OANDA
FX Data Services

Exchange Rates for Everyone

How to identify the ideal FX dataset for each role and use case

oanda.com/fx-for-business

Foreign exchange (FX)

Exchange Rates for everyone

Foreign exchange (FX) is a global 24-hour marketplace with over $3 trillion dollars traded each day: that's larger than the New York Stock Exchange, NASDAQ, and Tokyo Stock Exchange combined!

Despite its size, FX is among the least transparent markets globally. Unlike equity markets, FX is a decentralized or over-the-counter (OTC) market, where different currency rates can be valid at the same time, as long as buyer and seller agree on a price. The fact that there is no central authority, also unlike equity markets, contributes to the opaque nature of the FX marketplace. This highlights why it's critical to work with rates from a trusted source whose data is a true reflection of the market consensus.

The FX market's size and volatility make it too important and unpredictable for organizations to overlook. Global market movements and fluctuations in currency exchange rates, affect job functions across the organization on a daily basis - and in some cases, in real-time.

There are many different types of FX data sets to choose from, so how can professionals understand which is best for them? This guide identifies the ideal FX dataset based on job function and business need.

What's in this e-book?

FX market movements affect different organizational roles in different ways. It's crucial to use the correct data set for the job whether it's for financial processes, product development, or to understand market sentiment. In this e-book, we identify the ideal FX dataset for each professional.

Accounting & Finance

Daily Average Rates to serve their day-to-day function, conveniently populated inside ERP and other financial systems

Auditors

Historical exchange data to execute thorough audits

Hedge Fund & Fintech Leaders

Tick-by-tick and a trading platform's order book to get real time market data

Treasury

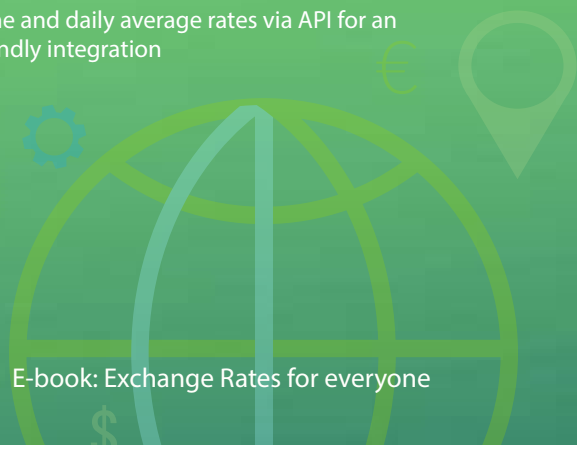
A variety financial of data to facilitate successful risk management

Product Managers

Daily and real-time foreign exchange data for products, apps, and websites. Often for price localization

Software Developers

Real-time and daily average rates via API for an dev-friendly integration



Accounting & Finance

It's not easy task to balance multiple local entities, regulatory standards, and exposure to different currencies. As masters of navigating the tumultuous business landscape, accountants and more broadly finance professionals, use daily average exchange rates to serve their day-to-day functions. These daily average rates are the calculated average of the currency intraday fluctuations and can be conveniently populated inside ERP systems and other financial applications.

Daily average rates are used globally for financial reporting, invoicing, accounting, audit support, and reconciling company's financial books. In certain circumstances, other period averages may also be required, including weekly, monthly, quarterly, and yearly averages, though the daily average exchange rate will serve most accountant's needs. In some cases, Central Bank exchange rates will also be required in place of Market rates, to comply with local regulations when companies are operating within certain territories. Not many providers offer both market rates AND Central Bank exchange rates. And when they do, it is too often the work of rates aggregators who have very little knowledge of or control over the actual data they're delivering. Finance professionals know this far too well and tend to prefer trusted data providers who are also FX market-makers.

Daily average exchange rates are the calculated average of the currency intraday fluctuations.

Audit

Because auditing looks back at client's financial records and cross-border transactions, auditors need access to accurate historical exchange rate data in a convenient format (spreadsheets are the standard) in order to execute a thorough audit.

To complicate things, auditors often work outside their office visiting clients onsite across the globe. Because of this, auditors need a flexible cloud-based tool to provide access to historical exchange rates anytime and anywhere. The data should be also be downloadable and customizable in order to compare multiple currencies at one time as well as choose the type of rate needed, such as bid, ask, or midpoint, or use a specific Central Bank as the source of data on a case-by-case basis.

These professionals will use historical exchange rates data when auditing their clients' financial and tax reports. Due to the over-the-counter nature of the FX market, foreign exchange transaction and reporting is where auditors will look for intentional or unintentional oversights, inconsistencies, or plain fat-finger mistakes. Relying on a trusted and flexible data set and tool will make the job easier.

