

# THE 2015 EXECUTION MANAGEMENT SYSTEM SURVEY

Recognising excellence in the delivery of execution management systems

**Featuring**

- **Market review**
- **Vendor roll of honour**

Based on 300 buy-side evaluations

# Where next?

The TRADE's Execution Management Systems Survey finds clients generally happy with service levels and functionality but providers less sure what to do next.

For the third year in succession response numbers are up for the Execution Management System survey which is conducted by The TRADE with its readers.

This reflects both the growing engagement with the survey on the part of providers as well as a growing level of experience and opinions among respondents.

It is worth noting that overall scores are higher than in 2014 and have returned to the levels recorded in the first survey in 2013.

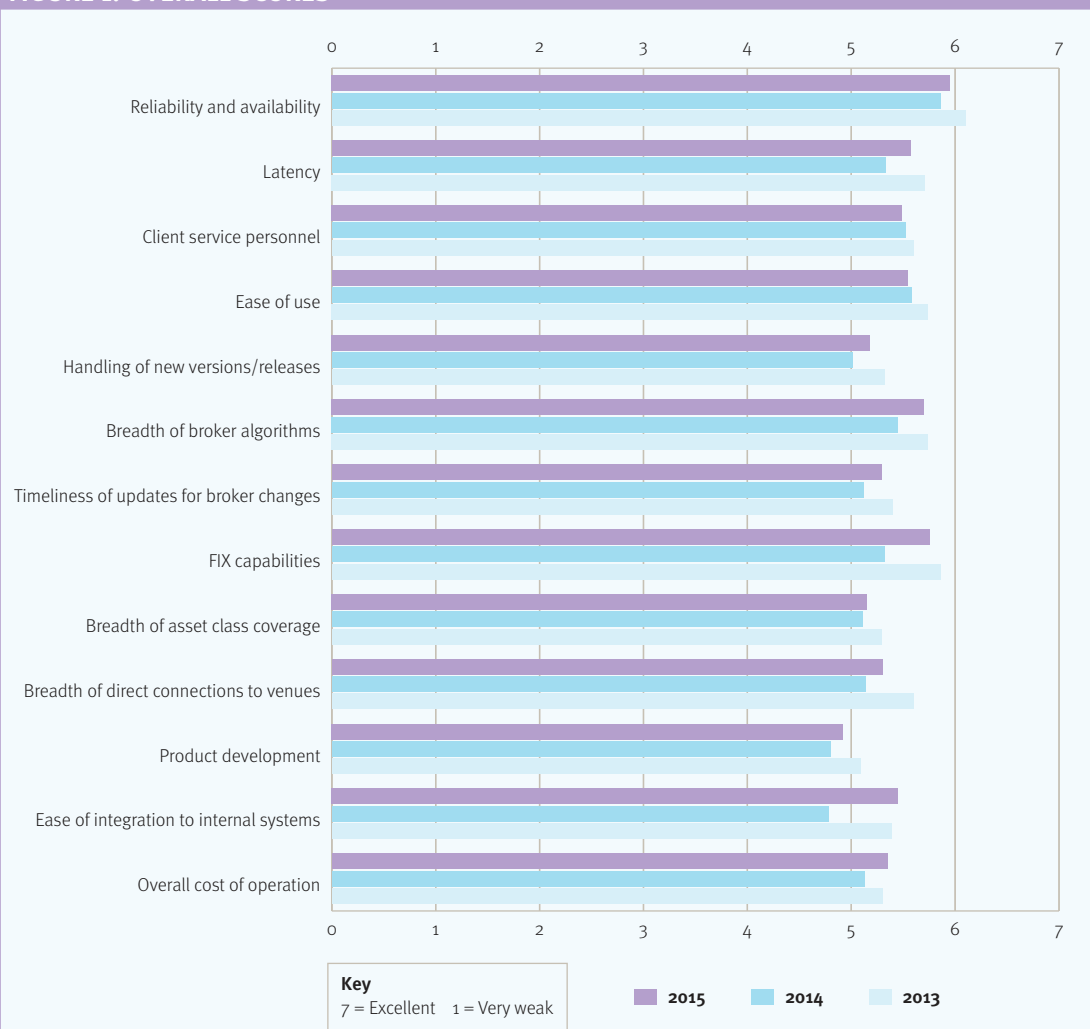
A gain on 0.21 points across all categories under evaluation means that the average at 5.51 is

comfortably ahead of the default 5.0 (good) level of scoring. As Figure 1 highlights however the picture is not consistent across the board. Strong gains were noted in the breadth of both broker connections and direct connections to venues. No doubt this reflects the efforts made by providers and users alike to cover an ever higher share of client activity within each system. Pricing adjustments within the industry, both absolute levels and more flexible structures has also positively impacted the overall expansion. There was a dramatic improvement noted in Ease of Integration which is



