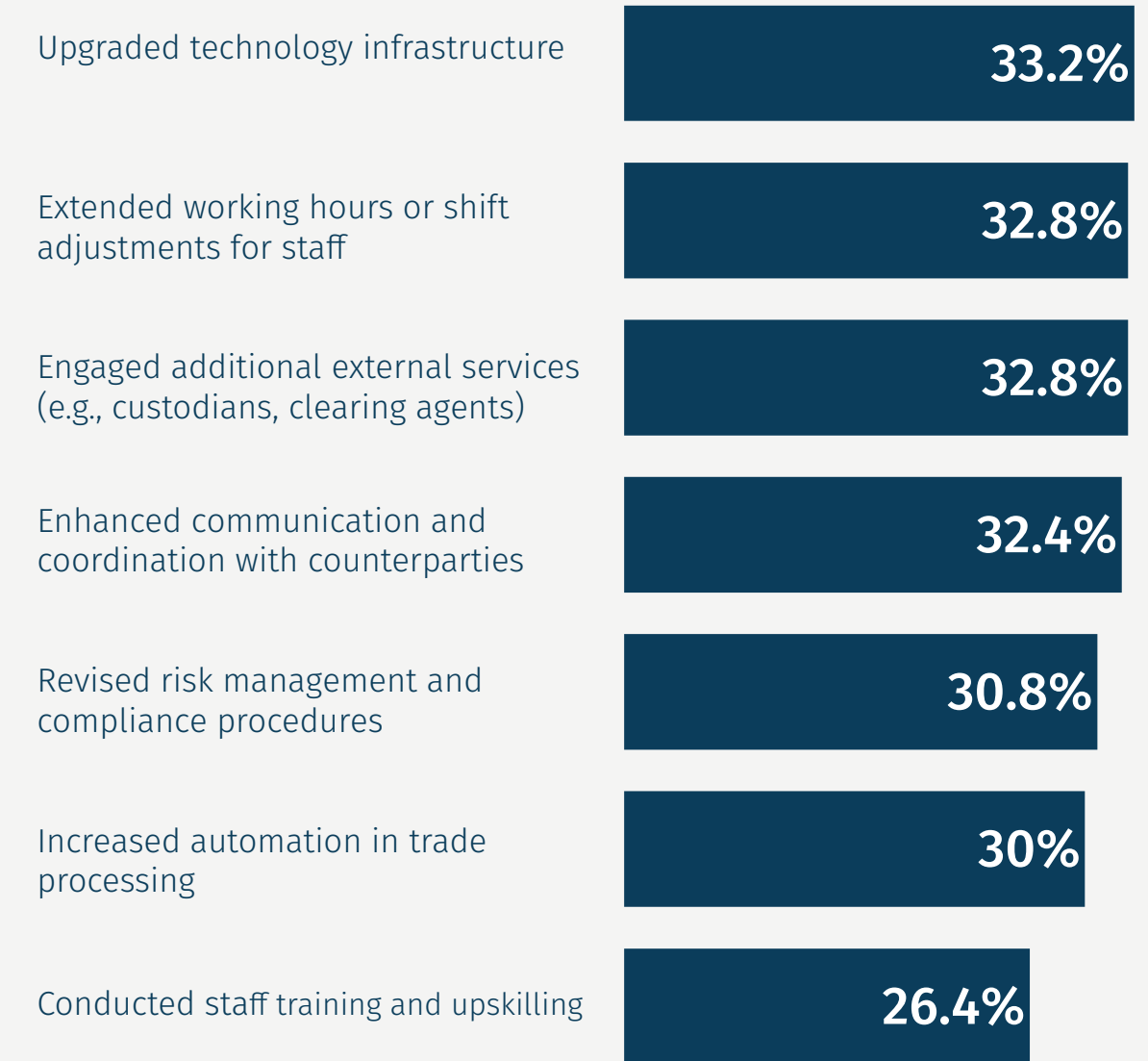
What are the biggest challenges you face when it comes to your FX operations, if any?



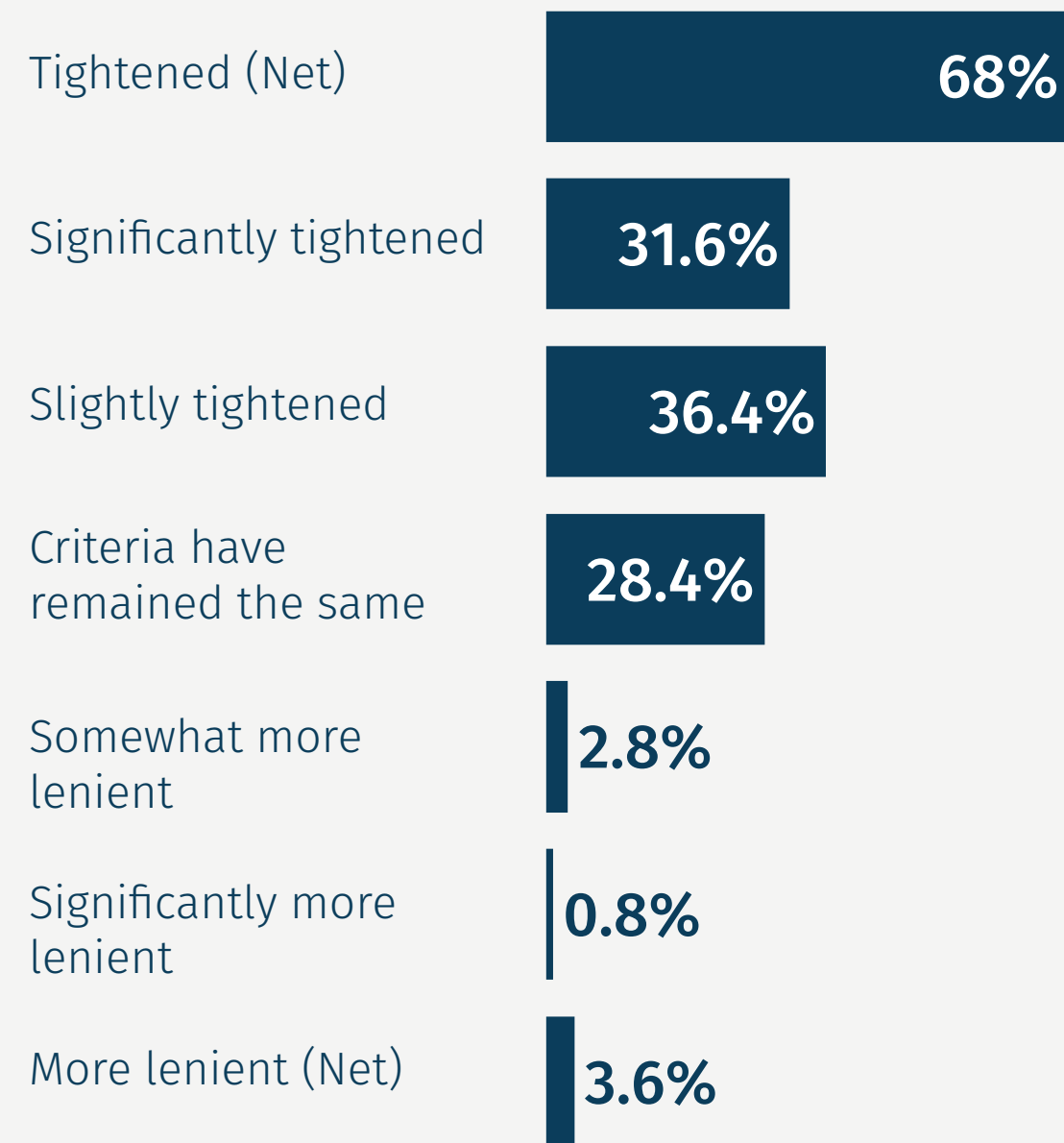
How do you currently instruct FX transactions?



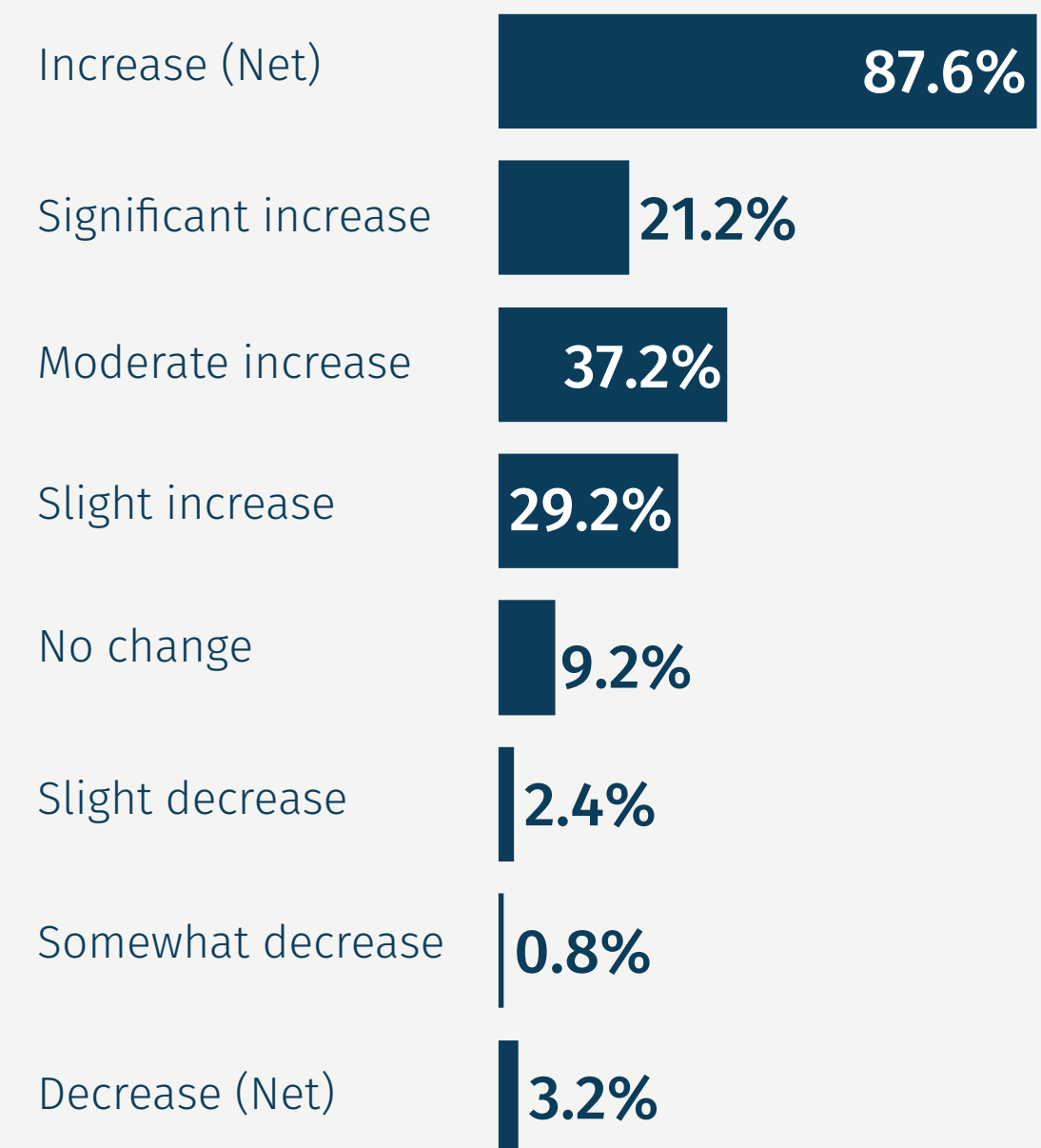
What specific changes or adjustments did your fund make to meet the requirements of the T+1 settlement cycle?