Historical exchange rate data should be downloadable and customizable in order to compare multiple currencies at one time.

Hedge Fund Managers, and FinTech Leaders

Hedge fund managers and Fintech leaders will use tick-by-tick foreign exchange data or a trading platform's order book to power sophisticated and big data analysis and research for high-frequency trading, algo-trading, market modeling, interactive charting, financial tickers, backtesting, managing FX risk and more.

Tick-by-tick data is updated every time an exchange rate changes - which can be many times a second - and delivers large batches of data on the millions of exchange rate movements throughout a single day. This type of data is used for calculations that require a real-time view of the FX landscape. The key here is to retrieve data from an actual market participant such as OANDA, who can provide a real-time and consensus view of the market at any point in time.

Alternatively, a trading platform order book can be used to view open FX orders (both buy and sell) as well as open positions for a period of time (the previous 24 hours is usually common practice). Open orders could be interpreted as an indicator of the price expectations that are contributing to natural resistance and support levels, while open positions could be an indicator of market reaction to price changes and the pressure on prices due to unrealized profit and loss. Order book data provides excellent stats and insights into foreign exchange market sentiment.

The key here is to retrieve data from an actual market participant who can provide a real-time view of the market.

Treasury

In the current economic environment managing corporate financial risk and cross-border cash flows is not an easy task.

Multi-currency risk management was once a relatively straightforward part of the treasury job, however, persistent FX market volatility has changed all that. Now, CEOs, CFOs and shareholders all watch currency management with a magnifying glass. Couple this with the burden of regulation and criticism over where treasurers are "parking" their cash, and it's fair to say that the treasury specialists have been thrown into the spotlight. This means that treasurers who are masters of multi-currency cash management need a specific set of data to facilitate successful risk management as well as FX exposure summaries, FX gains and losses, hedging positions and hedge coverage ratios.

This variety of FX and other financial data set may differ by use case, but commonly includes:

- Daily average exchange rates
- Central Bank exchange rates
- Real-time or "spot" exchange rates
- Forwards
- Interest rates (e.g. LIBOR, Euribor) and swaps
- Yield curves

With so many data sets in the mix, automation becomes an absolute necessity. Standard business procedures for finance and treasury professionals has evolved into an almost entirely automated environment. API delivery of data guarantees an uninterrupted flow of up-to-date information while offering flexibility to plug the data stream directly into ERP and treasury systems - all while maintaining accuracy of data and reliability of delivery.

Software Developers

In a fast-moving global marketplace, retrieving current information in a reliable and secure data feed is most important - for both consumer and business-facing applications. Whether an ecommerce website, personal banking app or vendor management system, developers must now ensure their programs can execute accurate currency conversion and FX functionality. Developers are adjusting quickly to global best practices by building multi-currency functionality into products and software to power apps, pricing engines, and websites. Commonly, these devs utilize real-time rates but may also need daily averages, depending on the use case.

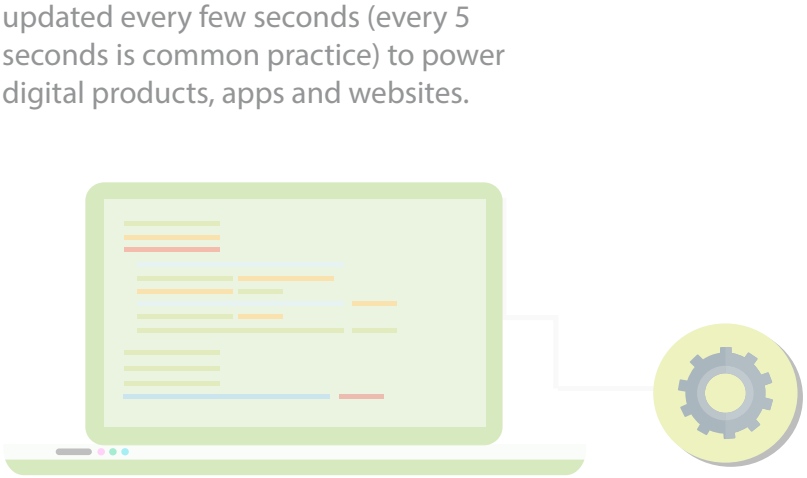
Real-time rates

Are commonly delivered via RESTful API which provide data in formats such as JSON, XML, and CSV to best serve developer's needs. These rates are updated every few seconds (every 5 seconds is common practice) to power digital products, apps and websites.

