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Dear **Waters News** Subscriber,

Let's call it "Don't Diligence."

At a roundtable discussion on the topic of intellectual property and outsourcing, a panel of industry elites confirmed one glaring concern in the financial services world: Major investment firms do not perform adequate due diligence when choosing an outsourcing partner.

Imagine: When hiring someone to perform mission-critical functions in their back office, these leading global institutions are occasionally flying blind.

No one will claim that performing due diligence is fun. In our personal lives, it would rank up there with cleaning the gutters or separating the recyclables. Add in the crushing weight of short timelines as banks rush to get trading strategies to market, and the task becomes even more onerous. But today's traders don't want the best trading tools and algorithms next week or next month when the due diligence has been performed—they want them now.

One speaker at the intellectual property panel, sponsored by DataArt, asked whether or not it is possible to truly perform tried-and-true due diligence. No outsourcing firm will ever admit to shoddy security and data-handling practices, so the best testimonials come from other leading banks. The same speaker recalled asking an outsourcing firm how they handle precious data. "Easy," the outsourcer replied. "We do what you, the bank, would do."

One thing is certain: This current state of the global markets will undoubtedly make for interesting times when it comes to outsourced projects. New outsourcing regions—such as Czechoslovakia, Poland and Vietnam—are on the rise. Meanwhile, the sinking US peso—er, dollar—might make outsourcing to Tennessee or North Carolina more appealing. Unlike some infrastructure-starved cities in India, there are plenty of roads and mass transit in the US.

Crazier things can happen in a global economy.

Phil Albinus
Special Projects Editor
Waters/Waters News
Phil.albinus@incisivemedia.com

Waters weekly update **16 April 2008** News from watersnews.com and **Waters** magazine.



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