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Continued Reliance on Legacy Systems Dilutes Opportunity for Alpha Generation with Front-to-Back Office Errors, Reveals TABB Group Research

Exclusive research identifies and analyzes five distinct approaches to buy-side trading architecture and their subsequent overall business impact

NEW YORK & LONDON, February 17, 2016 – The role of financial technology has been instrumental in the development of the institutional investment management business into the billion-dollar industry it is today, with the decisions made about underlying technology directly contributing to the ability to scale and grow these firms. Support for all asset classes and security types, multiple currency transactions, geographical locations and asset allocation strategies is highly dependent on the structural design of the technology solutions leveraged.

"Breaking Down Buy Side Barriers: Achieving Alpha through Agility," TABB Group's latest research by senior analyst Dayle Scher, outlines five individual approaches that buy-side players are utilizing in trading architecture and the impact on alpha generation each has, including Best of Breed, Single Vendor/Multiplatform, Legacy, Least Expensive, and No Strategy approaches.

Scher explains that firms struggling to move forward with technology that is poorly integrated will pay the price for this decision in terms of trade errors, opportunity costs and compliance breaches. A sampling of the issues that Scher uncovered in her outreach to buy-side firms is as follows:

- 50 percent of investment management firms experience technical problems in executing pre-trade compliance checks, exposing them to avoidable financial and reputational risks.
- Nearly one-third of the buy-side firms endure errors when executing asset allocation programs because of their technology architecture.
- Two-thirds of buy-side firms find it painful to implement new geographies and/or new instruments given their current system architecture.
- More than 50 percent of the firms experience trade errors due to inaccurate data.
- Front and middle-office staff spend an average of one hour per day manually identifying, investigating and resolving discrepancies and errors.

"Asset managers should not be accepting any compliance breaches or trade losses due to data errors as a cost of doing business, especially as the expenditure of replacing outdated or inefficient front-to-back legacy applications may be less than the overall costs of not doing so," says Scher. "An integrated architecture built around a single repository for storing transactional, client and reference data provides the cleanest option, while also generating greater performance by allowing the front office to focus on their core job without the distraction of having to wait for data issues across the front, middle and back-office to be resolved."

The 17-page, 10 exhibit report can be downloaded by TABB's financial technology clients and pre-qualified media at https://research.tabbgroup.com/search/grid. For more information or to purchase the report, contact info@tabbgroup.com.

About TABB Group

With offices in New York and London, TABB Group is the international research and consulting firm focused exclusively on capital markets, based on the interview-based, "first-person knowledge" research methodology developed by Larry Tabb. For more information, visit www.tabbgroup.com.

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