

WHITE PAPER

# Buy vs Build

The data integration challenge  
facing ECNs and trading institutions

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## The data integration challenge facing ECNs and trading institutions

Worldwide trading has been reformed by advances in electronic finance and financial technology. Electronic Communication Networks (ECNs) first entered the market in the mid-90s, providing faster trade executions and lower costs than traditional market centres. However, the current regulatory reform climate and the ever-growing technological landscape demand that ECNs must remain transparent and efficient to allow continued success.

Traders rely on ECNs' platforms and products: thus, it is vital that traders use the correct data integration solution. Data harmonisation is a multifaceted subject in desperate need of simplification before it can provide the best service. This paper uses industry research to argue that simple processing and complete system interoperability permits both ECNs and their customers to focus on their core business of making money.

Exploring the relationship between ECNs and their clients, as well as identifying mutual problems and desires, this paper contains data from some of the world's most prominent financial institutions. It goes on to analyse a recent study conducted by Inforalgo and recommends how ECNs can continue their success and ensure that they provide friction-free and simple trading.

ECNs must provide trading organisations with continuous data and 24/7 customer service support. Our study found that leading authorities from these organisations, when considering ECNs, prioritised access to technical support and fast, cost-effective data implementation. The study also found that integration often requires bespoke product enhancements and the knowledge of a specialist team to develop complex solutions.

It is clear that both parties want to reduce the time between signing the contract and first use of the platform.



## ECN and Client Goals: Exploring the Relationship

### Featured testimonials

*"If our own support model was as good as the Inforalgo model, then we would have no problems. It's nothing short of spectacular."*

*"In all my time working with many vendors, you guys are top of the top."*

*"The Inforalgo team understood our needs without explaining and were always available to help."*



## Breaking Barriers: Solving Challenges to Increase Efficiency

ECNs benefit per transaction: so, the higher the trading volume, the higher the profitability. The study went on to explore the challenges faced when attempting to achieve these profitability goals, as well as identifying the key factors that trading institutions consider when working with ECNs.

### Key Factors:

The study found that the main obstacles facing ECNs were that customers did not have the time, budget or in-house expertise to swiftly connect to their trading platforms: this stopped any potential customer from enjoying a seamless onboarding experience. Issues of this nature were found to cause customers to look elsewhere and, thus, created missed opportunities for ECNs.

One respondent of the study noted,

*"We are big on equities and fixed income, but we have no dedicated resources in development. We don't have knowledge of the ECN feeds and product in-house – so, we needed someone who understood the different data and feeds available without detailed explanation."*

Another respondent also voiced concerns,

*"We have limited resources and there were certain capabilities in ECNs where we need expertise, but just don't have it [...] We don't want to spend a lot of time speaking with internal developers or explaining our workflows and data to vendors."*

Financial institutions have a crucial decision to make when they choose how to integrate ECNs – do they buy a pre-developed integration package (which can be personalised, if required, to fit the purpose of their business) or build their own system in-house. As noted, when it came to such decisions, traders who require access to a new ECN are very wary of cost and time – they need the ECN to be activated promptly and inexpensively, with minimal disruption to the business.

On the one hand, planning, assessing and implementing an in-house systems integration can take several months and require substantial resources. On the other, buying a pre-built integration from an external vendor could prove risky if it does not fit the precise requirements of the business. The trading organisation would need to be assured that the technology would work every time, and that support would always be available.



## Assessing the Case: Buy versus Build

Thus, the study went on to examine these choices further and considered the most beneficial solutions for trading organisations.

The same key problem that was found in speaking to the ECNs matched the core challenge felt by the institutions, as the study found that, more often than not, trading organisations did not have IT teams that understood all the necessary requirements to integrate with the new trading platform: they did not have the knowledge of the various data feeds or expertise for system upgrades and maintenance.

One respondent provided further insight,

*"Building our own system was never a workable option. We are a relatively small company, with a small and specific IT team, which doesn't have the right programming skills. We asked questions, including 'What will work best for us?', 'What solutions can we just plug in?' and 'What solutions can we use right away?'"*

Another respondent also used a pre-developed package. The study also found that where the organisation did decide to build the solution in-house, they found that they often did not have appropriate staff to implement customisation and enhancements required by the business, along with the necessary technical support.

