The future is integrated

By Andrew Pheifer, Director, Product Management, Eze Software
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“If there were a fluid way to work and hand off trade information to various departments smoothly and seamlessly, financial operations would flourish.” That is the vision that’s driven Eze Software since the advent of RealTick EMS in 1985, and Eze OMS a decade later. Today that dream is much closer to reality – but the buyside ecosystem has changed as well. Gone are the debates of whether an order management or execution management system would be best to handle key investment workflows. Rather, buyside desktops have adopted both OMS and EMS, and the goal is harmonising interaction across all of the various parts of the investment process.

A recent Greenwich Associates survey of buyside traders found that at the top of the wish-list for OMS improvements was easier integration with other tools. This was also at the top of the list for EMS users, who want to maintain their focus on liquidity analysis and identify opportunities – after all, few traders want to swivel between systems to collect and cross-check data. This is hardly surprising. Given the pace of the current trading and compliance environments, there is relentless pressure on investment managers to streamline their processes. For instance, MiFID II best execution requirements mean that buyside firms should be taking “all sufficient steps” to monitor the market for potential issues that may affect execution quality, so that they can act on information quickly and demonstrate how and why they make execution decisions. Handling compliance and trading processes with distinct approaches or altered workflows across multiple systems is not appealing in this scenario.

On a traditional trader’s desktop, the OMS typically houses compliance and allocations tools, and there’s at least one EMS for trade execution. Having to manually navigate between the two environments can cause inefficiencies and delays to traders, while compliance officers have worried that their firms are trading blind. What the buyside wants is an integrated platform that does everything a classic order management system (OMS) can do, plus everything today’s increasingly sophisticated EMS systems can do.

In the last decade, there have been multiple imperfect approaches to integration; while these approaches have provided some value, none has achieved the value possible through a bonafide integration between best-in-class systems. Here are some of the most prevalent attempts we’ve seen in the marketplace:

**FIX-only integration:** This is the longest-running setup (see Fig 1). The user creates an order in the OMS, runs pre-trade compliance checks and does allocations processing, then stages an order via FIX to the EMS, then executes the order through the EMS. The problem with this type of setup is having two applications open on the desktop to complete one trade – and constantly having to swivel between the two. If the user has to change the order, he’s swivelling back from the EMS to the OMS, rerunning all of the compliance checks, doing a cancel/correct out to the EMS and executing from there. Such a workflow is neither efficient nor cost-effective: there are multiple potential parties involved in the process, introducing potential for latency and mistakes.

**OEMS products:** These products fall into
one of two camps. Some are traditional EMS products that feature layered OMS-lite compliance functionalities such as firm-wide restricted lists or fat-finger rules, but miss the more robust features, such as fund-specific exposure rules or global ownership disclosure checks. On the flip side, there are traditional OMS products with EMS-lite capabilities. These have rich compliance features and some EMS functionalities such as level 2 data and a watch list, but more robust functionalities like enhanced list trading, pairs trading, or conditional orders aren’t available. Neither of these scenarios has thus far been able to bring together best-of-breed functionalities in a truly integrated fashion.

One-Off Custom Solutions: These are specific integration scenarios where clients say, “I’d like to integrate System A with System B, I want to do it in the cheapest possible way and in the fastest time possible.” These systems could be proprietary, or off-the-shelf. These scenarios by definition are one-off attempts to stitch together two systems, so they don’t easily adapt to changing needs or market conditions, and they ultimately become difficult to maintain over time.

A better way
It’s clear the time has come for a truly versatile, integrated solution. Here’s what an elite EMS/OMS solution should feature:

- Robust functionality. A trading desk seeking a single platform for order management and execution needs is looking for robust features such as advanced compliance and modelling capabilities of the OMS, and versatility, reach and execution capabilities of the EMS. ‘Lite’ add-ons won’t cut it.
- Streamlined order creation. The entire process from trade entry through execution should occur in one application with no swivel. This means pre-trade and intra-day compliance and position checking should occur without the user having to leave the EMS.
- Allocation scheme and strategy selection should also be accomplished without the user having to leave the EMS.
- Data that’s fully synchronised throughout the trade lifecycle without the user’s intervention.
- Ability to support multiple strategies as the firm grows. That might mean partnering with multiple data providers and third-party specialist systems to provide extensive support for a wide range of markets, asset classes and strategies.
- Hands-on support and responsive development. Owning the source code, co-ordinating release cycles and development, and trouble-shooting and monitoring across a single support team are key conditions that can make or break delivery of a truly integrated solution.

As Analyst Spencer Mindlin of Aite Group said in a recent white paper², “OMS/EMS integration will likely become the benchmark, not the exception, as heads of trading desks realise they are losing their trading edge and as compliance departments realise existing and older solutions expose the firm to unnecessary risk.” But only those technology providers willing to invest in what it takes to build a truly integrated platform will deliver.

1. www.greenwich.com/fixed-income-fx-cmdds/buyside-goes-outside-omsems-platforms
2. www2.ezesoft.com/whitepaper/EMS_OMS