Illustration: iStockphoto

**FIGURE 1: OVERALL SCORES**

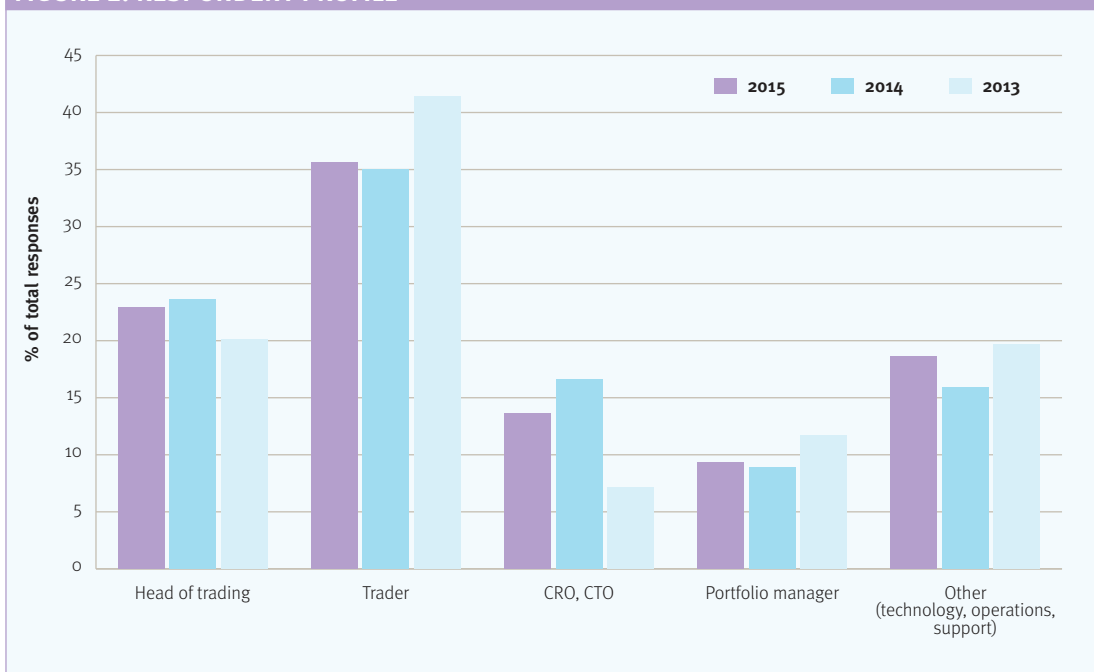


Source of all charts: The TRADE Execution Management Systems Survey

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## Market review

**FIGURE 2: RESPONDENT PROFILE**



**The breadth of connectivity with brokers has become more important as clients seek to standardise interfaces for the benefit of traders and others within the firm.**

especially important for larger clients, principally long-only firms. On the other hand scores remained disappointing in terms of Product Development, Handling of New Releases and Breadth of Asset Class Coverage. As EMS businesses grow it is certainly the case that these aspects become harder to manage. Pricing pressure also discourages investment in new functionality. It seems

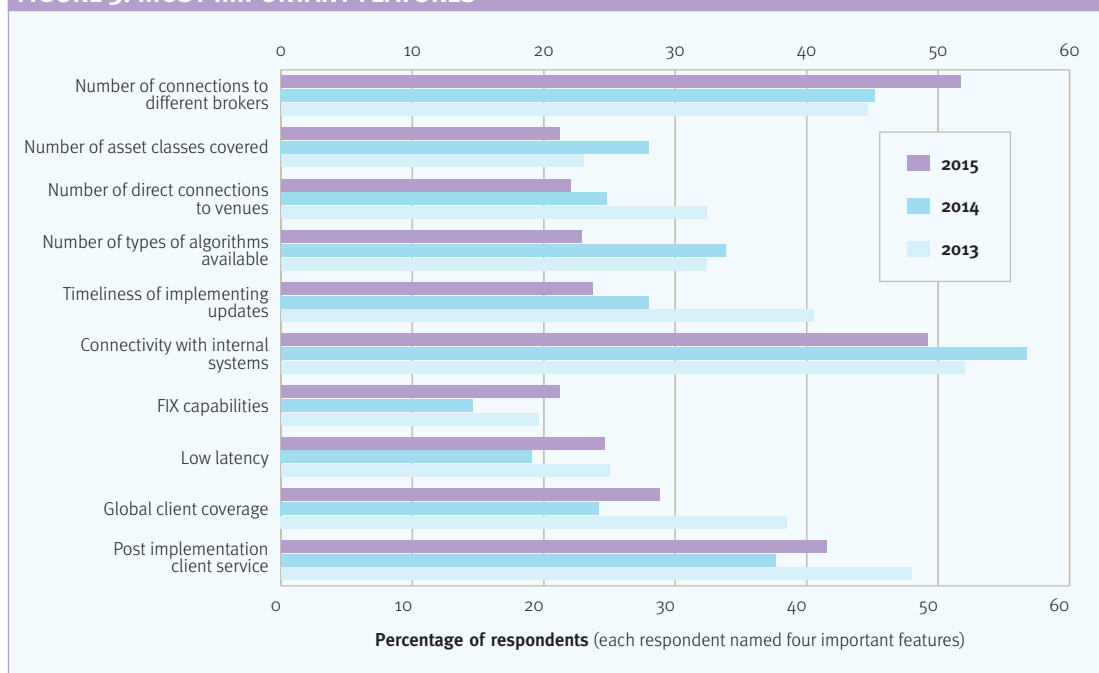
that the industry is still managing for growth when in practice it has become mature. Success in the new environment may demand a different skill set among industry leaders.