Has your current credit provider tightened lending criteria or become more lenient in the past year?



To what extent have you noticed an increase in interest rates or fees from your credit provider recently?



Part 2

Fund managers' top three FX priorities

To better understand the strategic focus of fund managers, we explored their top priorities, which align closely with the primary challenges they face. With two out of their top three challenges directly linked to cost concerns, fund managers are increasingly **prioritising transparency, efficiency, and access to competitive FX rates to protect their returns.**

1. Transparency of costs (35%)

Given that two of their top three challenges are cost-related, it's no surprise to see that fund managers are **prioritising better understanding their costs.**

The opaque nature of FX execution means that fund managers are plagued by hidden costs, particularly those that are hidden in the spread. **The FX market has historically been seen as opaque for two main reasons:**

Hidden costs - Pricing transparency is a recurring problem as **FX costs are typically hidden in the spread.** The transaction cost on any given trade can be calculated as the difference between the rate traded at, and the mid-market rate at that point.

Inability to compare the market - In addition, depending on the volumes they trade and their profiles, fund managers can have **limited choice on which and how many counterparties they trade with.** They tend to work with only one or two banks for their FX hedging because of the operational complexity of setting up multiple banking relationships. This makes it **harder for them to compare prices** in the market because they have fewer access points and a smaller number of liquidity providers, meaning that chances of getting the best available rate are reduced.

We can expect to see fund managers **undertaking more transaction cost analysis which acts like an audit of FX costs.** It provides critical insights into the efficiency of FX transactions, helping to eradicate hidden costs and inefficiencies, allowing CFOs to optimise their trade execution and ultimately reduce their costs and enhance FX performance.



For TCA to work effectively, it must be done regularly. Market conditions, liquidity, and spreads fluctuate frequently, which means past trade performance may not reflect current realities. By keeping TCA as a regular part of their operations, fund managers can consistently enhance performance and manage FX risks effectively.

Milly Clarke,
Sales Operations Manager at MillTechFX



2. Automation of manual processes (34%)

Many fund managers still use outdated technology to manage their in-house FX operations. This may cause a significant drag in efficiency and often taking up a significant portion of teams' resources and time.

By adopting automated solutions, fund managers **can streamline their FX operations with end-to-end workflows, gain greater transparency, and onboard faster.** Automating processes also frees up these resources to be spent on activities that are more central to the business, bolstering teams' efficiency. In this light, it's easy to see why automating manual tasks is so important to firms.

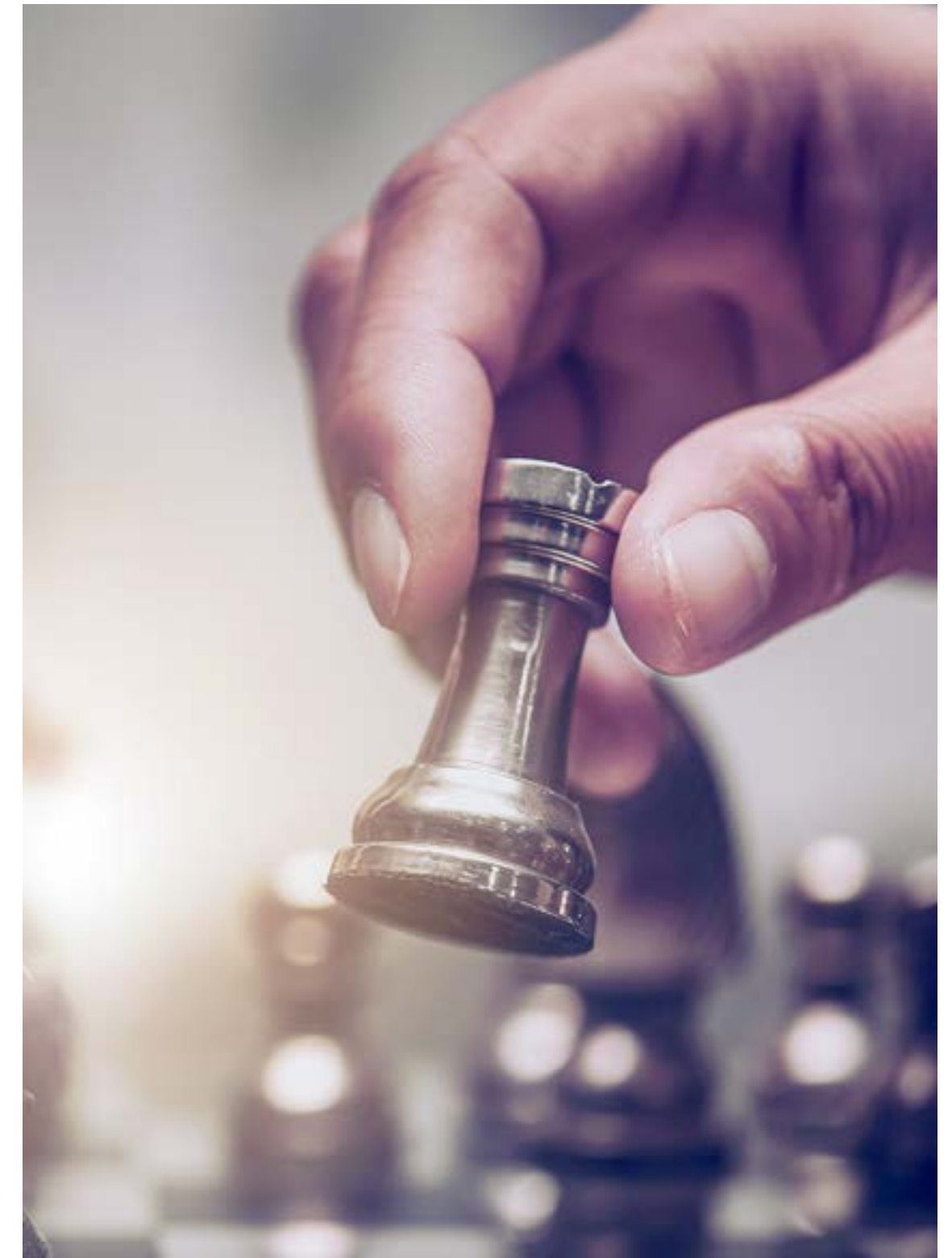
3. Minimising costs (29%)

With global inflation remaining relatively high, the **cost of doing business has continued to rise** this year. FX operations and hedging were no exception to this, with our research finding fund managers are struggling with rising costs across the board.

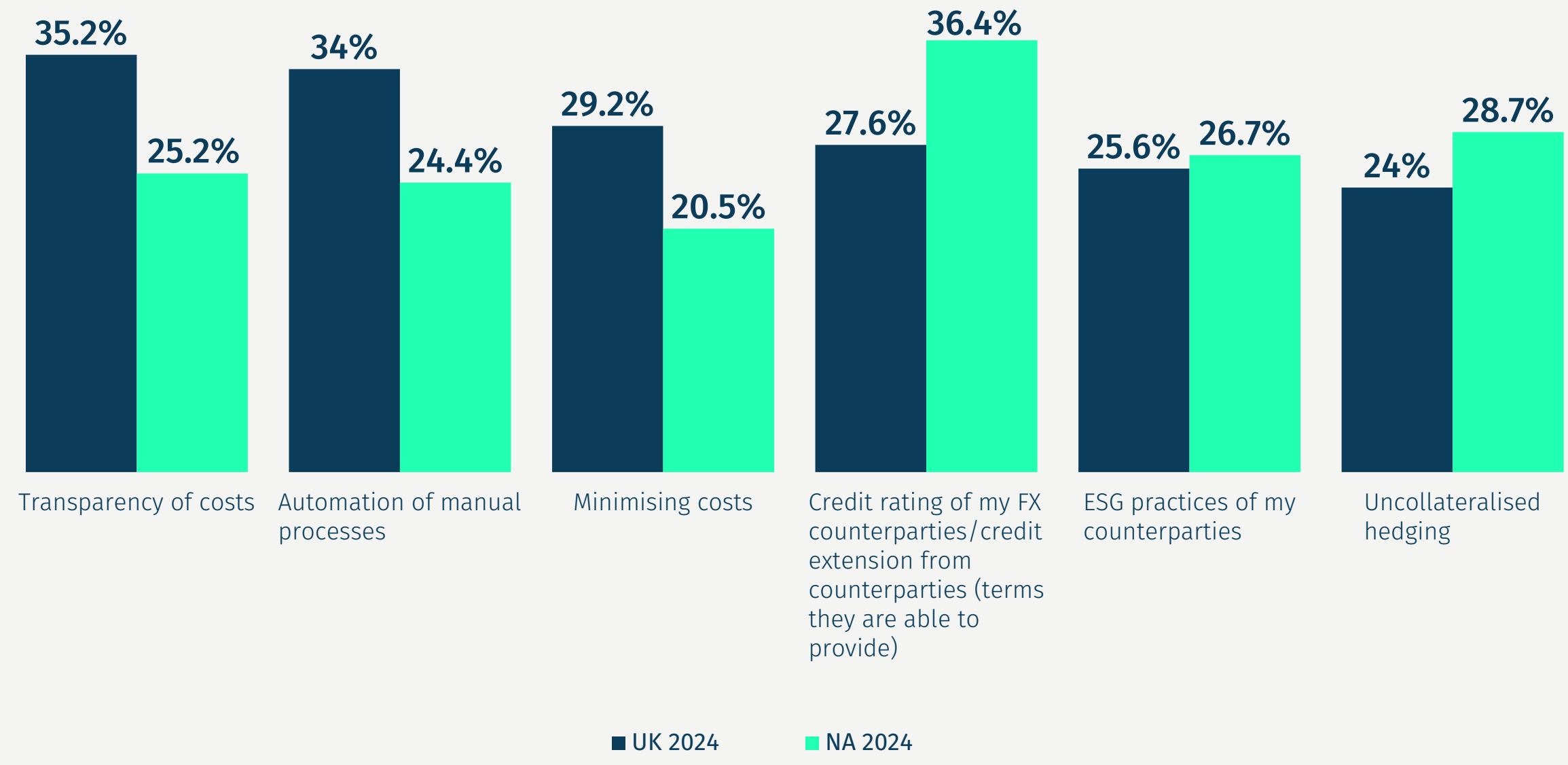
The **increasing cost of hedging has also been a challenge** that UK fund managers have come up against this year. **84% of respondents said that the**

cost of hedging had risen over the last year. This issue seems to have been felt particularly strongly by UK fund managers, as this was nine percentage points higher than last year (75%).

Many fund managers limit themselves by relying on one or two banks or brokers for FX management, similar to shopping at only one store and missing out on better deals elsewhere. **Prioritising solutions that offer access to live rates from multiple banks allows companies to cast a wider net** and execute at the best possible price, ensuring they aren't leaving money on the table.