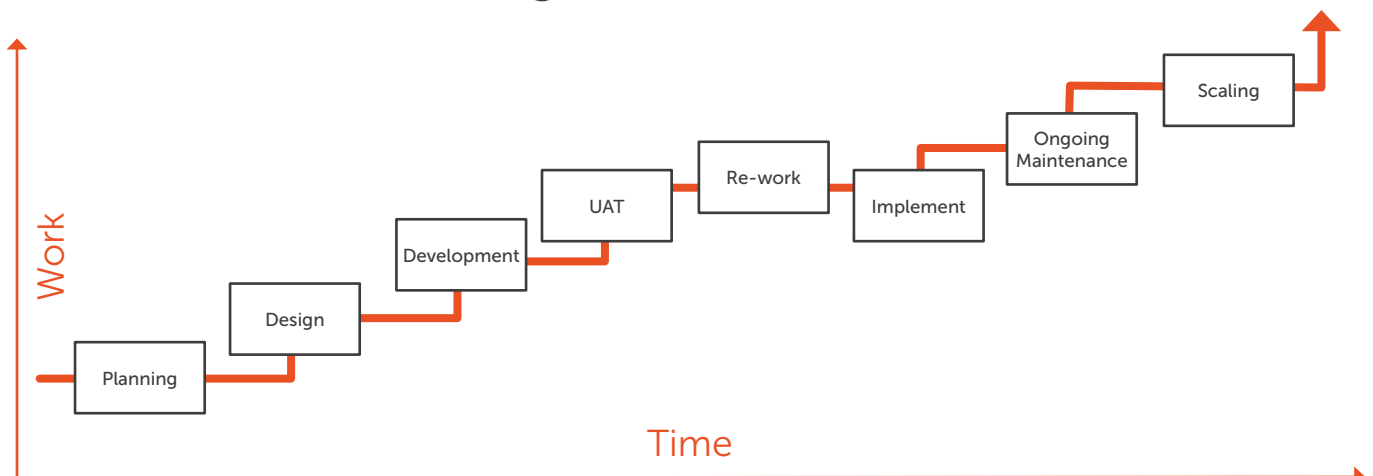
One respondent spoke about the need for external help,

*"When we come up against issues, we needed someone who could assist us immediately, and an ECN doesn't provide this specialist support – or, at least, it would take us too long to find the right person to speak to. We wanted the first line support to immediately understand what we're talking about."*



## Assessing the Case: Buy versus Build ...continued

### Building



For these reasons, the study found that 80% of respondents would rather buy in a data integration solution, in comparison to building one in-house.

By outsourcing the harmonisation of data between ECNs and themselves, customers had an immediately usable, and rapidly integrated, solution. This, combined with access to external support, allowed the pre-developed solution to work effectively for organisations that lacked an advanced IT infrastructure and/or a team of knowledgeable experts.