### Maturing priorities

As the industry matures decision makers and priorities undergo some subtle shifts. In growth mode the industry was all about

helping traders trade. Purchase decisions were made by head traders and traders, often promoted and encouraged by individual brokers. While traders remain the dominant respondents in the survey, there has been a marked decline in engagement of portfolio managers and an increase in responses from others affected by service, such as operations,

**FIGURE 3: MOST IMPORTANT FEATURES**



**The most interesting shift in priorities is the fall off of interest in both the timeliness of implementing updates and the number of different algorithms available.**

technology and risk personnel. These changes are reflected in Figure 2. Similarly as Figure 3 shows, the number of respondents mentioning different aspects of service as important priority features. The breadth of connectivity with brokers has become more important as clients seek to standardise interfaces for the benefit of traders and others within the firm. Internal

connectivity remains important; the lower number of mentions probably reflecting a perception of better performance as shown by the scores in that area. It is interesting to note that as services have matured and developed, the important of client service and global coverage have declined.

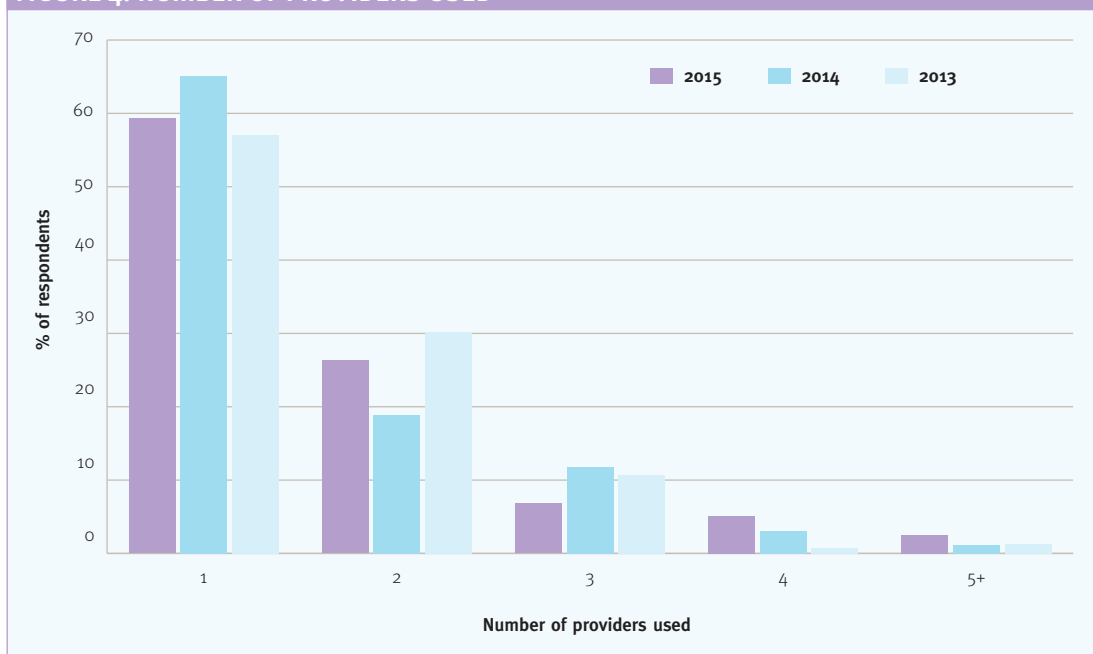
The most interesting shift in priorities however is the fall off of interest in both the

timeliness of implementing updates and the number of different algorithms available. Brokers themselves are offering fewer and less frequent updates and product releases, as a result of their own cost pressures, investment priorities and business focus.

As clients have become more expert in use of algorithms in their trading, they increasingly know what

## Market review

**FIGURE 4: NUMBER OF PROVIDERS USED**



**The number of clients using a single provider remains by far the largest group of respondents. However this year they accounted for less than 60% of the total.**

they want, why they want it and how to use it.

Once established the desire to amend or change things is naturally reduced.

### More expansion

Respondents were asked the extent to which they anticipated either adding to the number of EMS providers they used or changing from an existing provider.

The results were somewhat encouraging, but not

compelling as an indicator of likely business growth.

Approximately one-quarter of respondents are considering the possibility of adding one or more providers in the next twelve months. The motivation appears to be a combination of trading pressure to add new asset classes and a belief that more electronic trading can reduce costs, primarily internal.

Of those looking to add, two-thirds suggested that it

was pretty well sure to happen and a few already have plans in place and evaluations underway. The number of respondents considering change was slightly smaller at 21%.

