

F Buy versus Build

Part 4: Innovation and change control



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Innovation

No vendor business application or module can ever, or should be able to, consistently meet all of the needs of a larger sell-side equities trading firm.

These firms need to be able innovate and differentiate – that is the competitive nature of the industry and it's the crux of the 'build AND buy' goal.

However, innovation cannot always be contained in separate applications/layers so it also means tailoring it to any bought application. A firm's added value needs to be applied around the bought-in application in a fashion that is indistinguishable from the underlying application both to internal users and external customers.

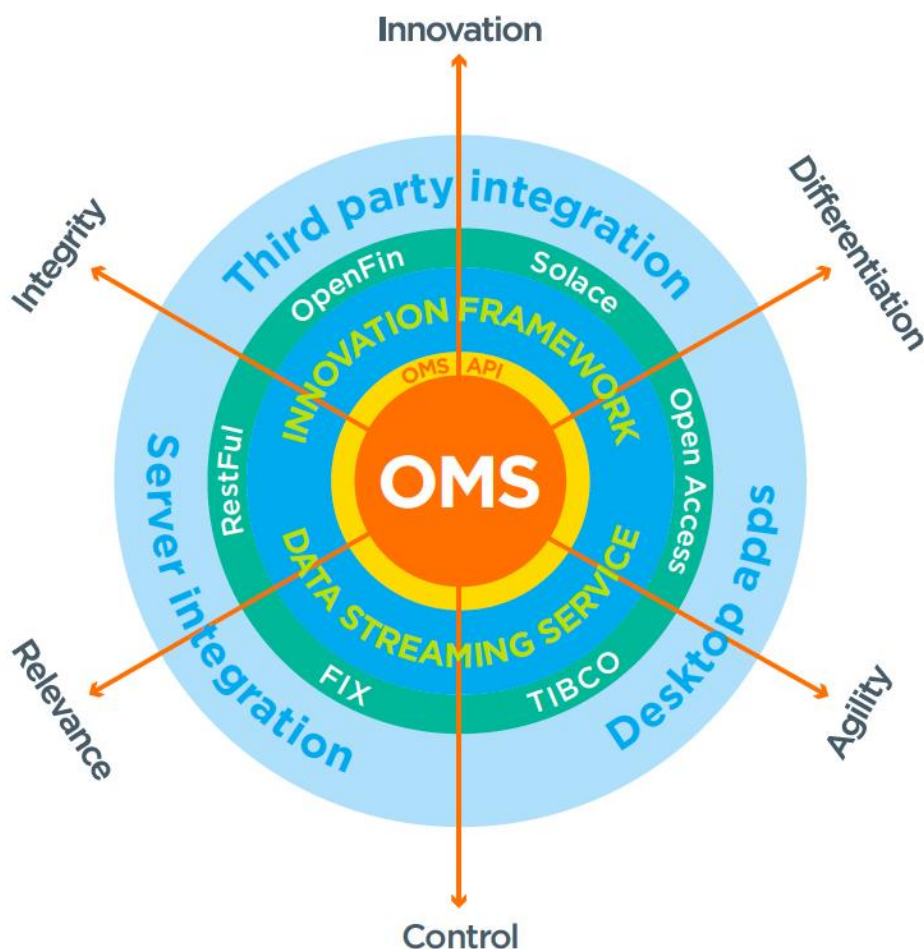
Even where added value can be compartmentalised into separate functions such as analytics, algorithms or client reporting, these in-house applications still need to be aligned and contextualised with the bought-in components so that both can be used effectively and efficiently together.

Taking this a step further, there is also a need for plugin APIs so that banks can write their own features - in Java or other industry standard languages - and have those features incorporated in the platform, whether they affect inputs, outputs, display to desktop users or feed downstream systems. These plugins need to be able to store and retrieve their own data as well as the underlying data from the standard trading platform.

It very important that these plugins themselves work through a defined API such that version upgrades can be applied to the underlying vendor trading platform without breaking anything, particularly in a managed service model. This means that the managed service platform can then be independently upgraded whenever necessary to take advantage of regulatory, functional or pure technology upgrades.

An example of how this is achieved is shown in the diagram overleaf.

In short, firms want to keep their genuine added value outside of commoditised vendor applications yet still integrate with them. Having your cake and eating it in this way is a source of real competitive edge.



Change control

Self-service is a concept we are all accustomed to in nearly every aspect of our daily lives, whether it's at the supermarket checkout, banking on-line or simply getting from a to b. The ideas that power these realities are now available to manage the build/buy divide for top tier equities trading businesses.

These firms need to be able to control their added value investments, including when to release them and how to change them.

This is true even in a managed service model where the vendor may have a dedicated team supporting a customer and making standard changes, but, for certain types of changes, typically those that are most time sensitive and visible to the end customer, they need to have the shortest possible turnaround time and ultimate flexibility.

This is achieved through use of an Enterprise Service Bus (ESB) such as Solace or TIBCO to deliver data, and use of tools such as OpenFin to contextualise new applications with existing ones. The Financial Desktop Connectivity and Collaboration Consortium (FDC3) pioneered by OpenFin is an important example initiative in this area.

Above all, however, these services need to be configured as part of a platform approach whereby the heavy lifting is achieved through standardised components and services that all work together. Applications that sit on top of this platform (whether built or bought) will benefit from greater interoperability as they plug into one common platform which offers a rich set of integration and innovation options.

There are significant business benefits and economies of scale that can be achieved with this approach and so the optimal strategy is one that brings together outsourcing of non-differentiating functions with a compelling set of rich functional business applications. This provides a solid and scalable foundation for firms to buy and build, confident that everything will work together on day one and will stay that way as time and requirements evolve.

In Part 5 of this series we'll look at the challenges of integration and data access.

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