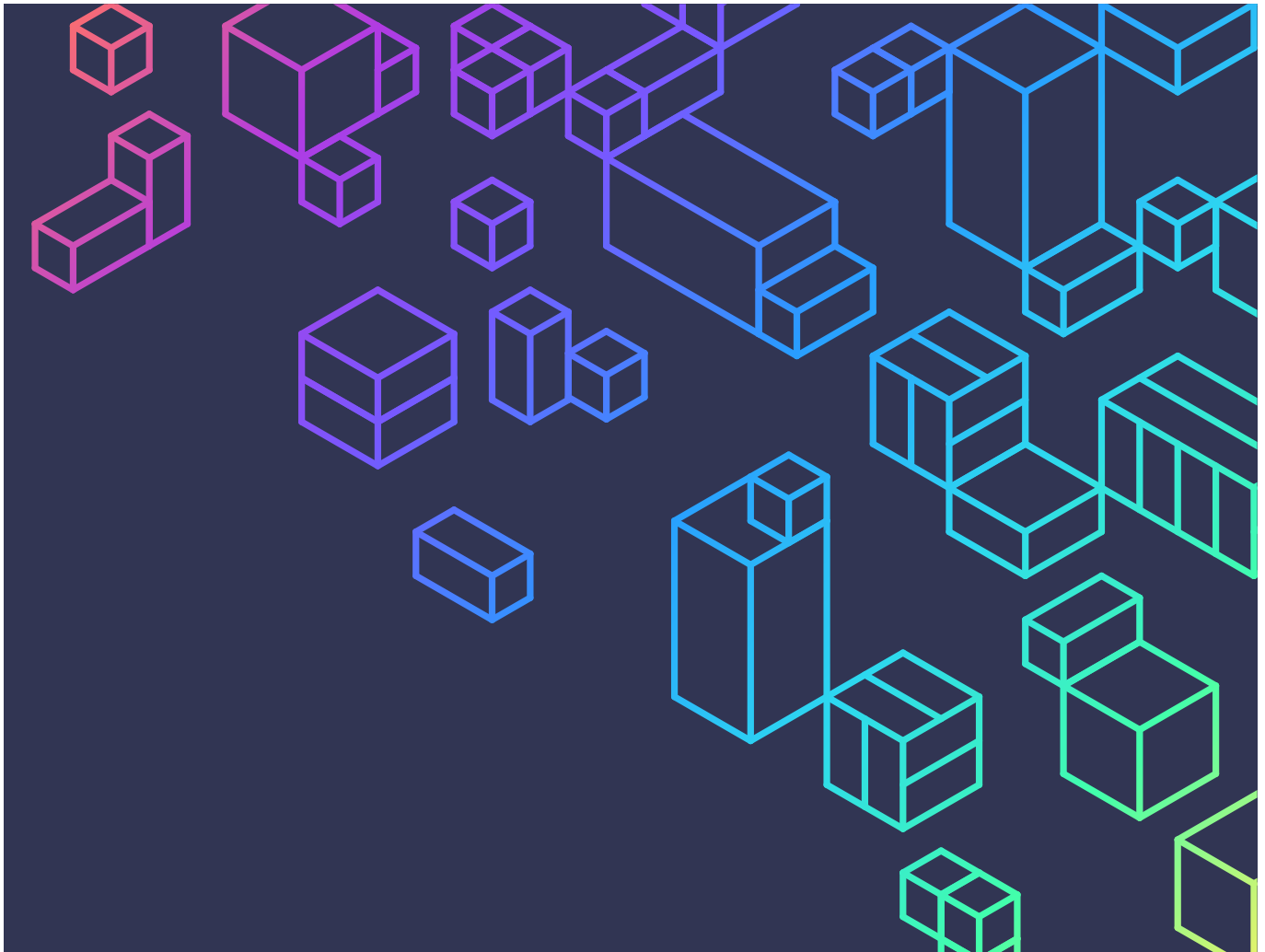


Survey Report—Rapid Read

Capital Markets Data and Analytics Research Insights

Address Your Market With Focused Technology Adoption Plans

January 2022



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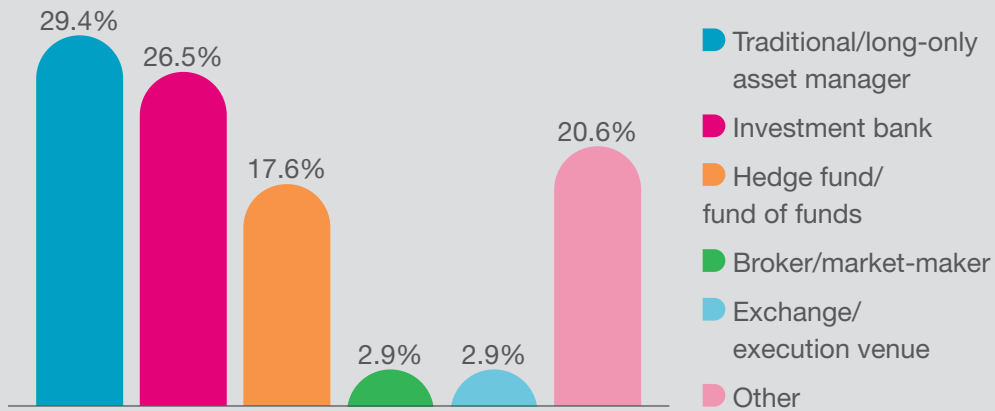
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About this Report

This report is based on a *WatersTechnology* survey commissioned by TIBCO and completed in October 2021. The survey targeted North American capital markets firms exclusively, including investment banks, traditional asset managers, brokers, market-makers, hedge funds, funds of funds and execution venues.



Given the breakdown of respondents and the types of capital markets firms they represent, the survey provides a reliable snapshot of the industry as a whole:

- 29.4%—The largest constituent was the asset management industry, which accounts for just under one-third of respondents
- 26.5%—Investment banks
- 17.6%—The alternative asset management industry, including hedge funds and funds of funds, were also well represented.

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Key Findings

- Capital markets firms recognize the need for new, higher-quality data management and analytics tools. Approximately 70% of survey respondents believe their current tools are either not fit for purpose or that there is room for their improvement.
- Demand for advanced data management and analytics tools continues to grow across firms' middle and back offices, with roughly equal demand across the business.