Which of the below, if any, are the most important?



Part 3

Increased hedging and boost from the strong pound

The pound has been on quite a journey this year. At the beginning of 2024, the pound outperformed 90% of the world's currencies, however, it then went on to hit a five-month low in April. By the end of the summer, the pound had risen to a two-year high against the dollar at over \$1.32 and still remains relatively high in comparison to previous years.

Fund managers' hedging strategies must adapt to the evolving state of currency markets as they aim to reduce the impacts of currency volatility on their investments.

The pound rebounds

The pound's newfound strength has had a huge impact on fund managers with **89% of respondents stating that the strong pound has affected their fund's returns.**

Interestingly, fund managers overwhelmingly said that the strong pound had a positive impact on their returns (87%). Comparatively, only 2% reported a negative impact.

The strong pound gives UK fund managers higher

purchasing power over dollar-denominated assets.

This means that they're able to invest in more assets for less, boosting returns and making it easier to increase portfolio diversification. In addition, when fund managers convert dollar-based returns back into pounds, a strong GBP means they'll receive a higher value in pounds for each dollar.

Fund managers' size was also a factor dictating how affected they were by the strong pound. 97% of mid-size funds (£400-800m AUM) said that the strong pound has impacted fund returns, whereas small funds' (AUM £40-80m) returns were impacted least (79%).

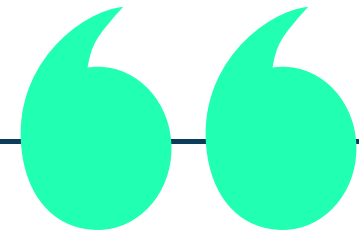
More fund managers hedge than last year

88% of UK fund managers currently hedge their forecastable currency risk. This rate of hedging is higher than last year in the UK (75%), **signalling a shift in strategy** due to increased currency volatility.

Of those who don't hedge, **the main reason for not doing so came down to the perception that capital could be better deployed elsewhere (43%).** However, 53% of those fund managers not hedging are now considering doing so due to current market conditions.

The **increasing cost of hedging has also been a challenge** that UK fund managers have come up against this year. 84% of respondents said that the cost of hedging had risen over the last year. This issue seems to have been felt particularly strongly by UK fund managers, as this was nine percentage points higher than last year (75%).

UK fund managers' **hedge ratios remained the same as in 2023 (49%).** Firms also lowered their hedge lengths slightly from 5.74 months in 2023 to 5.22 months this year but these remain relatively long, highlighting that funds are locking in certainty over a longer period of time.



Currency fluctuations require CFOs to carefully manage FX risks, optimise cash and liquidity management, adjust debt strategies, and make informed investment decisions. CFOs must thoroughly evaluate their exposures, determine the extent to which they can afford to hedge, and select the most appropriate financial instruments. Crucially, they need to balance the rising costs of hedging against the risk of not hedging.

Joe McKenna,
Head of Institutional Solutions



Diversifying hedging through options

As fund managers become increasingly aware of the effects of currency volatility on their returns, they are diversifying the ways that they hedge their risk. **86% of firms said that their fund has started using FX options more frequently.**

Options can **provide the reassurance of hedging with capped downside risk.** So, with geopolitical events such as the UK and US elections on the cards this year, on top of rising geopolitical tensions around the world, it's no surprise that options are being utilised more often as fund managers **anticipate further currency fluctuations.**

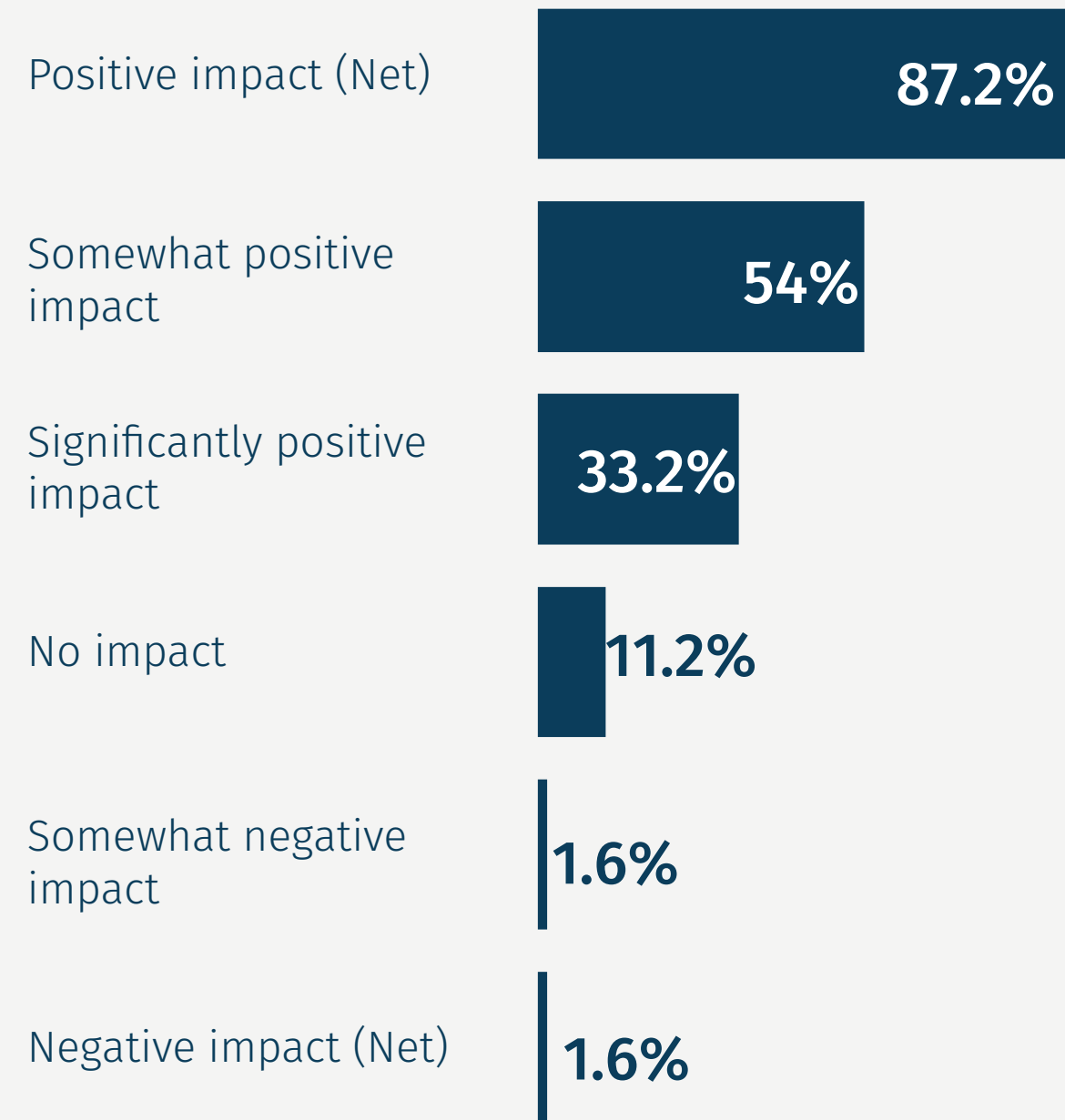


Fund managers' decision to hedge using options is often influenced by the attractive (low) volatility levels observed in Q2/Q3 compared to the anticipated higher future currency movements.

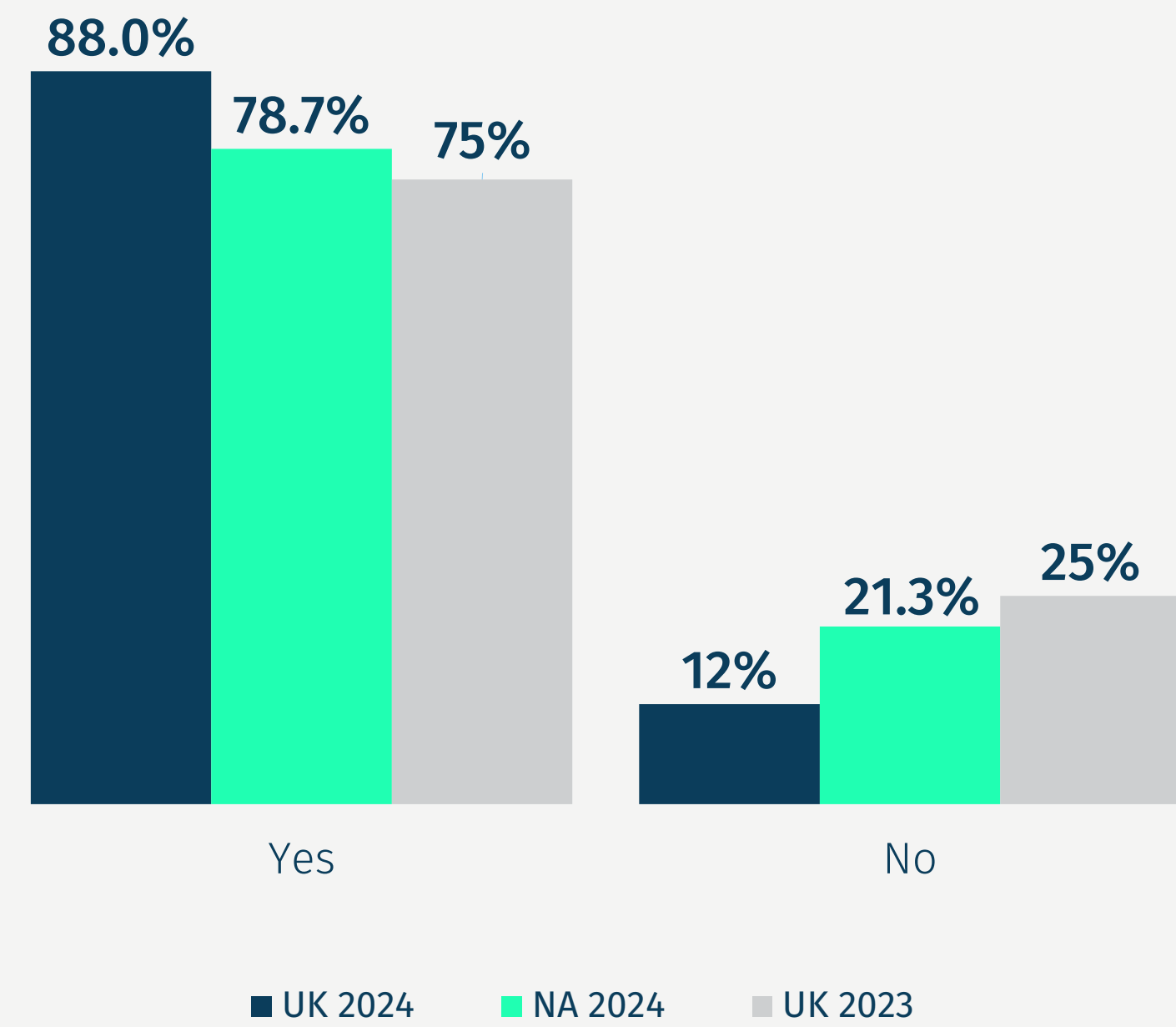
Nick Wood,
Head of Execution at MillTechFX and Millennium Global



How has the stronger pound impacted your fund's returns so far this year?

