

An alarmingly simple solution

Steve Grob, Group Strategy Director at Fidessa, and David Pearson, Strategic Business Architect at Fidessa, and Co-chair of the FIX Trading Community Post-trade working group.

Steve Grob: Our customers both on the buy- and sell-side were saying to us that their attitudes towards post-trade were changing. Whereas perhaps before it was seen as this mysterious world that you could never change, that attitude was challenged and firms were looking very aggressively at post-trade as a way to save money. Many firms have already squeezed front office pretty hard and this has led to the view that they simply had to get the same level of aggressive cost-cutting in post-trade.

The second thing was that a number of firms were starting to put proprietary alternatives on the table. Just as people were looking to save money in post-trade, they were actually having to spend more supporting a number of different proprietary approaches to, in particular, affirmations and confirmations. The third corner of the triangle was that when we started to talk to people about confirmation processing, they said there's simply no competitive edge in doing it one way or the other, but it would be nice if everyone could do something on an open, collaborative basis.

Once we combined those three points we realised that if we could use an open and free protocol like FIX, then we will be half way to solving the problem. The key thing for us was that we weren't going to do it and then charge on a per message basis. Secondly, it would leverage our existing community of buy- and sell-sides. The third thing, which is really cool, is that everyone can just repurpose the FIX infrastructure that they've already put in place. So it provides three very evident and impactful cost savings right from the get-go.

I think it resonates with our broader vision that firms are now looking quite aggressively at their technology stack and drawing a line through it saying, "Below this line, I just want to do something to a level of competence, resilience and security, but I'm very happy to share that infrastructure with my customers and even my competitors if it means lower overall costs."

David Pearson: It's taken a long time for people to recognise the opportunity of managing their middle office using FIX. Suddenly the direction of travel is clear for both buy-side and sell-side. We have found that people are genuinely willing to embrace the standard. It's been a real pleasure, and an enlightening experience, to get people focused on this and to get to the point where we're trying to support our customers in the industry's workflow over an open and simple standard like FIX.

Sticking points

Steve: The concept of embracing the same open and free protocol to do affirmations and confirmations down the same pipe, to the same people, is alarmingly simple. I think initially people said that there must be a catch. An awful lot of hard work has gone into that post-trade working group; it was really just a question of thinking it through logically and when a decision had to be made, making a decision. One of the real light bulb moments for us was about eight months ago when we suddenly realised that this was not a technical problem; it was an industry momentum problem.

David: Coming from a slightly different angle, initially I found it frustrating that people were saying, "But it's in the FIX messages. It's just a bunch of FIX tags". It took a while to get an understanding that, actually, where it has a real impact is on the user's workflow that they



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will use on a daily basis. We were acutely concerned about ensuring that we understood how it was going to operate on the desktop; we had to translate that into someone's day job.

We were incredibly conscious of making sure that we presented what appeared to be pretty straightforward, understood and documented FIX messaging into something which is tangible and easy to use on the desktop.

Steve: You can get things done in this industry, you can cooperate. This whole concept of firms just saying, "You know what, the industry is fundamentally different now and it just does not, and will not, support multiple different ways of doing what is effectively the same job." I think, when we look back on this industry in ten years' time, we'll be saying, "I can't believe it worked in such a crazy, disjointed way as it did back then."