One respondent, who opted for an out-of-house solution, noted,

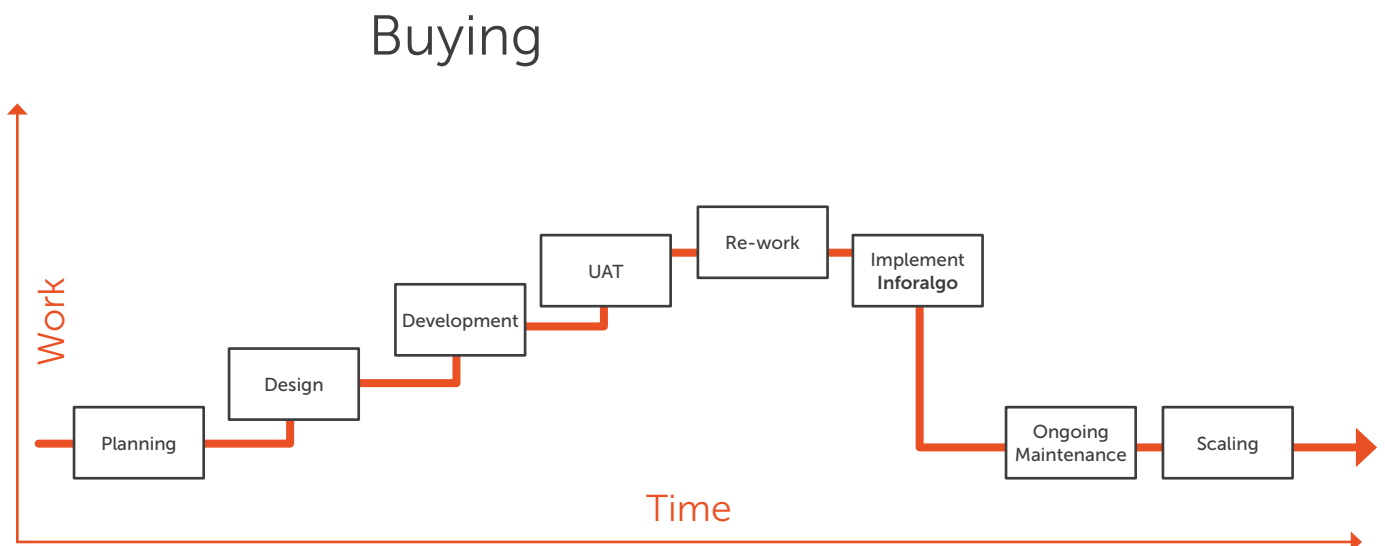
*"Our primary dealer business needed to get off the ground quickly and there was nobody internally who could develop a bespoke system in the time frame we needed. So, the best solution was for us to buy in a system, which could be implemented quickly and backed up with excellent support."*

Another remarked,

*"This means that we that don't have to reinvent the wheel for every client. Our bought-in solution works with our in-house team to create a simple solution that streamlines trade for our clients."*



## Assessing the Case: Buy versus Build ...continued





# Considering Data Harmonisation Solutions

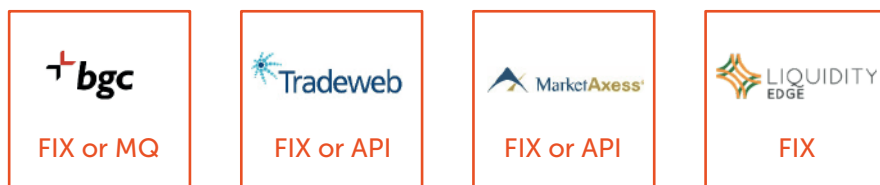
In the past, there was a lack of effective pre-packaged data integration solutions, so organisations had to develop their own in-house platforms.

Today, however, pre-made packages are readily available to help businesses save both time and money, particularly in instances where they do not already have the technology or expertise in-house.

These solutions can help support a seamless customer onboarding experience and speed up the time for clients to access both the ECN platform and its products. Buying in data integration solutions is beneficial for both ECNs and trading institutions; for traders, it simplifies a complex issue that would otherwise require time, labour and capital; for ECNs, it allows harmonious integration for their clients to use the platform without any real need to understand the complexities of managing the systems over time.

In addition, the ECN also benefits from using a vendor who is extremely knowledgeable about their platform and data integration points.

With the vendor working with and supporting the client directly, this reduces the support burden for the ECN's own technical team.



## Featured testimonials

*"The support we received from Inforalgo has been great, very responsive and very helpful. It helped us get through a tough, time-sensitive implementation."*

*"Everyone's client services model in this business should mirror Inforalgo [...] to give themselves a chance at being successful."*

*"The Inforalgo team understood our needs without explaining and were always available to help."*



With over 35 years' experience in managing data for the world's largest banks, Inforalgo provides a deep data integration and harmonisation experience across all major ECNs.