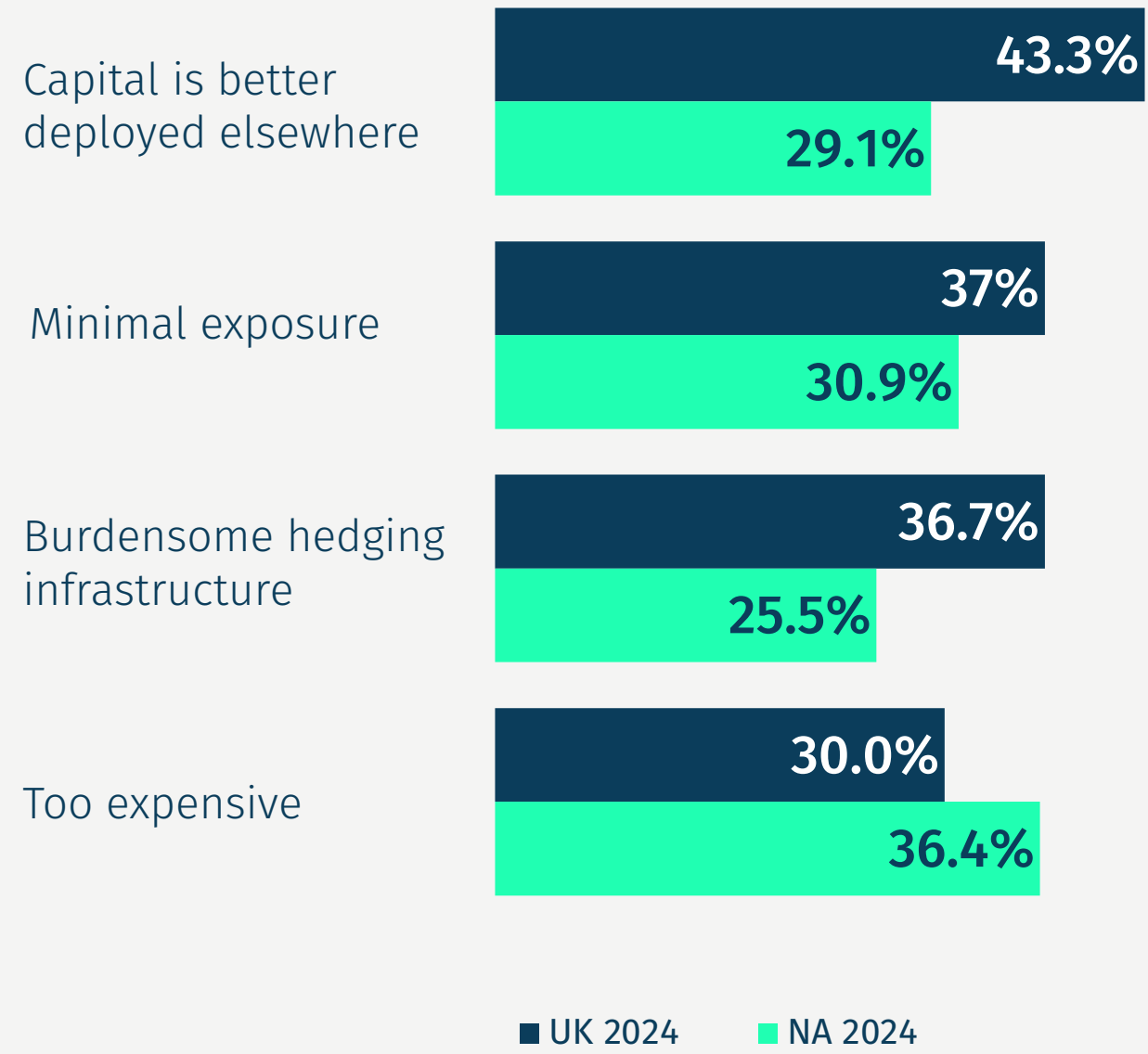


Do you hedge your forecastable currency risk?



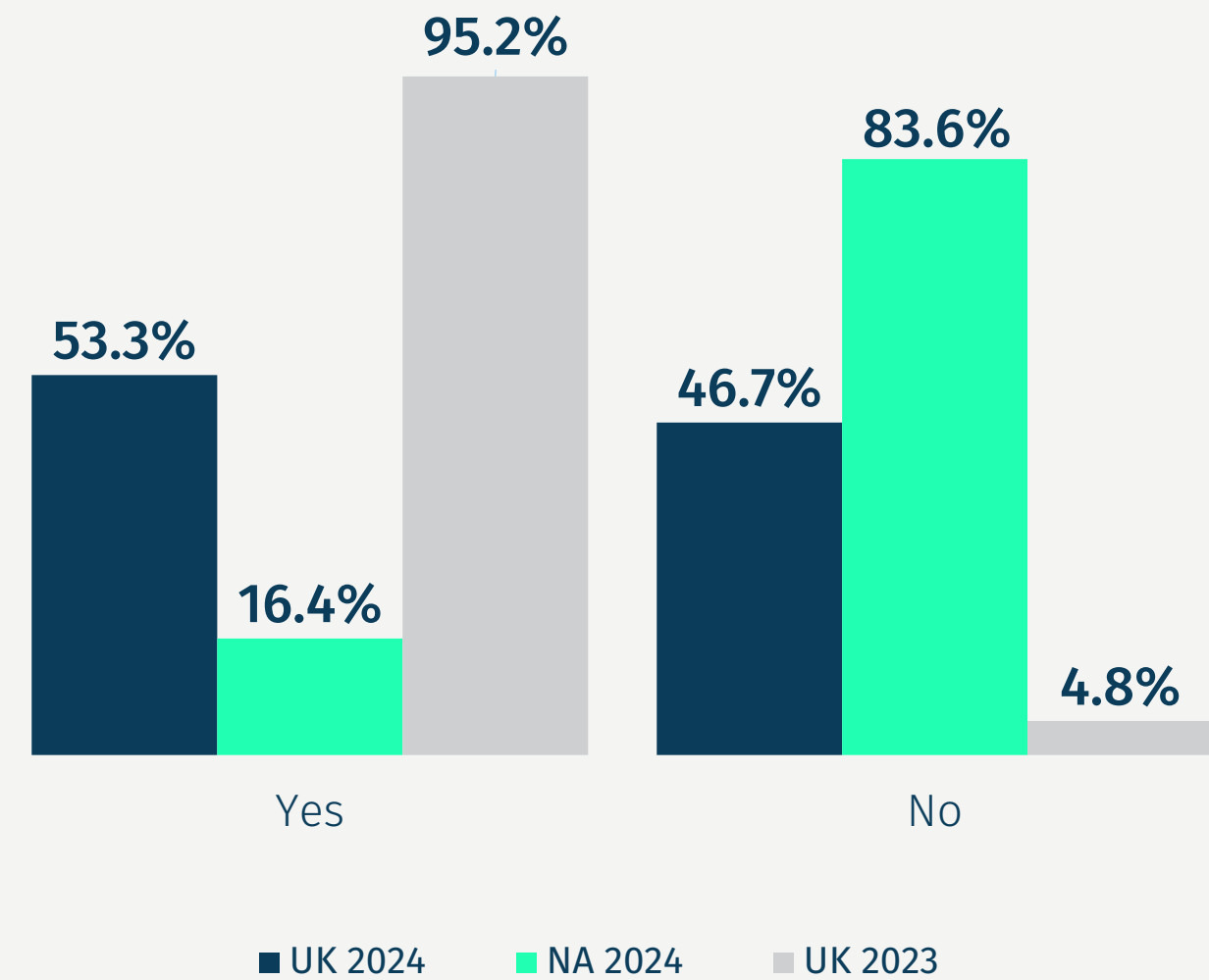
If not, why not? (Select all that apply)

***Those who do not hedge their forecastable currency risk**

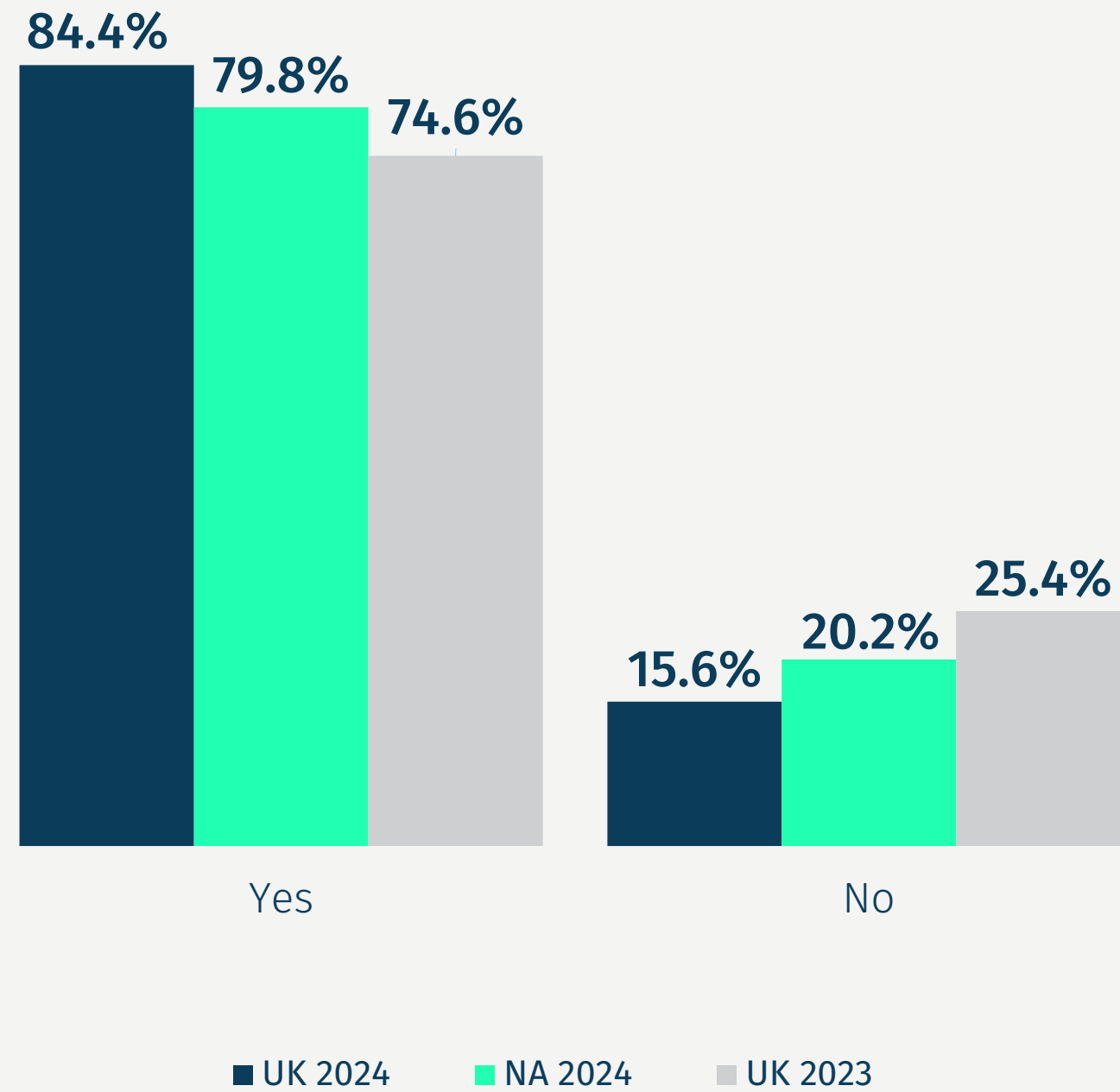


Are you now considering hedging given market conditions?