- Of all the technologies available to capital markets participants, the greatest demand is for data management and analytics tools.
- The primary drivers for developing or deploying data management and analytics tools include:
 - 32.4%—Trading and investment decisions
 - 29.4%—Risk management and compliance (middle-office) operations
 - 26.5%—Back-office operations.
- Less than one-quarter (23.5%) of respondents develop their own proprietary data management or analytics tools, underlining the extent to which the industry has come to rely on third-party providers for specialist technologies. Only the largest capital markets firms—tier-one investment banks and asset managers—with the requisite budgets, buy-in from the business and IT expertise can realistically make the business case for building these tools in-house.
- When developing specialist data management and analytics tools in-house, challenges include:
 - 29.4%—Lack of buy-in and support from the business
 - 26.5%—Pure technical considerations
 - 23.5%—Knowing how to start such projects.

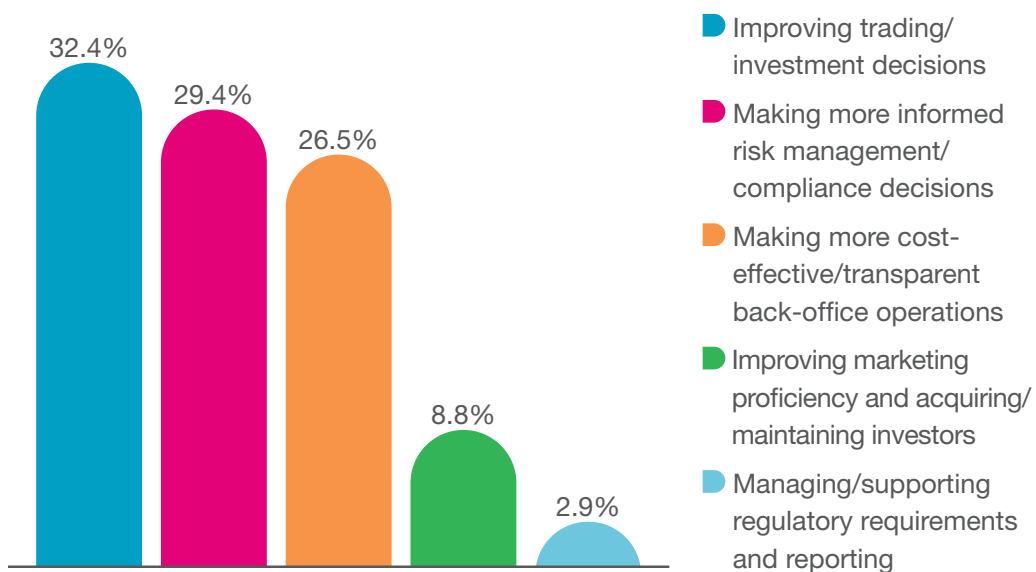
The Covid-19 pandemic and the changes to working practices it precipitated highlighted the growing demand from capital markets firms for accurate and reliable data management and analytics tools. Not only is the industry witnessing increased demand for such tools from the front to the back office, but users are also looking for better-quality tools than those they are currently using. These are two of the key findings to emerge from a recent survey focusing on data management and analytics challenges facing capital markets firms.

