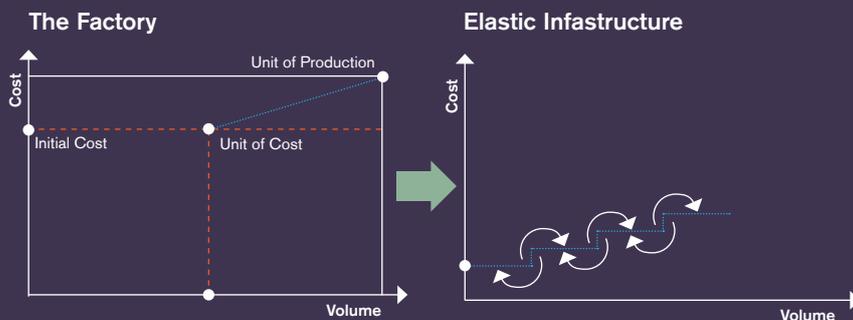


DIGITAL TRANSFORMATION: BEYOND HIGH-TOUCH VERSUS LOW-TOUCH

THE PHILOSOPHY UNDERPINNING TECHNOLOGY VENDOR CROSS-ASSET E-TRADING SOLUTIONS

Since the early 2000s, trading technology sophistication improved so markedly that heads of trading businesses and their key technology decision-makers are practically awash in 2021 with a wide array of options when it comes to forging strategic partnerships with technology vendor suppliers. However, any solutions partnership selection decision must first be guided by a clear understanding across the franchise of the platforms and systems sophistication level end-state that both the trading business and its clients require now and into the future. This report examines the so-called Buy & Build Modularity Approach and the benefits that GreySpark Partners believes it brings to any buy-side firm or sell-side institution trading business in picking trading technology vendor partnerships.

When designing a client-facing cross-asset e-trading OEMS, trading businesses must maintain a flexible approach when transitioning from a factory-like, production-centric trading technology model to an elastic infrastructure trading technology model. In the Factory Model, the initial capital outlay to build the trading business is high, but once it is expended, then producing yet another traded ticket or unit of production is an incremental expense. Trading businesses must prioritise the ability to remain agile from a total capital utilisation perspective because the future is always uncertain.



An Agency High-touch & Low-touch Trading Technology Stack

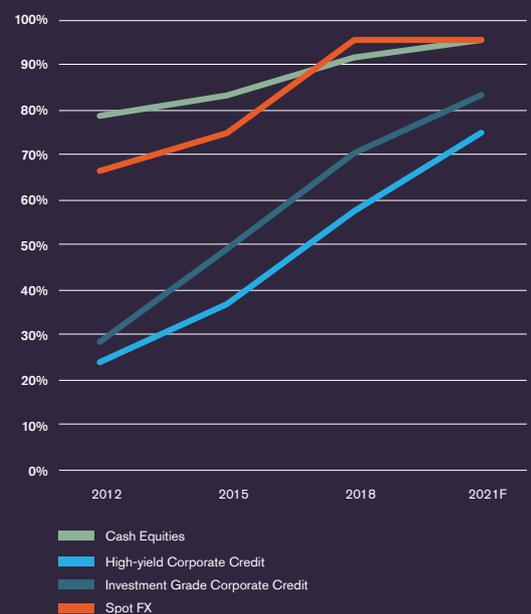


The evolutionary journey that trading business technology stacks typically undertake when the institutions work with their buy-side clients and technology vendor partners to enable a Buy & Build Modularity Approach to front-office brokerage / exchange platforms, systems or solutions integration can culminate in a multitude of cross-asset e-trading outcomes. At the core of the architecture and design philosophy is the convergence of high-touch and low-touch agency modules into a unified system that enables the best elements of both approaches.

This report explores how trading technology selection that either augments or upgrades a buy-side or sell-side trading businesses existing, sunk cost platforms and systems outlay is not simply dependent on the functional capabilities that a new, technology vendor-provided solution can bring, but rather the non-functional attributes that the offering creates when integrated with a specialised, in-house built stack.

All trading activity outputs are predicated on the flow of financial messages between systems; trading activity outputs are not predicated on the ability of a system to successfully standardise trader processes and workflows in an optimal form for all traders. As e-trading practices become more prevalent over time, this means that a data management infrastructure-centric approach is optimal because trading businesses and technology vendors can then more logically leverage innovative thinking from one asset class into innovations for trading in other instruments or products in either the same asset class or in other, separate asset classes.

Share of Investment Bank Trading Business E-trading by Tickets



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