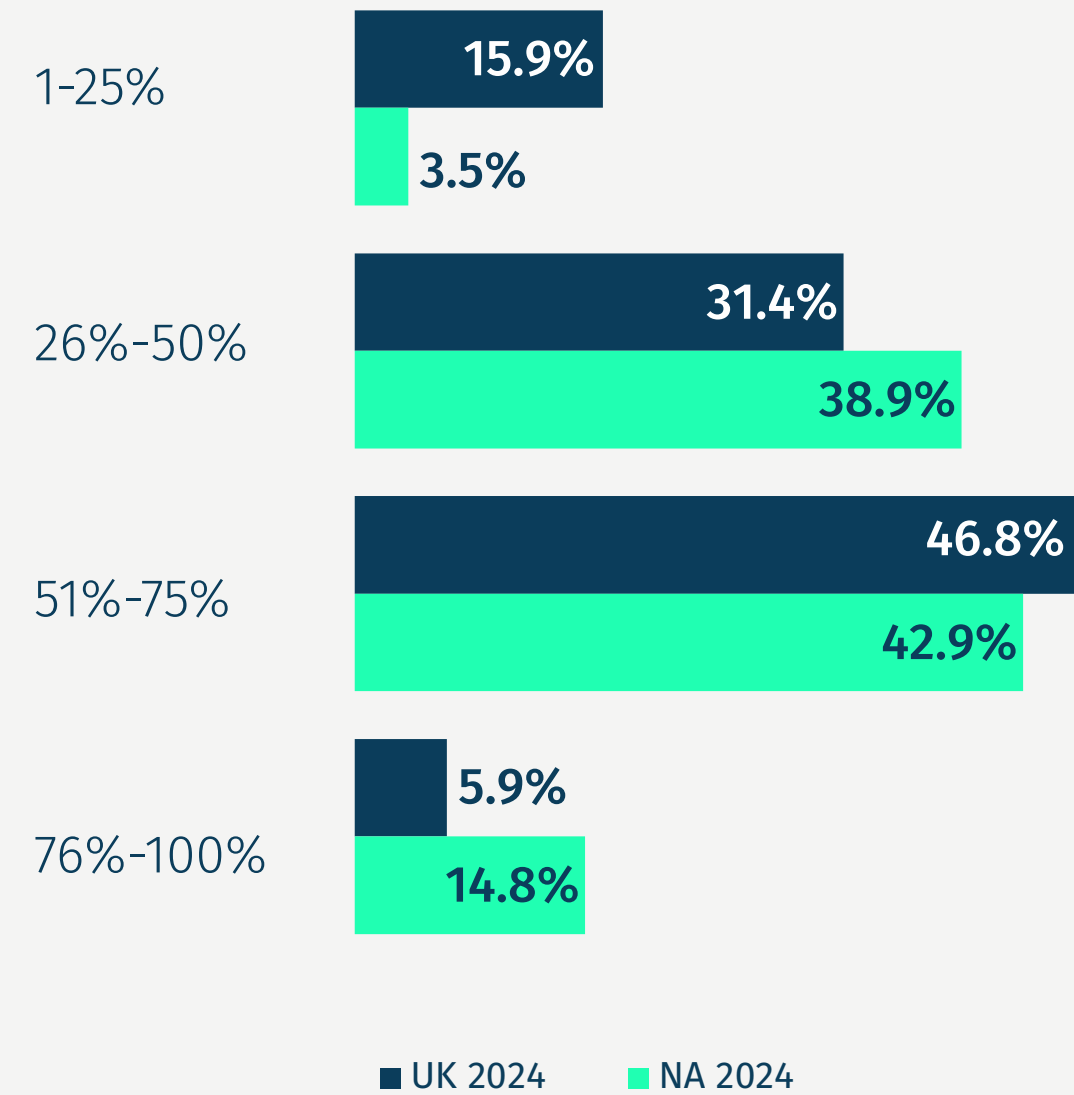
***Those who do not hedge their forecastable currency risk**



Has the cost of your hedging gone up over the past year?

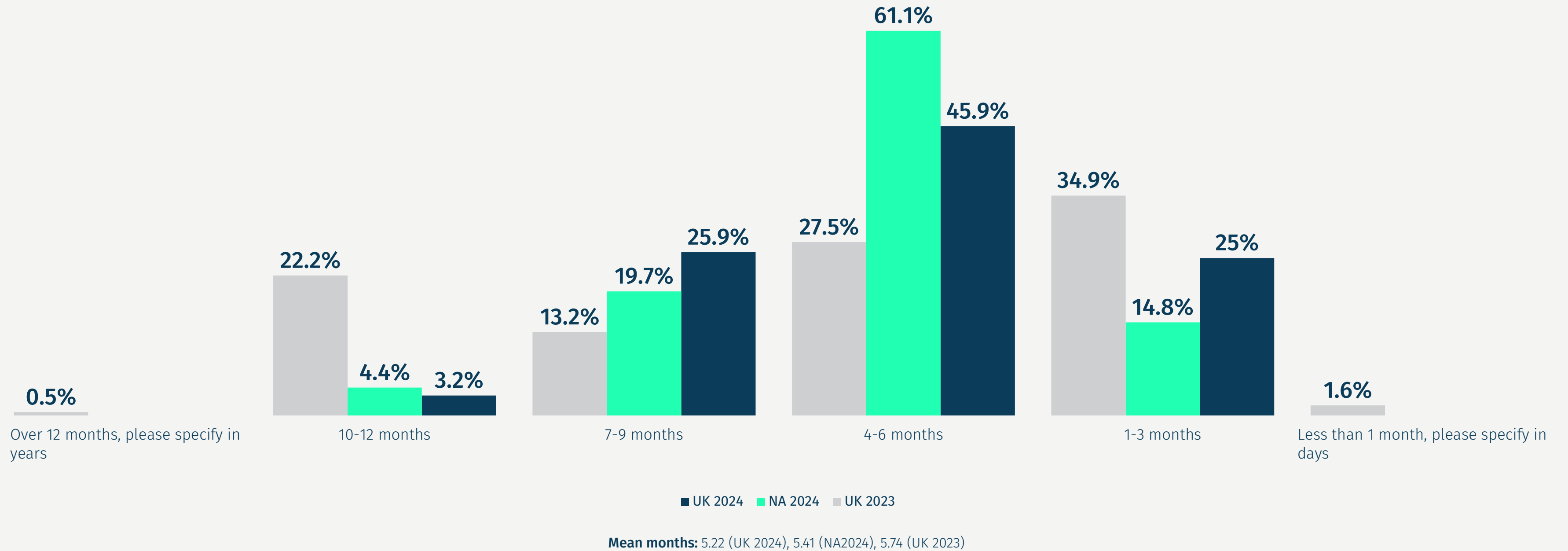


What is your current hedge ratio (i.e. how much of your currency risk do you hedge)? *Those who hedge their forecastable currency risk

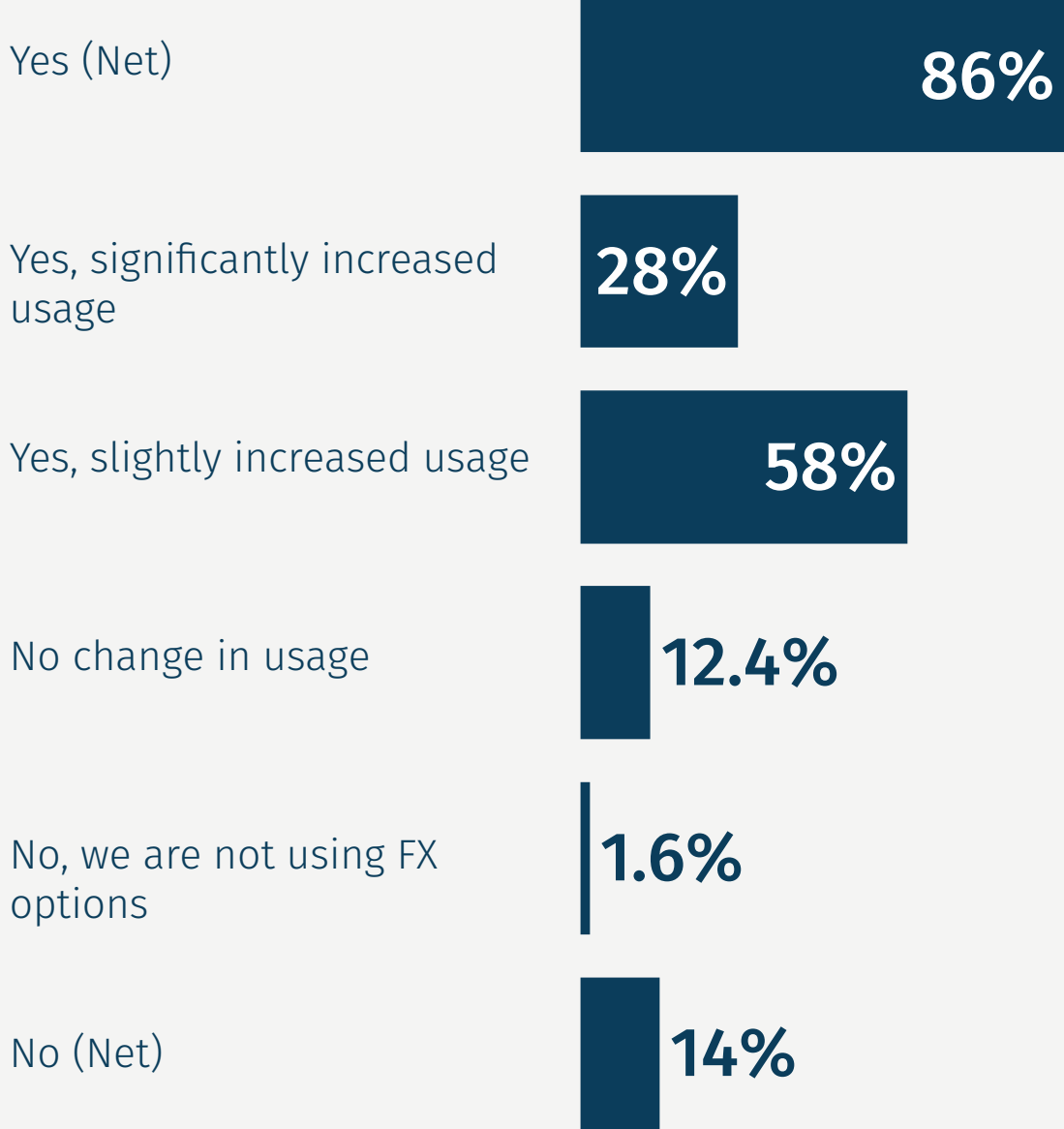


Mean % (Excluding "Not sure"): 48.68 (UK 2024), 55.24% (NA2024), 48.93 (UK 2023)

How far out, on average, do you currently hedge FX risk? *Those who hedge their forecastable currency risk



Has your fund started utilising FX options more frequently due to recent low levels of implied volatility and hence option prices?