Primary Drivers

Traditionally, front-office decision-making and execution functions have been the primary drivers for capital markets firms developing and deploying data management and analytics tools. And for good reason—these capabilities have traditionally been tied to performance and revenue generation, and consequently have been well resourced and funded relative to middle- and back-office business processes.

However, the results from Question 1 of the survey showed a near-even split between the three main areas driving the development and deployment of such tools: trading or investment decisions (front office), risk management and compliance (middle office), and back-office operations. It's clear there is now demand for data management and analytics tools from across the business, which will continue to grow as new use-cases emerge across the middle and back office, and as firms enhance the transparency, efficiency and accuracy of functions in those parts of the business.

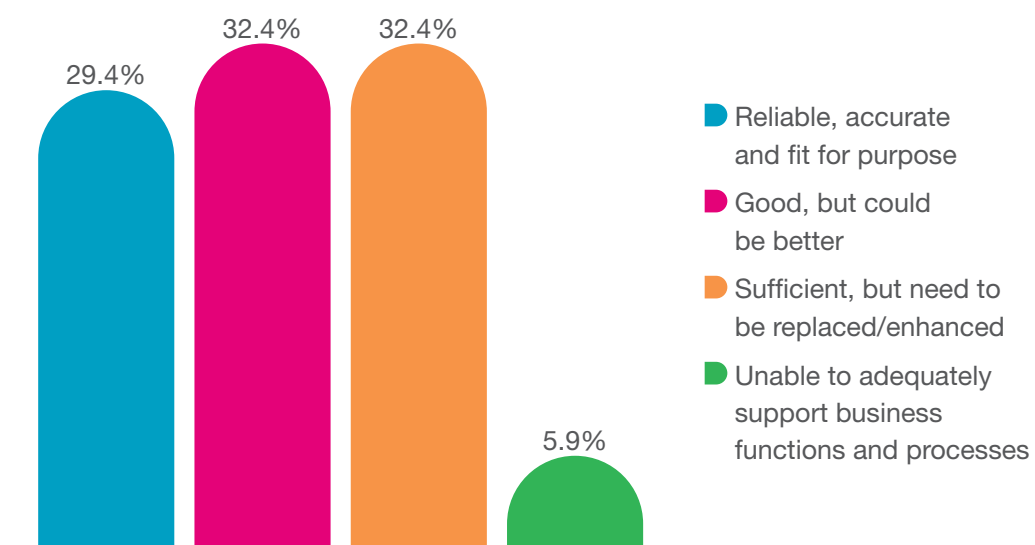
1 What is the most important criterion for developing/ deploying data management and analytics tools?



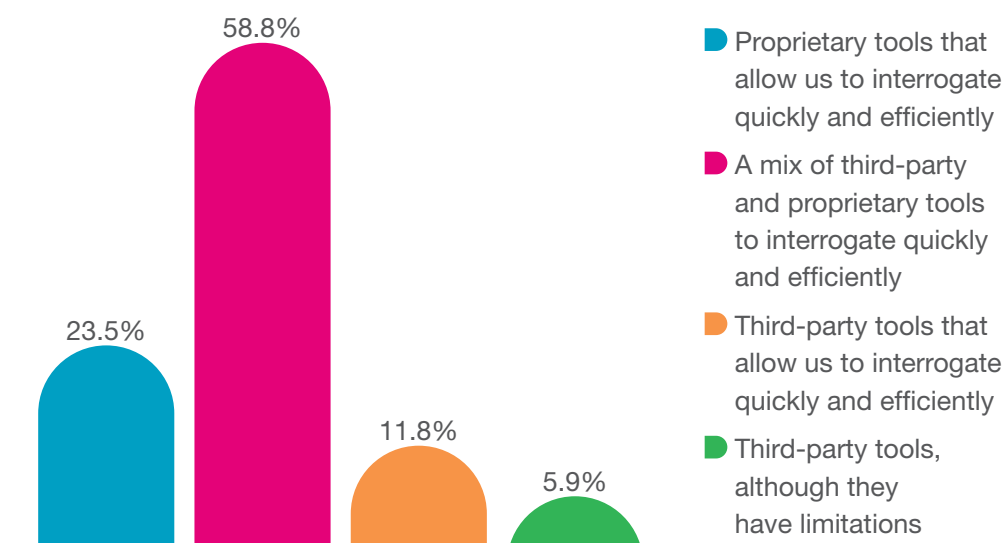
Effectiveness of Current Tools

One of the most significant findings of the survey is the extent to which respondents believe their current data management and analytics tools are fit for purpose, as detailed in Question 2. Surprisingly, only 29.4% of respondents believe their tools are reliable, accurate and fit for purpose; the corollary of that finding is that the remaining 70% of respondents believe their tools need to be improved or replaced. These findings reveal that there is growing recognition among respondents of the need to improve their data management and analytics tools, although how exactly they go about that presents them with a whole new set of challenges, as illustrated in Question 4.

