

Integrated EMS/OMS systems

WSL sits down with Robert O'Boyle, president of Liquid Holdings to discuss Liquid platform, the benefits of an integrated EMS/OMS platform, and where EMS/OMS systems are headed

By Anna Lyudvig



ROBERT O'BOYLE

WALL STREET LETTER (WSL): What are the important distinctions between EMS (execution management systems) and OMS (order management systems)?

ROBERT O'BOYLE (RO): In its simplest form, an EMS allows traders to access liquidity and execute transactions with any broker on the street. An EMS must support low-latency electronic and algorithmic trading, and provide pre-trade tools to block trades outside of compliance guidelines at the point of execution.

An OMS handles the order management activities of the investment management process. It should provide a single view of all positions in the fund and should handle the pre- and post-trade management of trade orders.

WSL: What are the benefits of an integrated platform?

RO: Speed, accuracy and efficiency. EMS systems were typically built and provided by the sell-side to facilitate electronic orders and encourage preferred routing. With an integrated system, asset managers benefit by leveraging accurate trade data and have access to updated risk and performance numbers on demand without having to deal with synchronization, batch processes, or double checks.

WSL: As the frequency of trading increases and the per-share expected profit goes down, there is an increase in the importance of customized functionality, do you agree?

RO: For the buy-side it's less about frequency and trading cost/profit but about optimizing fund alpha through superior execution, which means getting the best trading results. This does require functionality specifically designed to meet the changing dynamics of the market. An example is that the equities market is very different than the futures market and traders benefit from systems being designed to handle the unique attributes of the asset classes that they are trading.

WSL: Tell us about your OERMS (order, execution and risk management system) solution. How do you simplify trade execution and order management?

RO: The Liquid platform is a real-time environment, not just for execution but across the enterprise. Our clients are able to perform pre-trade risk and compliance checks, set pre-trade allocation profiles, and execute trades from a single, unified front-end. That trade data flows into our analytics tool for real-time performance data and investor reporting. We maintain and continuously update all of your underlying portfolio data to ensure the accuracy and completeness of the analysis. Once transactions are executed and confirmed in our front-end, everyone from a trader to portfolio manager up through to the CIO can run different types of historical, real-time and forward-looking analyses and reports to inform future investment decisions as well as report out to investors, all from a mobile device.

WSL: Have you built your technology solution on trade workflow or specific functionality?

RO: Previous offerings included bolting third-party systems together, or acquiring legacy systems with singular functions and weakly joining the disparate systems onto a new infrastructure. Instead of simplifying, these antiquated platforms led to hurdles

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such as higher latency, middleware expenses, provisional work-arounds.

We built our technology to simplify workflow and eliminate multiple points of failure that result when you bolt together disparate systems.

WSL: What is your competitive advantage?

RO: Aside from workflow, we manage middle-office operations and systems technology on behalf of our clients. This includes start- and end-of-day processes such as trade reconciliation, which ensures that our clients' portfolios are always up to date. Our solution is more cost efficient and eliminates the need for multiple vendor contracts.

Our advantage also comes from the ability to implement a platform that identifies and addresses that better access to data leads to better performance. A real-time paradigm enables the ideal environment for optimal performance across the organization.

WSL: One of the key issues behind the EMS/OMS debate is neutrality and independence. What is your view on that?

RO: Disparate EMS and OMS systems as a way to create neutrality and independence is an incorrect assertion. This perspective is only valid when the EMS is provided by a specific sell-side institution. Any technology used to manage a hedge fund's business should be independent of their relationships with prime brokers. Neutrality allows fund managers to control and augment their relationships.

WSL: How are the needs of traders evolving?

RO: Today, traders are searching for alpha across different strategies, investment styles and markets globally, and require accurate and timely analytics to aid and support more of their decisions. Their

needs correlate directly with the evolving requirements of investors and regulators.

Traders are also competing against a larger number of peers and complying with more stringent infrastructure requirements. This calls for access to institutional capabilities that provide real-time and historic analysis tools to execute, analyze and report activity at any point in the investment process.

WSL: How do you address traders' needs?

RO: Our platform and services unify accurate portfolio data with real-time front-office capabilities and workflows. When a CIO receives a call from her largest investor and needs to communicate how the portfolio is reacting to today's market events, which holdings are contributing to or detracting from performance, and the market impact of liquidating the portfolio over a seven-day versus ten-day time horizon, we can deliver the answers.

Liquid was built on this premise – synchronizing a single source of accurate, real-time portfolio data with cohesive workflows across trading, portfolio, risk management, and investor reporting.

WSL: Where are EMS/OMS systems headed?

RO: The systems should head toward full support of the investment workflow for both simple and complex instruments and data. Rather than having to work through disparate systems to handle and analyze data in different ways, fund managers are looking for a single system that can handle 100% of the portfolio with full access to analysis and reporting tools.

As investors and regulators mandate best execution and repeatable, institutional controls, a single system that allows an investment manager to access new liquidity destinations and new trading and prime brokerage partners will help meet key issues such as best execution and transparency. ■