Part 4

Navigating geopolitical tension and the US election

Geopolitics has taken centre stage so far in 2024, with over 70 countries holding elections this year and roughly half of adults globally going to the ballot box.

One of the biggest events in the calendar was the US election which took place on Tuesday 5th November 2024. As the world's primary economic and political superpower, what happens in the US affects everyone, and fund managers are no exception to this.

Through the potential for policy changes, shifts in trading plans, economic vision and foreign policy, **elections bring around uncertainty and volatility by their very nature.** This has the potential to significantly impact fund managers, particularly those who depend upon a certain level of stability to grow their portfolios. In this way, the US election result will have a particularly significant impact on UK firms in the long term, given that the US is the country's largest trading partner.

This uncertainty was the main cause of UK fund managers' worries regarding the US election – **40% marked unpredictable market movements as their top concern.** Other concerns included **the impact of policy changes on currency values (38%)** and **increased volatility (38%).**

These concerns were well-founded. As the results rolled in and a second Trump presidency became a reality, the dollar soared, charting its largest one-day surge in 8 years, with the euro, sterling and yen all declining off the back of the result.

Over the coming months it will be interesting to watch dollar's movements, with President-elect Trump and his Vice President-elect JD Vance's preference for a weaker dollar and planned implementation of protectionist trade policies.

Elsewhere, various continuing conflicts around the world continue to impact hedging decisions. Over half **(55%) of fund managers plan on increasing their hedge lengths** and 33% plan to increase hedge ratios due to increasing geopolitical tension.

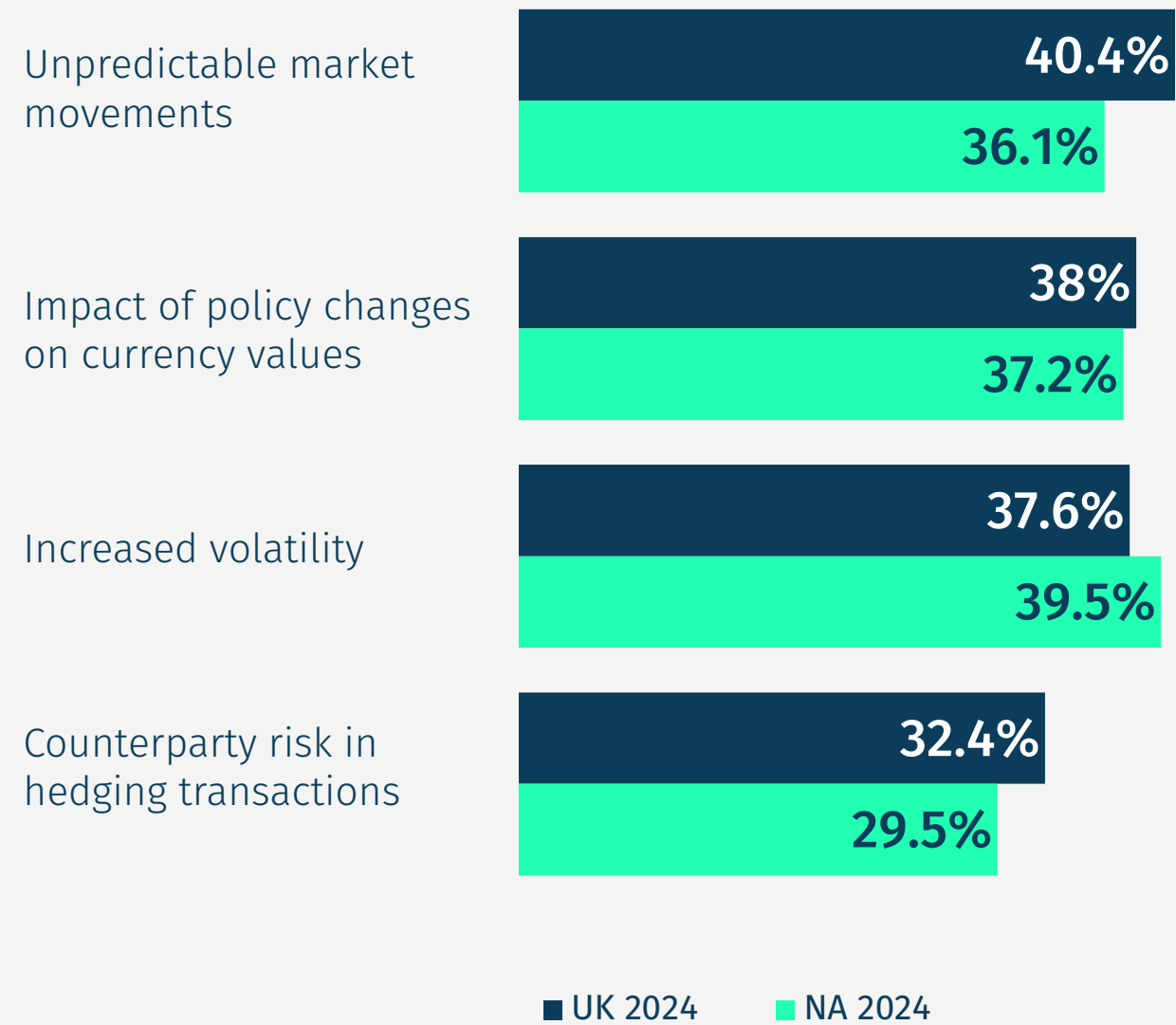


Elections add another layer of complexity to FX risk management. Potential shifts in policy, changes in economic direction, and new geopolitical strategies could all influence the value of currencies significantly.

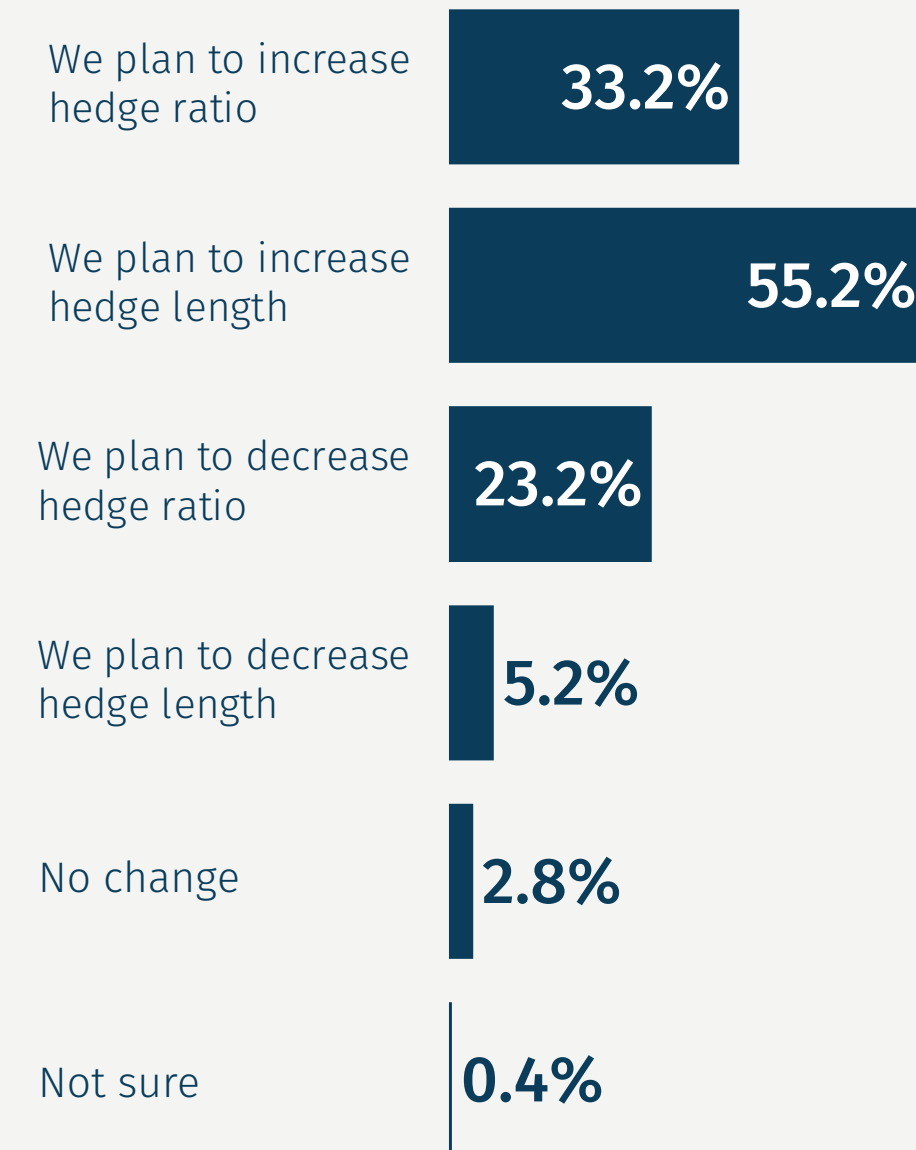
Eric Huttman,
CEO of MillTechFX



What are your top concerns regarding currency risk in the context of the US election?



Do you plan on adjusting your hedging strategies in light of increasing geopolitical tensions? e.g. Middle East and Russia conflicts, rising tensions between US and China



Part 5

AI and automation are key priorities for UK fund managers

Fund managers are **increasingly transitioning away from traditional providers** and legacy infrastructure, and instead **replacing them with tech-enabled solutions that digitise and automate FX processes**. These solutions can automate the entirety of the FX trade lifecycle, all the way from risk identification and price discovery, right through to trade execution, settlement and reporting.

Key areas for FX automation

34% of UK fund managers are considering automating settlement, making this the principal FX process where automation is being explored. Automating FX settlement removes the manual processes and paperwork from the settlement system, boosting efficiency and giving fund managers more time to focus on core business activities.

A similar proportion of UK fund managers are **also focussed on automating the full FX workflow (also 34%)**. This enables fund managers to **streamline everything** from counterparty onboarding to trade execution and settlement, minimising manual intervention and reducing errors.

With end-to-end automation, tasks like price discovery, trade matching, and compliance reporting are efficiently managed in real-time, enhancing transparency and control over FX processes. **This holistic automation not only accelerates transaction speeds but also cuts down on administrative costs**, allowing managers to focus resources on strategic investment decisions rather than operational tasks.

The third most popular area for automation is risk identification (33%). **AI is transforming risk identification by enabling fund managers to analyse and interpret vast datasets in real-time**, highlighting hidden risks and patterns that might otherwise go unnoticed.

Fund managers can track market fluctuations, geopolitical events, and macroeconomic indicators across global markets to anticipate potential currency

risks more precisely. Machine learning models, in particular, can learn from historical FX data and apply predictive analytics to gauge volatility and exposure, allowing managers to proactively adjust positions based on emerging trends.

