Getting the most out of your customers
Brokers everywhere in the world are feeling the change in the market. The global – and global they are – securities markets are in a continuous state of liberation. Investors have better access to market data anywhere and even retail market customers, the regular men on the street, are making deals on their own as if they bought a pint of milk. Brokerages are harmonizing to increase volume efficiency and increase reach. Marketplaces are merging to attract more investors with a larger portfolio.

This has meant that trading volumes have soared, and all types of wealth management services will evolve. The increased global scale will also mean increased opportunities.
The need for speed, efficiency requirements and market harmonization have slowly made the dealing process itself a non-specialty area, a commodity. That is why it is becoming mostly automated and IT has a growing role in the everyday trade lifecycles – from trading to clearing and settlement.

Wider opportunities and easier entry in the market have also increased competition. Competition naturally leads to:

- Uncertainty in customer relations – customer loyalty seems to be on the decrease in all markets.
- Price pressure is increasing. It will be harder to collect premiums from managing the transaction process alone. Specialization and differentiation are on the increase. Investors are looking for lower and lower cost partners.

So, being a broker or owning a brokerage is not necessarily a direct path to wealth these days. Margins are decreasing, so volumes need to rise and that leads to competition for attracting new customers, making it ever more important to manage for example credit risks taken on through increased volumes. Regulations are a great way to opening up the market, but they are also a complicated set of rules that all brokers need to deal with.

The bottom line is that there’s a growing market opportunity there, but it seems increasingly difficult to make decent profit and grow.

This is where Tieto’s expertise comes to play.

**Control the whole trade life-cycle**

Tieto’s Securities as a Service can help brokers make the most out of the customer assets they have. This is fundamentally done by:

- Taking control over the whole trading operations value chain end-to-end using one solid back bone with easily fitted plug-ins to smart order routers and algorithmic trading engines and the like.
- Increasing automation and transparency in order to reduce credit risks and cut costs to the minimum, since post-trade transparency is becoming important pre-trade information for the next trade.

This way brokers can both control their cash flow and get more money out of each customer and redirect resources to getting new customers without having to worry about default.

So, in a world where brokerages need to make their money out of tighter and tighter margins, Tieto can help. Even though Tieto is one of the foremost financial services software experts in the world (Gartner Magic Quadrant for Integration Service Providers, November 2009), we have devised a service which is very price competitive and offers compliance and flexibility in one package.

(Figure 1.)
Securities as a Service – pay as you go

Move from CapEx to OpEx. The securities as a service concept is all about providing broker dealers a new way of capitalizing on their operations through leveraging their existing expertise. This may be applied through the whole value chain utilizing efficient tools. Operations and applications management is left to Tieto, eliminating operational risks and removing the need for a financial firm to upgrade its IT systems itself.

All this is provided through a single point of contact, which means customers can have their entire service follow up through one channel.

So, software as a service basically means that brokerages do not need to buy, own and maintain their business IT. The Nordic region has embraced this way of doing business. To date, however, the options for UK firms have been limited to fragmented services and solutions. With this “Nordic way” in place in UK, brought to market by Tieto, the processing task of trading clearing and settlement could efficiently be handled by a very limited number of middle and back office personnel, given the Straight-Through-Processing nature of the offering. This allows broker dealers to think differently about their business models – to take home the clearing and settlement process no longer is an overwhelming task with the right tools at hand. In particular, handling risk is vital, ensuring firms have control of their exposure and making sure that they can settle deals appropriately. And finance regulations mean firms need to be able to provide best execution to their clients, which is why it’s key to employ the most up-to-date technology that’s capable of providing real-time information also in the back office.

Nordic efficiency imported

Many companies offer software as a service contracts for bits and pieces of the trade life cycle, but few can match their technical expertise with an in-depth business knowledge of the market sectors they serve from the universal view.

Firms that turn to Tieto can be sure they can rely on the leading IT services provider in the Nordic region. Tieto has a strong track record in the securities industry, having for decades built program suites that enable our customers to increase their profitability. We know the specifics of this sector and are well versed in all the issues and regulations it currently faces, including increasing competition from new cross-border market entrants. Our capital markets software already has a 95% market share in Norway. As well as being the principal provider throughout the Nordic region we are also building a reputation that people can trust in the UK as well.

(Figure 2.)
Storebrand

Storebrand has handed over to Tieto the responsibility for maintaining and operating the company’s capital markets software, helping it to free up internal resources and reduce risk.

Storebrand chose Tieto because it wanted a proactive partner that really understands the business side of running its application software. It was impressed with the single-point-of-contact approach that Tieto delivers with this service because it simplifies processes and procedures. The company also valued Tieto’s competence to proactively maintain the system ahead of impending challenges.

Central to this relationship is the green sourcing facility pioneered by Tieto. A carbon-neutral centre in Sweden is being used to run the services, which is important for Storebrand because its policy is to be carbon-neutral at all times.

Flexible support for the whole trade life cycle

- Support for equities & fixed income in one
- Order management, execution, clearing at primary CSDs, market clearing and settlement towards defined CCPs, settlement towards local banks/infrastructure
- 3rd party execution for SOR & algo as plugs in

Safe and efficient service

- Operational management
- the “one stop shop” for the broker dealers looking for IT support for the equities & fixed income business

The Tieto offering

Tieto has already won praise from analysts at Celent and IDC, who say its offering differs in the way it can provide ‘real real-time monitoring’ of trade from order entry until it ends up in the clearing and settlement area.

Activities covered by the service include:

- Single point of contact
- compliant with the latest regulations
- Daily monitoring of the system;
- Pretrade checklist;
- Interval maintenance;
- System monitoring;
- Systems testing;
- System changes, additions and setup;
- Authorization maintenance;
- Third party dialogue;
- New module integration;
- Third party certification;
- System upgrades;
- Database changes;
- File structure updates;
- Monitored start and stop of services;
- Checklist review after upgrade;
- System monitoring at first start of trading.

(Figure 3.)
**Standardized solutions**

A standardized approach is important; it ensures cost-efficiencies in terms of capital investments and work flows. A major benefit is that smaller companies have the same access to Tieto’s expertise as their much bigger counterparts. This is something that was quite impossible for SMEs until recently. Importantly, this approach also ensures that all firms have the same certainty that they are complying with the relevant regulations associated with latency and liquidity while addressing other market pressures.

**Prepare now**

Opting for Tieto is a smart move, giving financial firms better control of their business while helping them reduce costs and find ways to increase their profitability per customer – essential in an increasingly regulated and competitive market. By choosing a standardized solution from Tieto, they will have access to the services of a company that has the business and technical knowledge to address their challenges, leaving them free to focus on their core business.

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Tieto Financial Services offers value-added IT services to banks, insurance companies and financial services providers. We are the leading IT services partner for the financial industry in the Nordic region and one of the foremost experts in capital markets, transaction banking and front end transformation areas. Our home markets are the Nordics but also Baltic countries and Russia.

We have a 40-year track record of partnering with major Nordic financial institutions and helping them to meet the challenges of the market. We help our customers to run their business more efficiently, manage risks and boost growth opportunities. We currently serve more than 400 customers within the financial industry. Those customers have chosen us for our in-depth industry knowledge and ability to deliver innovative solutions with a solid return on investment.

Tieto is the leading IT service company in Northern Europe providing IT and product engineering services. Our highly specialized IT solutions and services complemented by a strong technology platform create tangible business benefits for our local and global customers. As a trusted transformation partner, we are close to our customers and understand their unique needs. With more than 18,000 experts, we aim to become a leading service integrator creating the best service experience in IT.

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