More importantly two-thirds of these were only considering the possibility with only one-third, or 8% of the total respondents actually firmly committed to a change. Some clients appear disaffected with

**FIGURE 5: AVERAGE NUMBER OF PROVIDERS BY SIZE**



**For the larger companies, integration with their own systems is important, as is having as much standardisation as possible.**

service while others cited cost as a driver. It was also not clear that there were any particularly major winners in evidence at this stage. That may emerge in the responses to the survey next year.

Figure 4 illustrates to some extent the trend that has already taken place towards more providers being used. The number of clients using a single provider remains by far the largest group of respondents.

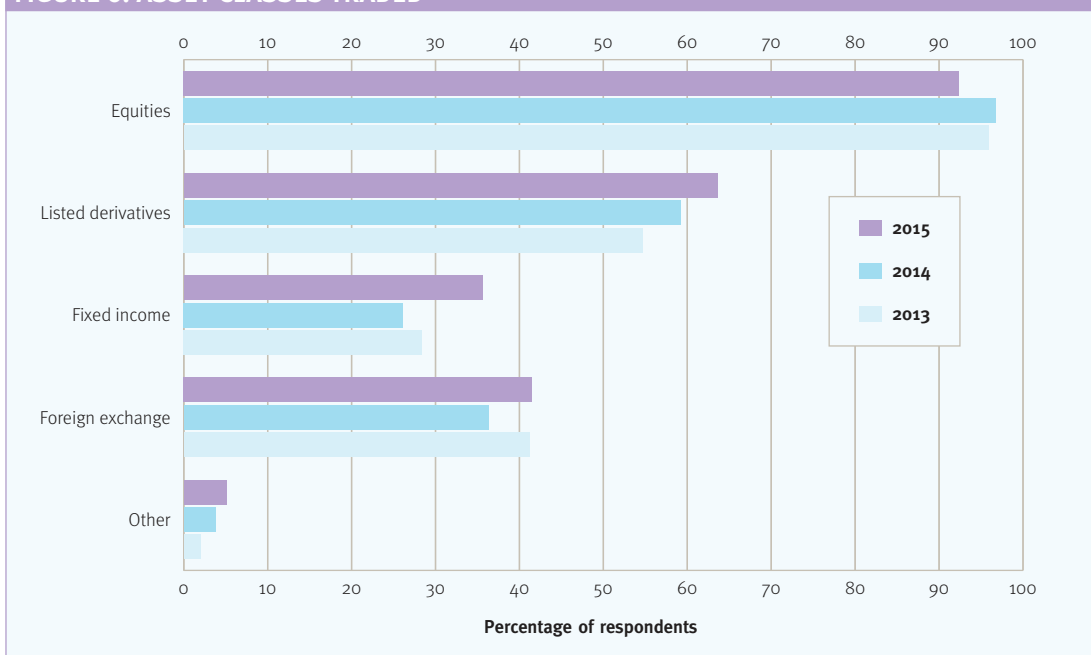
However this year they accounted for less than 60% of the total. Those using two providers increased to more than one-quarter. While the number using three actually declined as a percentage, those in the higher count levels (4 and above) grew from 4.2% to 7.6%; still a small minority but one that cannot be completely ignored as firms look to determine their own business strategy to generate higher user numbers.

#### Driven by function

Figure 5 shows the average number of EMS providers based on assets under management. While there is some correlation between size and number of systems, it is by no means as marked as might be anticipated. Also in the very largest category (AuM of more than \$50 billion) it is very clear that while clients are willing to use multiple systems they would really rather not use a proliferation. As a result

## Market review

**FIGURE 6: ASSET CLASSES TRADED**



the average for the group is still well below two providers. For the larger companies, integration with their own systems is important, as is having as much standardisation as possible.

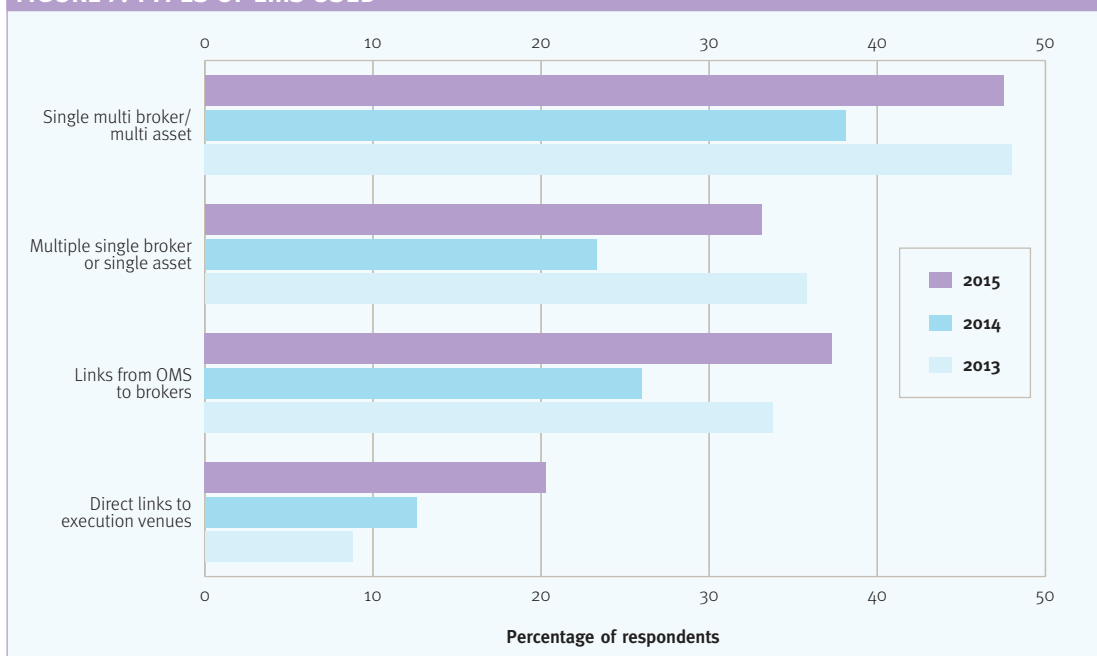
Simply adding new EMS capabilities to meet a relatively narrow need, is not likely to make commercial sense in these circumstances; far better to get existing providers to broaden their offering. This may help explain some of the lower scores from these larger clients around asset class coverage offered by existing providers.