By automating these insights, **AI-driven risk identification tools empower fund managers to act swiftly, enhancing both risk mitigation and decision-making accuracy, which is critical in the fast-paced FX market**.



Implementing AI solutions

Nearly all (**93%**) of UK fund managers are exploring the implementation of AI to some extent for their FX operations. Over a third (35%) are either actively or aggressively pursuing AI opportunities, while 18% are cautiously evaluating its potential.

The integration of AI into FX processes is transforming how fund managers approach currency management. **AI-powered tools improve forecasting accuracy, automate trading, and streamline risk management, enabling faster, more informed decision-making.**

By making use of AI in FX, fund managers not only **gain efficiency** but also **strengthen compliance and reporting processes**, positioning their funds to capture greater value in an increasingly complex global market.

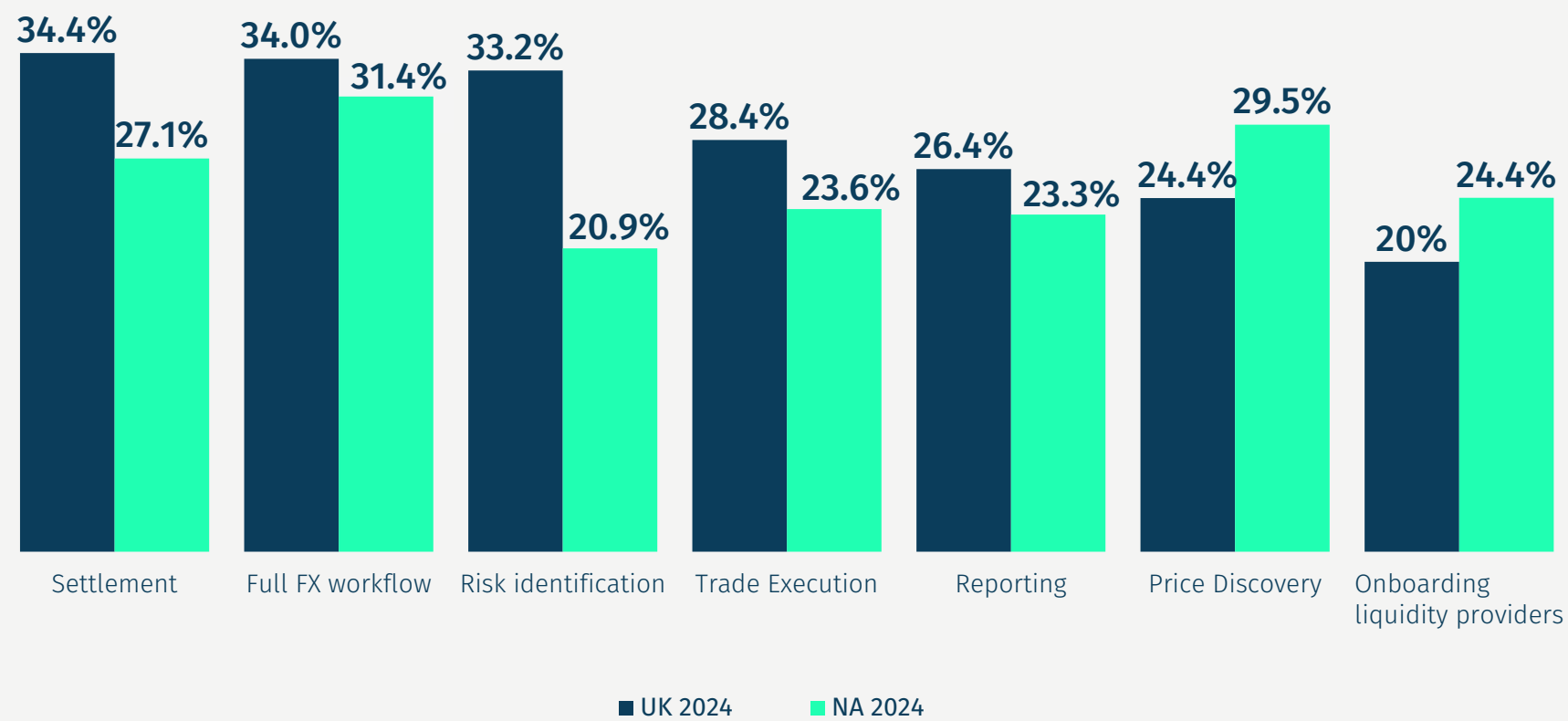


The genie is well and truly out of the bottle with generative AI and any organisation not thinking about how this technology can enhance their offering risks being left behind. It's clear from the findings that CFOs realise that in today's fast-paced digital landscape, embracing AI-driven innovation is no longer optional but essential for staying competitive.

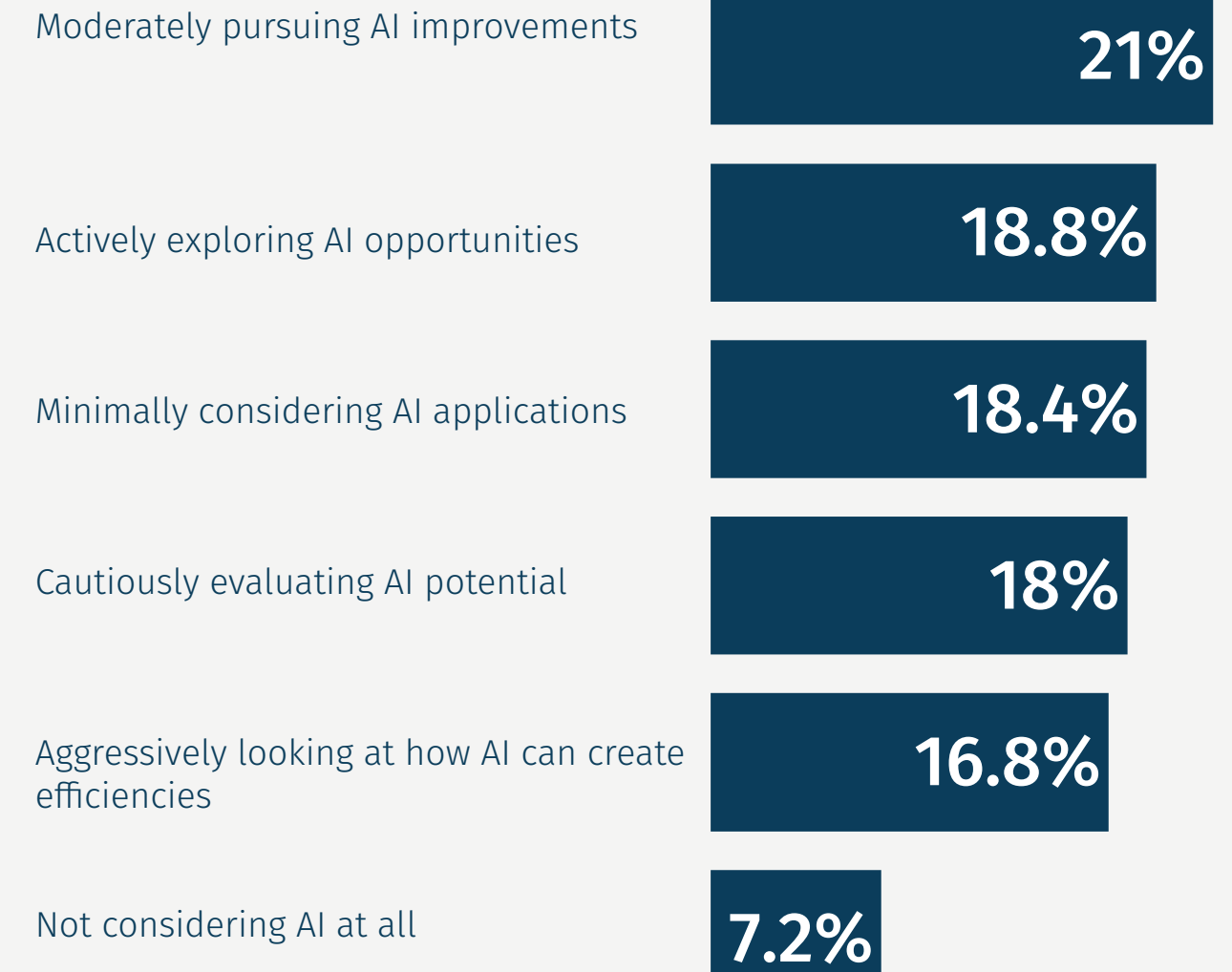
Sam Hunt,
CTO at MillTechFX



What FX processes are you considering automating?



What, if anything, is your approach to AI in relation to your FX operations?



Part 6

Outsourcing to professionals

FX is one of the largest and most liquid markets in the world, but also one of the most complex. Setting up and onboarding new FX counterparties, centralising price discovery and navigating the post-execution phase often have their own unique complications and can be a **huge administrative burden for fund managers, eating up precious budgets and time.**

As a result, many fund managers turn to outsourcing which involves partnering with specialised FX service providers to streamline these processes.

Why outsource FX operations?

The greatest reason fund managers outsource FX processes was to **improve scalability and flexibility in operations (34%)**. Outsourcing frees up resources for more effective use elsewhere and enables firms to be more adaptable and responsive to market movements.

Other primary reasons for outsourcing were **access to specialised expertise (30%) and risk management and compliance (29%)**. Following episodes like the forex rate-rigging scandal in 2014, many market principles and regulations were introduced, such as the FX Global Code of Conduct and MiFID II, to avoid crises like this again.

Whilst being beneficial to the overall ecosystem, **these rules and regulations require a lot of work and expertise in order to be met effectively.** It can be difficult for firms to meet these regulations on their own, particularly if they don't possess strong in-house FX skills and facilities. This makes outsourcing FX to a third party worthwhile, as firms don't have to worry about whether they're compliant or not.

