

Purchasing a New Trading Platform? Don't Overlook These Key Requirements



Portfolio management and trading platforms are some of the most critical decision-making, analysis, asset management and workflow tools within your organization. When it comes time for a system overhaul, small missteps can have costly and negative impacts. Let's uncover the key requirements your firm can't afford to miss in a system analysis.

REMEMBER: LESS IS MORE

We as a society crave the ability to personalize our purchases. Although you may be able to pick and choose what goes in your takeout salad or how to configure your inbox, we must flip this paradigm on its head when evaluating software. Most vendors offer the ability to configure and customize, but what may sound like a near-term convenience could turn into a long-term death sentence. Evaluating options with minimal customization and development allowance avoids the issue of hidden logic which can inhibit your team's efforts in the future. While configuration within the vendor's design is expected, customization often leads to longer implementation time which quickly runs up your vendor and consultant bills, let alone exhausts internal resources.

When evaluating vendors, keep in mind these important aspects:

- **Your investment process and structure are key** – How will the vendor support your view of your investment portfolios, structures and the 'IP' of your organization?
- **You are likely to change inherent data sources (data is the devil!) moving from legacy to future state** – This would encompass security master, reference data, analytics, and the like. Discuss what this really means for all asset classes within your portfolios. By and large, the source data cannot be significantly changed.
- **Any customization required will need to be supported for the life of the platform** - Custom fields and structures need to be configured, understood, and maintained by someone on your team. Will they impact the ease of upgrade and expansion in the future? To what degree is the vendor set up to allow this and how far outside the norm are you going?
- **Analytics need to be vetted by each team within your organization as they may use different data elements and hold contrasting views on what is "right"** - Ultimately, you shouldn't customize your analytics. For example, one team might customize the duration input instead of trying to understand the calculation and differences. What happens, in this case, is duration is only usable in 20% of the system as opposed to 100%.
- **Understand capabilities around performance and attribution history** – Does the vendor allow for historical data loads? Specifically, this information should be coming in at the return level monthly and at the security level daily. Can past history be loaded into locked periods, or are you required to load base level data and recalculate? Can you load security level history for benchmarks, and what is the cost? If a vendor lacks these capabilities, you'll need a plan to link these reporting components together.

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IDENTIFY THE DECISION-MAKERS

When selecting a new platform, the right teams need to make the decisions or, at the very least, formally review and sign off. This will vary for front-office teams from firm-to-firm. Often, the legacy portfolio structure can differ from the future state model based on the vendor structure. This can be very complicated and difficult for teams to understand. When decisions are made in a vacuum and not reviewed by the front office there is a serious risk of project delay, structure revisions and internal frustrations.

In addition, you should never underestimate the impact on operations. You can have operations teams with the same names, but their roles may not be as the vendor expects. The operational lift at the go live stage can be very significant and must be accommodated for. One of the most concerning scenarios we see is firms changing existing portfolio structure from hundreds of portfolios to many multiples of the past in order to fit existing views with vendor structures or limitations. This should be very firmly thought out in terms of impact to portfolio-level cash, FX interactions, custody accounts, accounting, and any GIPS-related restrictions. At the very least, it will be a very large lift for the operations teams until they've adjusted to the new structure.

CROSS-CHECK SYSTEM VERSIONS

When you've narrowed down your vendor search and can test drive or "see" the new system, analyze any legacy system behavior that is non-standard. Vendor demonstrations can be overwhelming and quick. It's easy to glance over aspects of your existing system that may require further development in favor of the new, shiny objects in the replacement system. All development needs should be agreed upon in the initial contract so they're not subject to consideration and agreement further down the line. Not only is this step important to set expectations, but it allows you time to thoroughly think through your needs. If you introduce new requirements or developments after kick-off, you could negatively impact the timeline, or worse, the bottom line.

Every vendor should sit with your front office team at their desk to observe and learn the legacy system behavior. Then, there should be an extended working session with a small, concentrated audience to prove the vendor capabilities before opening to the broader team. At this stage, it's key to start slow. Listen and understand how the group reacts and resolve questions as you go. One of the biggest missteps is leaving notes that suggest "we can't show this capability now, but it will be fine" as this can pose a huge risk for misinterpretation and lack of functionality the entire team was expecting. Mind, this is not a deliberate act on a vendor's part. It's usually a difference of terminology and communication.

OUTLINE THE PATH FORWARD

As with any front-office system analysis, the learning curve can be steep and cause anxiety. It's important for all teams, or at the very least those overseeing the project, to have a clear understanding of the changes.

From a broader perspective, you must also outline the educational paths for all teams moving forward. How will usage of the new platform impact them? What is the support structure? What is required of each team? Plan accordingly to collate this information or enlist the support of a professional who can oversee the process.

HOW MERADIA CAN HELP

Between a crowded vendor landscape and complex internal processes, evaluating new trading platforms can feel like a daunting task for front-office teams who are focused incessantly on the markets and client portfolios. Meradia's consultants are intimately familiar with front-office practices, analytics, data and technology and can streamline your next vendor search and platform implementation with minimal invasiveness.



Elizabeth M. Colebrooke

is a Principal Consultant who has deep expertise in large, technical front office trading and portfolio management platform implementations.

She brings 20 years of experience in the areas of performance, risk, data and asset allocation derived from working with a breadth of hedge fund, fund of hedge fund and mutual fund strategies.

Elizabeth has served as Front Office Project Manager on two *global* BlackRock Aladdin implementations. Additionally, she has executed as Project Manager and Business Analyst within other technical asset management implementations, including post-implementation cleanup.

About Meradia

Founded in 1997, Meradia provides strategic advisory and implementation services to the investment management industry. Our team of experts has a global reputation for excellence leading and executing transformational and operational initiatives across the entire investment process. We align front-, middle- and back-office organizations and technical platforms with our clients' business direction and vision.

www.Meradia.com
Info@Meradia.com