This trend towards broader asset class coverage is also reflected in Figure 6. Again equity trading still remains the dominant factor behind EMS usage, with more than 90% of respondents using their EMS(s) to trade equities.

However that proportion declined slightly in 2015. At the same time the proportion of respondents using as EMS to trade listed derivatives increased to almost two-thirds, foreign exchange trading was being done through an EMS by more than 40% of respondents



FIGURE 7: TYPES OF EMS USED



**The number of respondents using multiple platforms, driven either by a broker relationship or an asset class need has grown.**

and even fixed income was more than one-third.

All these latter figures are higher than a year ago. So it is the fact that clients want to trade multiple asset classes that is driving adoption of EMS capabilities. Where the larger clients are concerned the preference seems to be for product expansion by existing providers.

Finally Figure 7 shows what types of EMS are being used. Here again the trends are interesting. The largest

proportion of respondents continue to use a multi-broker, multi asset class system from a single provider. However the number of respondents using multiple platforms, driven either by a broker relationship or an asset class need has grown. So to have links from OMS providers to brokers and hence the growing response numbers for providers such as Charles River. Direct links to execution venues are also important for some clients.

It should be noted that a growing number of respondents use a combination of these capabilities which is why the total exceeds 100%.

#### Much to play for

In summary the market continues to mature, both among providers and their products and clients and their usage. Product development is slower than some clients might like, but as fast as commercial considerations probably allow for the present. ■

## Vendor Roll of Honour

Illustration: iStockphoto



# The 2015 vendor Roll of Honour

## Functional capabilities

### MEASURING FUNCTIONAL CAPABILITIES

Survey respondents were asked to provide a rating for each Execution Management System (EMS) provider on a numerical scale from 1.0 (very weak) to 7.0 (excellent), covering 13 functional criteria. In general 5.0 is the 'default' score of respondents. In total more than 150 individuals responded; more than 250 evaluations were submitted; and more than 20 providers were evaluated. The evaluations were used to compile the provider Roll of Honour. Each evaluation was weighted according to three characteristics of each respondent; the value of assets under management; the scale of business being conducted electronically; and the number of different providers being used. In this way the evaluations of the largest and broadest users of Execution

Management Systems were weighted at up to twice the weight of the smallest and least experienced respondent.

In arriving at the overall Roll of Honour the scores received in respect of each of the 13 functional capabilities were further weighted according to the importance attached to them by respondents to the Survey. The aim is to ensure that in assessing service provision the greatest impact results from the scores received from the most sophisticated users in the areas they regard as most important. Finally it should be noted that responses provided by affiliated entities are ignored and a few other responses, where the respondent was not able to be properly verified, were also excluded.

### RELIABILITY AND AVAILABILITY

#### ROLL OF HONOUR

Bloomberg EMSX  
Instinet  
REDI

Clients of any size or type will assume that their EMS will be "always on". As a result the fact that this question scored higher than any other within the survey is not surprising, nor that this repeated the situation in each of the previous two years. The average was up 0.09 points on the 2014 score, but still just failed to beat 6.0 (very good) which would indeed have represented excellent performance. Scores across different providers

<sup>1</sup> Roll of Honour recipients are listed in alphabetical order throughout the survey.

## Vendor Roll of Honour

were once again very narrowly bunched and it is clear that all major providers do indeed provide a very high quality of service in this regard.

Because of the very close scoring it is hard to single out the three names for the Roll of Honour. However, Bloomberg continues to impress repeating its position from 2014. Instinet and REDI join it this year. The strength of competition means that this area is one where superior scores are unlikely to translate into sustainable competitive advantage.