2 How suitable and effective are your organization's data analytics tools?



3 What type of tools does your organization use to interrogate data and how effective are they?

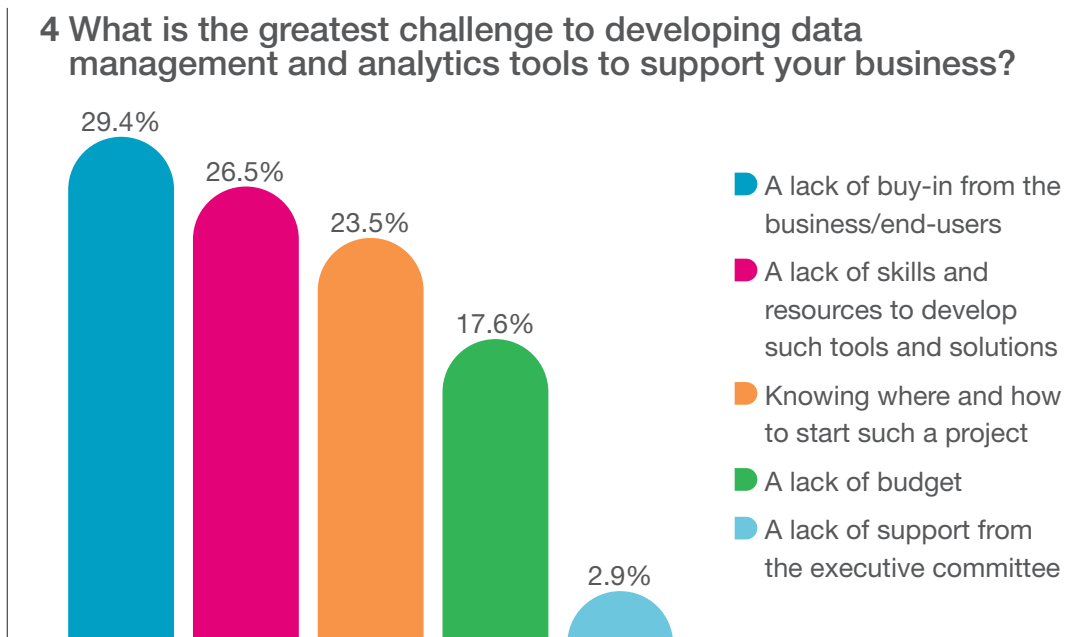


Resources and Efficacy

Sell-side firms have traditionally enjoyed larger technology budgets than their buy-side counterparts, which has allowed them to build their own data management and analytics tools if they possessed the technical knowledge and inclination to do so (see Question 3). Still, all but the very largest sell-side and buy-side firms are forced to rely on third-party providers for such tools, given their budgetary, technology and resourcing constraints.

The results of Question 3 show that 75% of respondents use third-party-developed data analytics and management tools or a mix of third-party and proprietary tools to satisfy their specific needs. However, none of the firms that use proprietary tools exclusively cited any limitations regarding their efficacy and their ability to interrogate their data, which indicates that, in certain situations, proprietary tools might be preferable to off-the-shelf ones.

Mid-sized and smaller firms on both sides of the industry have resorted to enhancing third-party tools by developing their own functionality on top of vendor-developed applications, thus addressing the precise needs of the business. This supports the view that only bulge-bracket buy-side or sell-side firms with experienced technology staff can realistically make the business case for developing these tools internally.