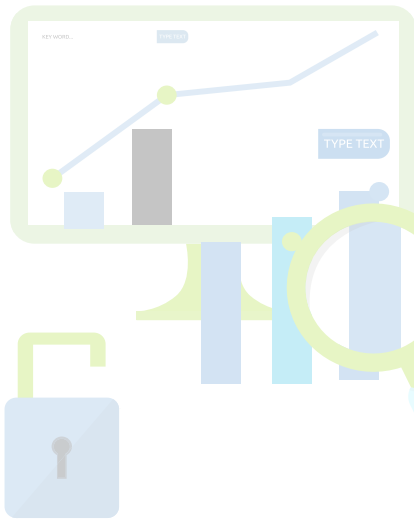
Daily average rates

Are also commonly delivered via RESTful APIs, and are usually used to provide the accounting and finance teams with automated exchange rates data for ERP, billing and accounting systems.

The risk here is that a seemingly dev-friendly solution might be selected which does not also guarantee accuracy of the data, despite the lower cost. In truth, both dev-friendliness and accuracy are needed, to avoid compromising the product or service quality and ultimately the company's bottom line. It's important to receive FX data from a provider who can deliver accurate data in an easy-to-integrate manner through a reliable infrastructure.



Product Managers



Product Managers will embed daily or real-time foreign exchange data within products, apps, or websites, with pricing localization being one of the most common use cases.

The choice between a daily or real-time feed will be dictated by the nature of the product or site and its sensitivity to movements of the FX market. For example, travel sites might use daily average FX rates to power global pricing engines or currency conversion. Whereas financial websites may leverage real-time rates, updated every few seconds, in order to showcase currency trends or engage clients with interactive charting, all powered from current exchange rates data. There are an infinite number use cases for Product Managers that need FX rates for product development, most of which call for either of these two types of market data.

30%
less

Companies who failed to price their products in the local currency had a higher cart-abandonment rate and sold 30% less overall versus companies that localized their pricing for their clients.

Price localization

One of the most common reasons why Product Managers seek FX data, is a critical component of e-commerce platforms thanks to increasingly global transaction patterns. A study done by Profitwell saw that companies who failed to price their products in the local currency had a higher cart-abandonment rate and sold 30% less overall versus companies that localized their pricing for their clients. Pricing goods and services in the local currency not only increases sales, it also provides a higher quality user experience, meaning that customers are more likely to shop and come back for more.

System reliability is crucial for these professionals who rely on a third party for the data that will ultimately power their products. It's risky business to get data from unsecure and unknown sources, or integrate cheap FX solutions where data accuracy or the stream of data may be compromised. Due diligence on the vendor's technology stack, support platform and overall stability is key.

The OANDA Rates®

No matter the role in the company or the data set needed, one underlying theme applies: FX data must be accurate and reliable.

Accuracy

Due to the nature of the currency market, providing an accurate rate becomes an art and a science; that's why at OANDA we are able to provide what is widely considered the gold standard in exchange rates since we are in the unique position to:

- Access the main players in the foreign exchange market in real-time.
- Rely on a broad range of redundant (and reputable) data sources.
- Aggregate all the data points from one trading day.
- Calculate a time-weighted-average-price (or TWAP).

Ease of Integration

Our REST API is simple to use with any application environment or ERP System (See our ERP Matrix for integrations), and we also provide resources such as ERP integration documentation and our developer portal to make things even easier.

Our API supports JSON, XML & CSV, which makes it a flexible, and modern technical solution for any process, product or software needing exchange rate data.

Reliability

OANDA's 20 year track record of reliability in FX is one of the reasons why thousands of companies globally such as Google, Tesla, Alibaba and KPMG, trust OANDA's exchange rates. Our API provides access to over 200+ currencies, commodities, and precious metals, over 38,000 currency pairs, as well as Central Bank exchange rates sourced from 25 global Central Banks.

OANDA
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About OANDA

Want to know more about OANDA Exchange Rates API to automatically retrieve FX data.

Be sure to check out our full line of FX products including OANDA's Exchange Rate API to automatically retrieve forex data for ERP systems, digital products, fintech apps, as well as accounting and treasury software.

OANDA's popular web application, the Historical Currency Converter, allows users to manually retrieve historical data back to 1990 via convenient CSV download.

We also offer a 25%+ discount when you sign up with a team of 5 or more users. Request a Pro Team Plan here.

Our FX payments services complete our offering with OANDA Money Transfer, a solution designed to assist individuals with personal payments in over 170 countries and territories, and Corporate FX Payments, dedicated to businesses with global payments and FX risk management needs.

Want to know more about OANDA Exchange Rates API to automatically retrieve FX data?

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