### LATENCY

#### ROLL OF HONOUR

Fidessa  
ITG  
TORA

Compared with 2014, ITG repeats its Roll of Honour ranking. While Latency remains difficult to measure there is no doubt that more and better transaction analysis tools are helping clients to better understand the impact of failing to get orders to market venues quickly and effectively. As yet this has yet to offer demonstrable differentiation between providers but there is no doubt that assessments are becoming more confident among clients. As a result it is interesting to note that there is a meaningful variation between the scores for the best and worst performers among the leading providers.

In terms of relative importance, Latency remains in the middle group of aspects of service. However some increase in interest

was noted in responses this year, which may reflect the fact that clients do recognise differences. Overall scores remain generally respectable, picking up this year in line with the overall survey and ranking fourth best of the thirteen categories assessed. This is a similar position to 2014. Given the general level of satisfaction with performance and relative lack of interest, even those firms that did score well, will have to work hard to convert their reputation into tangible new business opportunities. As sensitivity on the issue grows and measurement processes become better, it is possible that this will become a more important source of differentiation in the months ahead.

#### CLIENT SERVICE PERSONNEL

##### ROLL OF HONOUR

Bloomberg EMSX  
Instinet  
ITG

Somewhat surprisingly scores for Client Service Personnel were lower this year than in 2014. This is in contrast to the survey as a whole and as a result this aspect was only rated in sixth place, down from third a year ago. In most surveys of this kind, Client Service is usually one of the most highly rated components of overall product offerings. The failure to score better does suggest that providers do have room to improve as far as clients are



## Vendor Roll of Honour



concerned. This is also reinforced to some extent by the fact that none of the Roll of Honour names from 2014 managed to repeat their performance in 2015.

Maintaining client service quality in a more mature business is more complex than in a fast growing one, albeit with different issues of concern. However it is an important aspect of service as noted by the fact that more than 40% of respondents include it in the top four categories when they are reviewing overall provision. For any firm that can demonstrate both consistency and capability in this area, there will be opportunities for market share gains at the expense of those unable to invest in the people and systems on which good quality service depends.

### EASE OF USE

#### ROLL OF HONOUR

Fidessa  
Instinet  
TradingScreen

Along with Client Service scores for Ease-of-Use also declined marginally in 2015. The overall score of 5.54 was good enough for the category to rank fifth overall, but this compares unfavourably with the second place position a year ago. Scores across the various major providers were not materially different and no provider received particularly poor scores. Rather with maturity has come familiarity and users are now accustomed to the system they use. This means that on the one

hand they are all relatively satisfied, but on the other they are harder to impress. As such the reduction in scores illustrates fewer 7.0 (excellent) scores rather than disaffection.

It is also the case that as users become more experienced and as systems become more entrenched, changing from one provider to another becomes a harder decision to justify. Even a firm like TradingScreen, which appears in the Roll of Honour for the second year in succession, will find it hard to convert client satisfaction into winning business away from other firms. It does however position it strongly to win business from newly formed hedge funds and/or long only firms looking to implement an EMS for the first time. This is an area where Fidessa, primarily a system for sell-side firms has performed well.

### HANDLING AND COMMUNICATION OF NEW VERSION RELEASES

#### ROLL OF HONOUR

Bloomberg EMSX  
REDI  
TORA

Maturity and growing numbers of clients brings a unique set of challenges in terms of the roll-out of new versions of systems, support for clients who remain on older versions and the management of upgrades and enhancements. In recent years this has become a serious challenge for all major providers. Bloomberg is an

## Vendor Roll of Honour

experienced enough organisation that it would be expected to handle this well. Its position in the Roll of Honour for the second successive year suggests that it is indeed doing a good job in the eyes of its clients. REDI has been preoccupied with the move away from a technology dependence on Goldman Sachs and as a result may have had fewer new versions to put in front of clients. Meanwhile TORA probably still benefits to some extent from being a somewhat newer entrant into the market, as well as still being seen as an Asian specialist. Both these factors may continue to count in its favour in terms of client perception, even as they become less relevant to its actual business.

Overall however this is not a strong area for the industry as a whole. Scores were up but still ranked a very modest eleventh. While not a critical service component, there is no doubt that

clients would like to see more effective provision in this area.

### BREADTH OF ALGORITHMIC TRADING OPTIONS

#### ROLL OF HONOUR

Bloomberg EMSX  
ITG  
TORA

ITG repeated its Roll of Honour position in 2015, achieving strong scores from a range of different clients. Bloomberg also performed strongly in 2015. As more long-only firms make use of EMS capabilities the pressure grows to create links to brokers who do not necessarily or primarily provide algorithmic trading services. These links clearly do not exploit all the benefits of EMS technology nor do they involve as significant level of order flow. Nonetheless in terms of standardising management of

orders on the trading desk, these links are important. This presents a dilemma for both EMS providers and brokers alike.

It is encouraging from a client perspective to note that the scores in this category were noticeably higher than in 2014. The average score of 5.70 ranked third highest within the survey and all providers scored at broadly consistent levels. It is also interesting that this aspect of service saw a meaningful decrease in terms of its importance to clients with less than one in four respondents citing it as a key feature. Obviously as the industry matures the network effects become more pronounced and everyone benefits as the scores illustrate. This makes it harder for any one provider to achieve a competitive advantage but it does work against providers whose service is dominated by a single broker.





