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# IT Strategies Evolve

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Buy-side firms are having to change the way they implement IT strategy in order to cope with rapidly developing business models, according to Oleg Komissarov, senior vice president at DataArt.

Changes to the way firms invest and the regulatory landscape means IT needs are evolving faster and firms face increasing pressure to ensure their IT infrastructure is able to keep pace.

“The equity business is shrinking and many firms on both the buy- and sell-side are now doing a lot more in alternative assets, credit derivatives and FX,” explains Komissarov.

As a result of this shift in the way institutions invest, software increasingly needs to be able to handle multiple-asset classes and be able to aggregate information on them so that traders, portfolio managers and compliance officers can get an overview of all their asset classes in one place. This change has accelerated recently as more instruments become electronically traded, requiring each firm to ensure its IT keeps up with developments across the market.

The other key change is, unsurprisingly, the increase in regulation. While the need to ensure software integrates regulatory requirements is nothing new, the sheer amount of new regulation seen since the financial crisis has transformed buy-side IT ownership and strategy.

“Regulatory requirements have caused a shift in ownership in buy-side businesses. In the past, it was very much the traders who were in control of the IT, but today IT decisions are far more likely to be influenced by compliance offers and administrators,” Komissarov says.

“It has also led to businesses being a lot more conservative in the way they develop their IT. They’re obliged to spend money to invest in their regulatory compliance and this means they are spending less on strategic development.”

For firms planning their long-term approach to IT development, two main models have been adopted. Firstly, for firms that urgently need to acquire a reliable solution to comply with regulation, off-the-shelf solutions are the preferred, but more expensive, option.

For others, creating more custom solutions with development and maintenance outsourced to a third party, is often cheaper and provides a more effective final product but can suffer from teething problems and long development cycles.

Komissarov says that, where possible, the latter solution tends to create the best results: “One of the biggest problems we see with off-the-shelf solutions is that they aren’t very good at aggregating data from lots of sources. A firm might be using multiple data warehouses, which is often in different formats and off-the-shelf solutions tend to be very standardised and only accept standard formats.”

As a result, custom software is often needed to support off-the-shelf systems, to act as a buffer between data warehouses and purchased IT solutions.

Ultimately, the decision over whether to take ownership of IT development in-house depends on the profile of the firm. Smaller asset managers tend to get their fund administrators to manage much of the technological aspects of the business, while larger firms have the resources to hire in-house IT developers.

“Often, it is the mid-sized clients who need the most help in deciding how they can keep their IT up-to-date,” adds Komissarov.