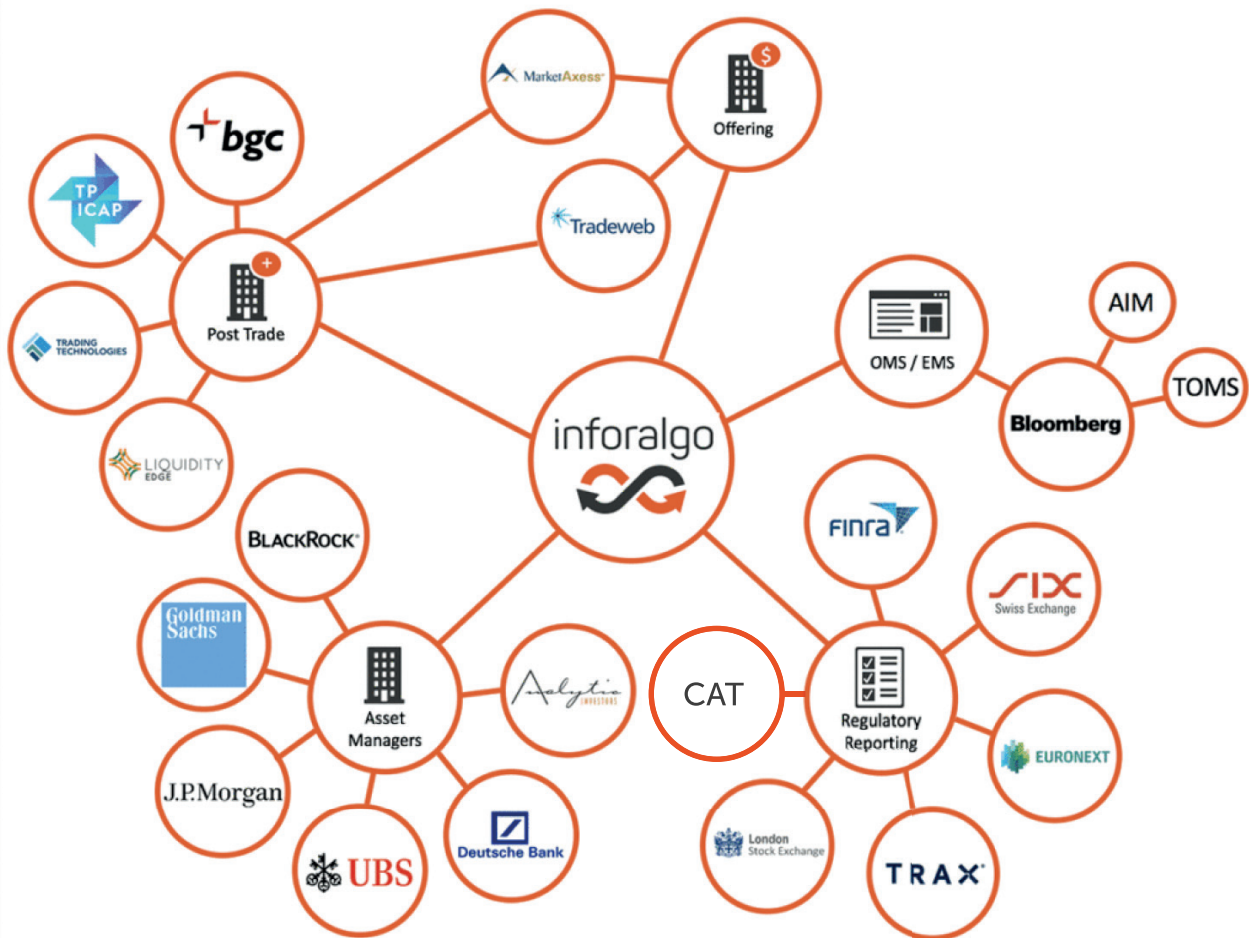
Since 1990, it has grown mostly due to word of mouth from happy customers: it is a trusted partner for leaders of capital markets and investment banking, a provider of straight-through processing (STP) and a supplier of outsourced data connectively.

Inforalgo optimises trading efficiency and harmonises data sets, and that is why more than 80 global organisations rely on them to facilitate their pre and post-trade data.

Inforalgo's solutions include the design, configuration, deployment (on-premise or cloud hosted), and maintenance of data integration so that you do not have to.



## About Inforalgo



Read our full list of connections [here](#).



Get in touch today

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Inforalgo's solutions and services are built on more than 35 years' rich experience in providing intelligent data management solutions and services to Capital Markets clients globally. Our team comprises some of the brightest minds in financial data science, who specialise in helping buy and sell-side organisations automate the flow of their pre- and post-trade data. Our products are trusted by many of the world's top financial institutions.