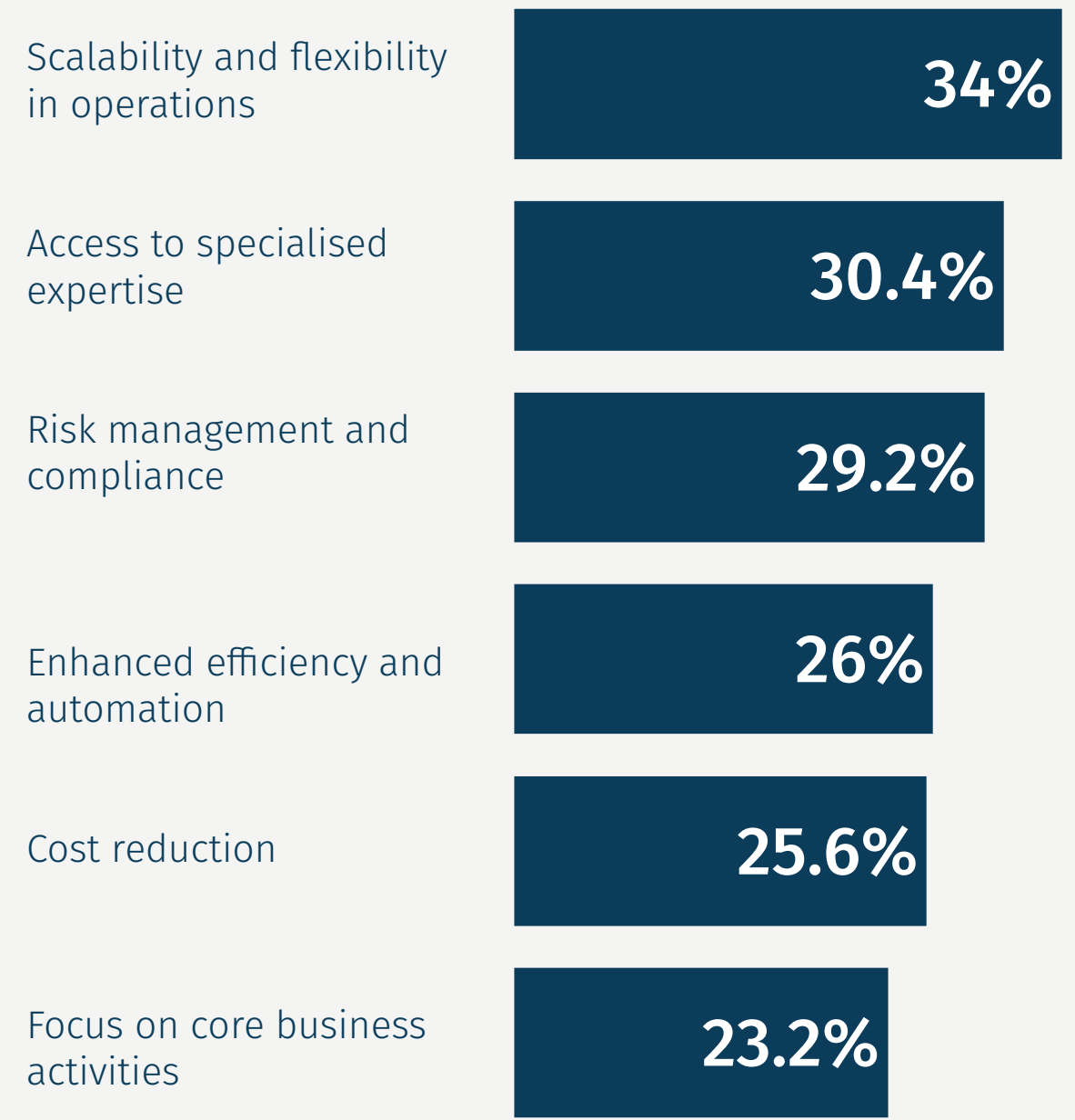


It is no surprise to see that fund managers seek to outsource their FX execution and operational requirements to a dedicated and tech-enabled FX expert. This can provide them with transparency into their execution quality via transaction cost analysis and to manage all their FX operational requirements, allowing them to focus on their core investment strategies and processes

James Hull,
COO at MillTechFX



What are the primary reasons your organisation outsources FX processes, if you do this?



Part 7

Comparing UK fund managers with their North American counterparts

The relationship between the United Kingdom and the United States is rooted in a long-standing economic partnership. Both regions, as global financial powerhouses, play significant roles in international trade and investment. **Their interconnected economies mean that the FX markets are critical to the efficient functioning of cross-border business activities.**

We analysed data from our UK research alongside findings from our recent [North America report](#), revealing that while both regions confront similar macroeconomic challenges—like market volatility and rising costs—their strategic priorities in managing FX operations show significant differences.

Similar challenges: Both UK and North American fund managers **identify cost calculation as their foremost challenge**, with 37% of UK respondents and

33% of their North American counterparts citing it as their primary concern. Additionally, onboarding new liquidity providers ranks as a significant hurdle, placing second in the UK (34%) and third in North America (32%). **These shared challenges indicate a common landscape of operational complexity** that fund managers must navigate.

Differing priorities: Despite encountering similar obstacles, the strategic priorities of fund managers diverge markedly between the two regions. **In the UK, the focus is primarily on cost transparency (35%), automation of manual processes (34%), and minimising expenses (29%).** Conversely, North American fund managers prioritize assessing the **credit ratings of FX counterparties (32%), uncollateralised hedging (27%),** and the ESG practices of their counterparts (29%).



UK fund managers are more likely to hedge: In terms of hedging practices, **a greater percentage of UK fund managers engage in hedging activities (88%)** compared to their North American peers (79%). Furthermore, a significant number of UK fund managers who currently do not hedge (53%) are considering doing so, in contrast to just 40% in North America. However, **UK fund managers maintain lower hedge ratios (49%) than those in North America (52%),** and their average hedge lengths (5.22 months) are also slightly shorter than those of their North American counterparts (5.31 months).

Hedging costs are rising across the globe: An overwhelming majority of respondents reported increasing hedging costs over the past year, with 84% of UK fund managers and 77% of North American fund managers noting this trend. This rise in costs presents a significant challenge for both regions as they seek to protect their portfolios against currency fluctuations. **They have to balance the cost of hedging against the potential cost of not hedging.**

UK relies more on manual processes: UK fund managers are more likely to execute FX transactions through traditional channels such as email (42%) and phone (35%) compared to their North American counterparts, who report lower reliance on these methods (33% and 29%, respectively). **This tendency reflects a broader reliance on manual processes in the UK,** which can introduce inefficiencies into FX operations.

Similar election fears: As the US election approached, both UK and North American fund **managers expressed similar concerns regarding currency risk.** The fear of unpredictable market movements was echoed by 40% of UK respondents and 38% of North American respondents. Additionally, concerns about the impact of policy changes on currency values were significant in both regions, with 38% of UK managers and 38% of North American managers citing this issue. **Heightened volatility was also a common concern,** with 38% of UK fund managers and 39% of those in North America reporting apprehension about increased market fluctuations.



Conclusion

Currency volatility can impact fund returns like an unexpected storm, underscoring the importance of a proactive FX strategy.

For fund managers, effective FX risk management is essential to smooth out fluctuations and protect returns from sudden currency shifts.

By reinforcing their FX infrastructure, fund managers can better safeguard their portfolios, ensuring that their processes are efficient and their risk mitigation strategies resilient.

The following strategies offer actionable steps for fund managers to strengthen their FX capabilities and defend against volatility's impact on returns:

Transaction Cost Analysis (TCA) – Much like an iceberg, hidden FX costs often lurk beneath the surface. TCA highlights hidden costs and costs associated with the execution of FX transactions. We **recommend undertaking quarterly TCA from an independent provider** to ensure consistent FX execution performance.

Comparing the market – Many firms limit themselves by relying on one or two banks or brokers for FX management, similar to shopping at only one store and missing out on better deals elsewhere. Prioritising solutions that offer **access to live rates from multiple banks allows companies to cast a wider net and execute at the best possible price**, ensuring they aren't leaving money on the table.

Outsourcing – The right outsourcing partner can be like a trusted co-pilot, providing valuable assistance while giving fund managers the freedom to focus on their core business. **Outsourcing FX management enhances transparency and improves execution quality, freeing up internal resources** and allowing companies to concentrate on driving growth.

Strong governance – The FX market is vast, liquid, and complex. Firms need the right tools to cut through the complexities and stay on course. By adopting solutions that enhance transparency and governance, **businesses can improve the cost, quality, and clarity of their FX execution.**

Diversification of liquidity providers – Relying on one or two counterparties for liquidity is like putting all your eggs in one basket. As seen in the [2023 banking crisis](#), the loss of a key counterparty can leave businesses stranded, and unable to trade. Businesses **should explore technology-driven alternatives that diversify their liquidity providers, ensuring they're never vulnerable** to a single point of failure.

Automation – Many fund managers still cling to outdated, manual processes like phone calls and emails to execute trades. By adopting automated solutions, they can streamline their FX operations with end-to-end workflows, gain greater transparency, and onboard faster. Automation acts as a powerful engine, helping finance teams steer clear of risk while operating more efficiently.

By embracing these strategies, businesses can better manage the unpredictable waves of FX risk, protecting their financial health and gaining a strategic edge over their competitors.

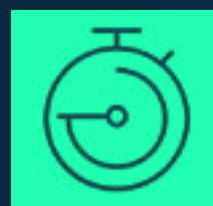
How MillTech FX can help

MillTechFX is an FX-as-a-Service (FXaaS) pioneer that enables fund managers to access multi-bank FX rates via an independent marketplace.

MillTechFX’s market access, pricing power and operational resources enable it to deliver a tech-enabled integrated solution that delivers transparency, cost reduction and operational burden reduction for senior finance decision-makers at fund managers.

It is end-to-end at no additional cost, offering easy and quick onboarding, multi-bank best execution and hedging management, and connectivity into clients’ bank accounts, internal systems, administrators or custodians.

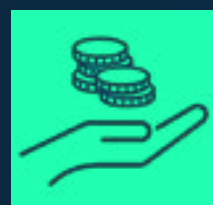
FXaaS represents the evolution of currency management through automation, integration, and validation:



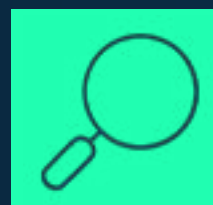
Easy and quick onboarding – Rather than spending months (even years) setting up multiple FX facilities with different counterparties, firms can sign up to a multi-bank marketplace and transact within weeks with up to 15 Tier 1 counterparty banks.



Best execution and hedging management – Clients benefit from multi-bank access without having to manage multiple relationships and processes. They can transparently compare and execute FX rates from multiple providers on a single marketplace and ensure best execution with a simple click of a button.



Cost savings – MillTechFX has saved clients up to 70% on their execution costs



Transparency – MillTechFX offers a fixed fee service, including third-party Transaction Cost Analysis (TCA) to ensure total cost transparency.

To speak to us directly please reach out to our Head of Institutional Solutions, Joe McKenna at JMckenna@milltechfx.com or request a [free TCA here](#).

Find out more at: <https://www.milltechfx.com>

*This white paper examines the data and results of a survey by Censuswide on MillTechFX’s behalf conducted between 17 September and 30 September 2024 based on a survey of 250 senior finance decision-makers at mid-sized asset management firms in the UK (described as those with assets under management ranging from £40m - £16b AUM/\$50m to \$20b AUM).

*The full list of job titles surveyed included within this report is as follows: Chief Financial Officers (CFOs), Financial Controllers, Finance Directors, Chief Operating Officers (COOs), Chief Executive Officers (CEOs), Partners and Treasurers.

MillTechFX is the trading name of Millennium Global Treasury Services Limited (MGTS) and MillTechFX Americas (MTA). MGTS is authorized and regulated by the Financial Conduct Authority (FRN 911636) and is a company registered in England and Wales with company number 11790384. The registered address is 88 Wood Street, London EC2V 7QR, United Kingdom. MGTS is registered with the National Futures Association as a Commodity Trading Advisor and Introducing Broker (NFA ID: 0529364).

MTA is registered with the National Futures Association as a Commodity Trading Advisor (NFA ID: 0545635).

The information contained is intended for Professional Clients (or elective professional clients only). MillTechFX does not target retail clients as the products offered by MillTechFX are not suitable for or made available to retail clients.

This article contains links to external websites or third-party sources. While we strive to provide accurate and reliable information, we do not guarantee the accuracy or completeness of information obtained from such external sources.