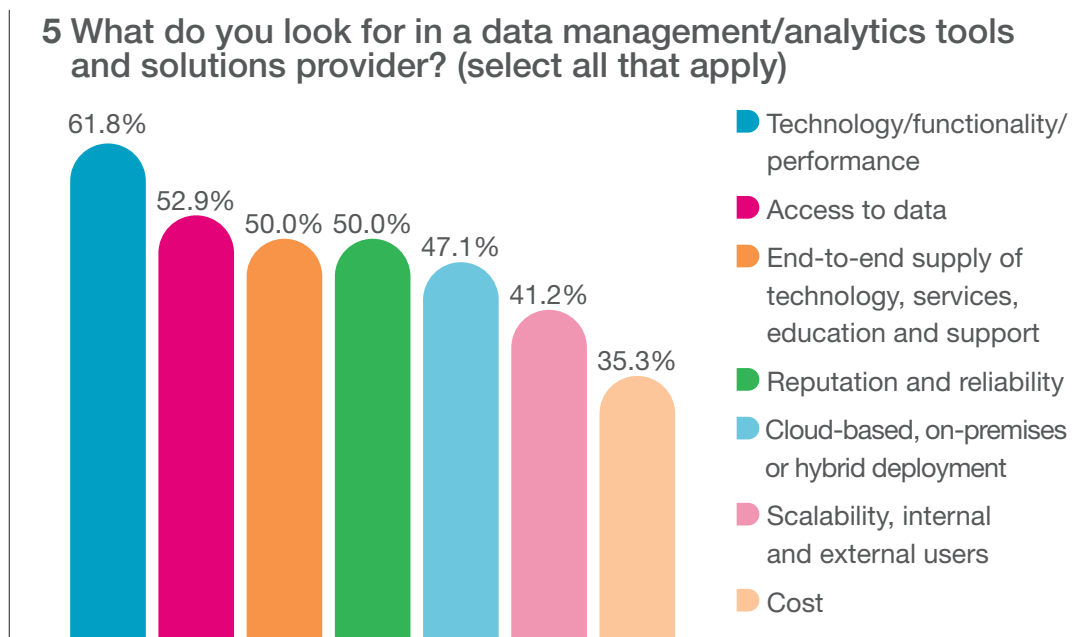
Challenges

If firms cannot get the buy-in and co-operation from end-users such as risk managers, front-office workers and operations staff, attempts to develop tools in-house are unlikely to get off the ground, as illustrated by the responses to Question 4. Firms need support from end-users, a perennial challenge irrespective of the firm involved.

Naturally, pure technical considerations are also a significant challenge to overcome (selected by 26.5% of respondents), while knowing specifically how and where to start such projects (23.5%) is similarly vexing for capital markets firms, an issue that crops up regularly in *WatersTechnology's* surveys. This indicates that projects don't get off the ground because of decision-making inertia. Similarly, the fear of making a poor decision is very real, which contributes to "analysis paralysis", and so firms need appreciable hand-holding, reassurance and advice to encourage them to make a start.

Vetting Potential Partners

The final question of the survey asked what firms would look for in a potential partner in the event they decided to implement a third-party data management or analytics tool. Results reveal they tend to struggle to get projects off the ground when they lack the engineering skills and technical know-how. As expected, the responses to Question 5 show that pure technology and functionality considerations trump all other concerns when firms are vetting a provider. When CIOs establish a relationship with a technology provider, they might commit their firm to a long, multiyear relationship, so many respondents cite providers' reputations and reliability as their main consideration. Another consideration for respondents is their ability to access all their data, including that stored in legacy, proprietary and emerging systems. Here, firms are concerned about interoperability—they want the ability to manage data across silos and legacy platforms, or the tools to support legacy formats, which speaks to the number of firms living with legacy data platforms.



Conclusion

Demand for data management and analytics tools is ubiquitous across capital markets firms' front, middle and back offices. The industry acknowledges that these tools need to improve to be genuinely fit for purpose. How exactly firms go about addressing that challenge in terms of either developing proprietary tools in-house or implementing third-party-developed tools (or a mix of both) depends largely on the size of the firm, its technology expertise, its culture and the extent of its technology budget. Invariably, only bulge-bracket firms on both sides of the industry can make the business case for developing these tools in-house—possibly because they have the IT staff with the requisite experience to make it a realistic option.

If firms can access off-the-shelf products that satisfy their technical requirements (cloud-based and delivered-as-a-service), then they reduce their time to market. Upfront costs and ongoing maintenance issues associated with proprietary tools are also significant. These factors are largely mitigated through the use of third-party-developed tools, which capital markets firms are now increasingly paying for on a monthly, annual or per user basis.

In short, unless the firm has a track record of developing sophisticated tools in-house, on spec, on time and on budget, they have no option but to partner with a third-party provider. However, they will also need to consider which provider would make a successful long-term partner. Pure cost considerations, functionality and the provider's reputation are all important considerations but, for many, the main criterion will be interoperability of these solutions and access to data.

Methodology

This survey is based on responses from 34 North America-based key technology and data decision-makers (CTOs, CIOs, chief data officers and heads of operations). Respondents from across *WatersTechnology's* database were invited to participate in the study and were not selected or targeted specifically to avoid any confirmation bias.

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