## Vendor Roll of Honour

### TIMELINESS OF UPDATING WITH BROKER ENHANCEMENTS

#### ROLL OF HONOUR

Bloomberg EMSX  
Charles River  
Instinet

As with a number of different service components, Timeliness of Updating in response to broker changes becomes less important as the industry matures and new broker products become less common and less frequent. In these circumstances it is possible for everyone to be seen to perform better. Even so this remains an area where scores continue to be relatively weak. The average of 5.29 was higher than that recorded in 2014 but still below 2013 levels. It was also notable in that the scores for some providers were below the

default average score of 5.0 (good). To some extent the very growth in the number of broker links, makes maintenance and updating that much more complex a process and this may explain the relatively low scores recorded. However, while not unique the overall ranking of tenth among the different categories remains disappointing.

In terms of client priorities, this aspect of service has steadily declined in importance since the survey commenced. Again less than one-quarter of respondents considered this to be one of their four most important evaluation criteria. For those who do appreciate the ability to use the latest versions of broker algorithms however, it can be a differentiator among providers. Those that demonstrate the greatest commitment to broker relationships can benefit in terms of new business success.

### FIX CAPABILITIES

#### ROLL OF HONOUR

Fidessa  
REDI  
TORA

Given the critical role that FIX plays in communications between brokers, their clients and market venues, it is surprising how little it gets mentioned by clients asked to name their key priorities. Although seen as marginally more important this year than in either of the previous years, only around one in five of respondents named it within their top four attributes. It remained the lowest ranked of all priorities. This may be illustrative of the fact that clients regard FIX effectiveness as a given among EMS providers. It could be reflective of the fact that the process of dealing with FIX opportunities and issues is largely invisible to users.

Whatever the cause, clients appear genuinely very satisfied with EMS providers effectiveness in using FIX as a means to develop links between systems and different components in the execution chain. The average score was much higher than a year ago and ranked second in terms of survey scores overall, behind only Reliability. It appears that as far as what might be termed 'core' services are concerned, clients are very happy with what providers offer. While one or two providers scored slightly less well, no major firm scores at much less than 5.50 overall. As a result while the Roll of Honour names did indeed score at very strong levels, the level of differentiation remains



## Vendor Roll of Honour



small and there is very little disaffection that can be exploited competitively.

### BREADTH OF ASSET CLASS COVERAGE

#### ROLL OF HONOUR

Bloomberg EMSX  
TORA  
TradingScreen

The creation of EMS capabilities was driven by the growing role of electronic trading of equities, and subsequently listed derivatives. However in recent years there has been a move towards use of the same techniques in foreign exchange and fixed income trading and a handful of respondents are even considering using EMS capabilities for OTC derivatives trading. Given the underlying structures of different markets involved, this changing requirement presents both opportunities and

difficulties for EMS providers. Some have clearly embraced the challenge of extending functionality into new and difficult areas of business activity in support of clients who have broad based needs. Others on the other hand have chosen to focus on core strengths and if necessary cede new asset class linkages to other specialist providers.

The key to good scores in this area is therefore to have capabilities that match client priorities and a level of transparency around what is available and what will be possible in the future. At the same time there is no doubt that firms such as TradingScreen, who have made a consistent virtue out of supporting all asset classes where possible, have managed to gain a competitive edge with certain types of clients. This is reflected in their repeat position in the Roll of Honour list.

### BREADTH OF DIRECT CONNECTIONS TO VENUES

#### ROLL OF HONOUR

Charles River  
Instinet  
TradingScreen

As different venues have sought to attract business directly from some types of high volume buy-side firms, there has been some pressure for providers to provide direct access. This pressure has sometimes come from clients and sometimes from venues themselves. Determining how best to respond to this challenge is difficult for EMS providers. Often it is not clear whether or not a new venue will be successful, but on the other hand without electronic links, its chances of failure will also probably increase. Interestingly around 30% of the large providers scored at a level below 5.0 (good) on this question. This was the highest

## Vendor Roll of Honour

proportion within the survey. It was an important contributing factor in the relatively weak scores seen within the category. The average score was higher than in 2014 but still only ranked ninth overall. However, looking at priorities across all respondents this remains one of the least important.

As with some other areas it is clear that some clients are enthusiastic about these links and want them to be available, while others are clearly much more ambivalent. Meeting the needs of particular client groups is no doubt much more important in terms of overall scoring and competitive positioning. A level of transparency is dealing with clients and venues is also critical to good scores.

### PRODUCT DEVELOPMENT – PLANNING AND DELIVERY

#### ROLL OF HONOUR

Charles River

Instinet

TradingScreen

Clients are obviously keen to be given new and improved services, whether developed by the EMS vendors themselves or, more likely, representing improvements and extensions of products by brokers and venues. Clients are realistic that EMS providers cannot do everything and that delivery of new capabilities needs to be prioritised and planned as well as executed in a timely manner. Communication and transparency around these

elements are essential to good scoring, arguably almost as important as actual delivery.

It is clear from the scores that this is not an area of strength for the industry as a whole. The majority of providers scored at an average level of less than 5.0 (good) and as such are failing to meet the basic standards that clients expect. This question is also the one that elicited the highest level of difference between those providers who scored best and those that were worst in terms of scores received. Some of this frustration among clients probably reflects the sheer array of potential new opportunities that EMS providers are presented with, as well as their own ability, or lack thereof, to





influence the priorities that EMS vendors establish. While scores are generally disappointing this is an area where some providers are noticeably more highly regarded than others. Over time this may give them a competitive edge as long as the process they follow actually delivers results that match client demands.

### EASE OF INTEGRATION WITH INTERNAL SYSTEMS

#### ROLL OF HONOUR

ITG  
REDI  
TradingScreen

Scores on this question were the most improved within the survey. As a result a category that ranked last in 2014 was rated midway this year among the various service categories. The average score was in line with the overall survey average. While genuinely outstanding scores were not greatly in evidence the level of low scores (3.0 or below) were noticeably absent compared to a year ago. This progress is clearly important as almost half of all respondents cite this ability to connect to their internal systems as among the four key aspects that go to defining good service. Although this proportion is slightly lower than in 2014 it remains the second most important client priority.

Traditionally an EMS installation was about implementing an equity trading capability quickly, driven by traders' demand to use specific broker tools. Now it is more likely driven on a 'firmwide' basis, even

among hedge funds. This is reflected in the broader range of individuals now responding to the survey and the growing importance of risk management and compliance for clients. Integration does not necessarily involve a complex installation and development cycle however. That is determined more by the nature of the business of the client. As such it is possible to be regarded as good at internal integration, even while the level of complexity involved is modest.

### OVERALL COST OF OPERATION

#### ROLL OF HONOUR

Eze Software Group/RealTick  
Instinet  
ITG

The business of EMS provision has tended over the years to be confusing as to cost. In many cases EMS capabilities were provided by brokers to encourage and capture order flow and to deliver cost efficiencies to the brokers themselves. This combination of internal cost reduction and higher trading volumes could arguably justify the investment needed without recourse to charging

customers directly. This was not the case for independent multi-broker systems, but for the most part the 'broker pays' model continued to be the norm. With tighter regulation and the growing interest in trading instruments that did not generate commissions, direct charging of buy-side clients has become more common. The growth in connections with smaller brokers has also impacted this trend.

It is not just direct costs that matter, whether these are 'free' to the buy-side or being paid explicitly. There is also the cost of integration, maintenance and offsetting benefits in terms of risk management, compliance and trader efficiency. This makes the overall cost not easy to assess, but nonetheless important. Generally scores are higher than would be common in surveys such as this, suggesting that clients are generally happy with the balance of cost and benefit being delivered. While some scores are lower than others, overall there are few providers who have a significant competitive disadvantage. However, it remains important to match pricing approaches to the needs of specific clients whose priorities, potential benefits and opportunities are often quite distinctive.

## Vendor Roll of Honour



# Overall performance

### LONG ONLY CLIENTS

#### ROLL OF HONOUR

Bloomberg EMSX  
ITG  
TradingScreen

Long-only clients tend to have different priorities to hedge funds. They are often motivated by different considerations when it comes to a decision to implement an EMS and as a result of unique priorities both in terms of decision making about what system to implement and post implementation success criteria. In most cases this revolves around the fact that for long-only clients, particularly larger firms, the expected life of the system is very long. Their planning horizon may extend to a decade or more and an EMS is probably one of many IT development projects that they may consider at any time.

Reliability is not only important to traders at these firms, but also to IT and operations professionals all of whom may have implemented changed procedures as a result of

EMS installation. These considerations present particular challenges that not every EMS is well positioned to handle. Those that have achieved mention here, have clearly demonstrated the ability to meet these challenges as far as their long-only clients are concerned.

### HEDGE FUND CLIENTS

#### ROLL OF HONOUR

Instinet  
REDI  
TORA

Hedge fund clients remain a key client base for almost all providers of EMS capabilities. However their relative importance has continued to diminish as a result of greater levels of adoption by long-only clients. Even so they remain important as drivers of asset class extension, venue connections and as early adopters of new capabilities offered by leading brokers. Being able to respond to these priorities in a timely and effective manner is what

### MEASURING OVERALL PERFORMANCE

As well as considering the functional capabilities of providers, the survey also assessed overall performance as measured across all capabilities. This analysis took account of both un-weighted and weighted scores based on the different levels of importance attached to the various aspects of service covered in the survey.

distinguishes successful EMS vendors with this group of respondents. This also involves maintaining close relationships with leading brokers in order to be able to assess and effectively prioritise implementation of new features and functionality.

Hedge funds tend to be more concerned about client service and much more interested in new algorithms from brokers and their timely implementation. Interestingly both Instinet and REDI have repeated their Roll of Honour positions from 2014. This suggests that they are particularly well positioned with this group of clients. It also may well be a function of their overall business priorities and approach to different opportunities that present themselves.