

## Prepare to make the leap

Do you know what MiFID is, and are you ready for it?

A £1.5 billion juggernaut is heading for the City, but not many firms appear to be taking appropriate action to prepare for its impact. That is the widely held view of observers ahead of the arrival of the latest legislation from the European Commission, MiFID.

MiFID is the acronym for the Market in Financial Instruments Directive, broadly speaking a measure to remove regulatory differences and encourage cross border trading in securities. Brussels hopes MiFID will provide a massive boost to cross border trade in financial services, increase competition and drive down prices.

It sounds reasonable enough – unless you are one of the hundreds of firms in the UK forced to develop expensive software systems, change internal procedures and retrain staff to cope with the new regime.

Impact day has already been delayed by a year until the spring of 2007 but many believe the measures should be postponed again to give firms more time to get to grips with the new system.

As providers ourselves of essential market data information to the City we can see first hand how few companies have put in place the software systems necessary to cope with it. Indeed, some technology officers are not even aware of its existence, which is particularly significant when estimates of the cost of implementation broadly come out at around £1.5 billion. That represents an IT impact as significant as the changes to computer systems required for the arrival of the year 2000.

So what is MiFID attempting? MiFID is designed to let banks and investment groups authorised in their own country offer financial services such as share trading across the EU.

The aim is to make dealing more transparent so a client buying shares in, say BT or Marks & Spencer will know whether a broker in Frankfurt or Paris could offer him a better price than his own firm in the City of London.

Under the new Directive, market traders must post not only the prices at which they have dealt shares – known as post-trade transparency – but also the prices they are willing to buy and sell shares.

A raft of other measures are also proposed to enforce the new regulations, among them the requirement to maintain computer records of transactions for up to five years.

It isn't just equity markets which will be affected. The Directive also covers European bond markets. This has triggered a pretty robust campaign by associations representing capital markets in various European countries.

Bankers are opposed to the idea that they should have to meet the same standards of price transparency and disclosure in the fixed income and structured finance sector as the equity world.

They are claiming that the fragmented nature of the fixed income markets means excessive price transparency could obstruct, not assist, liquidity levels.

Not surprisingly, regulators reject this view, arguing that the lack of transparency actually deters investors and reduces trading volumes while allowing banks to make fat margins on the trades.

No one doubts the noble sentiments behind MiFID – and indeed some of the other measures introduced by the EU.

Brussel's mission, set out in its Financial Services Action Plan in 1999, was to create liquid markets in Europe that would allow banks, brokers, insurers and investment funds to compete freely across borders providing cheaper services for millions of investors. The objective was to turn Europe into the world's most competitive economy by 2010.



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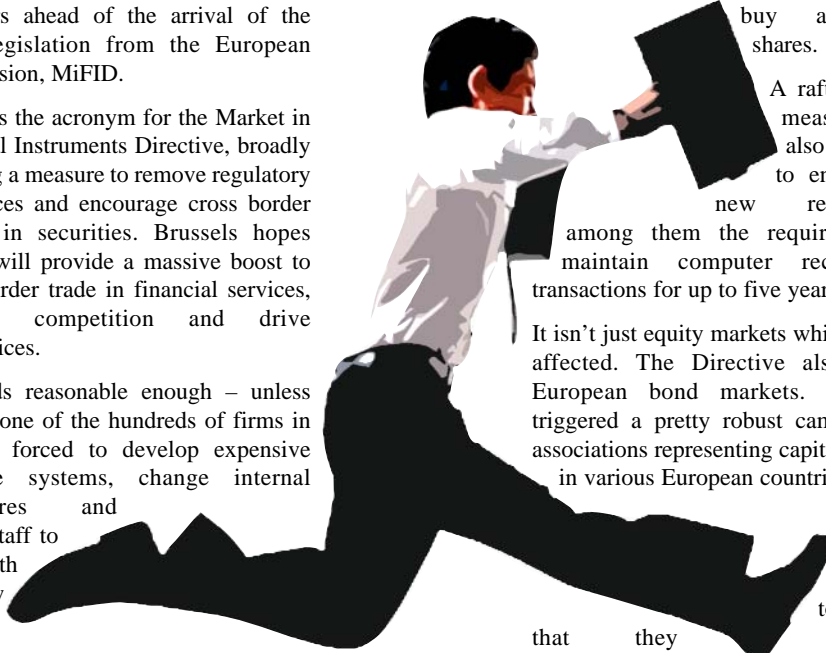
Those of us who have travelled across Europe or had dealings with companies in mainland Europe recognise that dream is a long way from being realised. Out of date working practices, excessive bureaucracy, and rigid internal markets still bedevil the EU.

So we should welcome measures aimed at greater harmonisation especially if the result is a better and cheaper service for investors. Earlier this year Dresdner Kleinwort Wasserstein unveiled the first electronic order system for retail brokers that would allow them to comply with the new directive.

But not all firms are as advanced or have the financial resources of one of the city's leading investment houses. Firms should not be railroaded into installing costly systems to meet unrealistic deadlines.

This is perhaps where smaller technology companies can play a vital role. Historically, such companies have proven themselves inventive and cost-effective, and provide solutions that please regulators and regulated alike. They specialise in the art of the possible, finding niches in markets because they are fleet of foot and quick to seize new opportunities, such as the one provided by MiFID.

So, MiFID is workable. However, perhaps this should be qualified by the following: give different deadlines for different companies depending on their size and resources; and have waivers for small firms whose non-compliance with the directive is unlikely to jeopardise the project.



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## Painless upgrades

So, you're finally comfortable with your investment software. You have everything set out the way you like it, and can do your job without the 'tech' getting in the way. Then, someone from your IT support team comes round and installs a new software version. Suddenly you're back at square one, having to adopt a new way of working again.

In a recent survey commissioned by KTS, in which 525 owners of small and medium-sized enterprises (SMEs) were questioned about their opinions of new software releases, this seemed to be the prevalent attitude.

**ninety-five percent of owner managers said they liked the idea of a third-party company that could implement new software upgrades on their behalf**

A third of them said that if offered a choice, they would rather stick with older versions of software they already know, while 7 out of 10 said they dream of the day when they'd never have to learn a major software release again.

However, reality dictates that software upgrades are necessary. Clients request new features, bugs are fixed, and new developments need to be adopted at some point. Imagine still using your old Internet Explorer v3 browser: you simply would not be able to view most websites today.

The solution is to lessen the pain of upgrades. One way is to provide training that empowers staff and encourages them to adopt the new software. This creates a culture in which they feel able to approach the IT expert with a problem without appearing foolish.

Another is simply to make upgrading easier. The survey found that ninety-five percent of owner managers said they liked the idea of a third-party company that could implement



new software upgrades on their behalf. This is ideally suited to our ASP approach, in which enhancements appear with no downloads, installs or upgrades.

We also provide small, incremental enhancements regularly, rather than hoarding many into one major release. This avoids relearning large chunks of interface or functionality, which lessens any disruption.

Finally, we live by our strapline: Service you can bank on. We have a best-in-class support team ready to help, via training, phone support or even site visits.

So upgrades may be evil, but they're necessary. With the combination of empowerment, help and streamlining, they can be viewed as both necessary and good.

## DR, not PR

Perhaps it was inevitable: on July 7th, four terrorists blew themselves up on the London Underground and on a bus, and London's worst fears were realised. These attacks, on commuters in the heart of the City, served to highlight a growing concern: disaster recovery provision.



Historically, City firms have located their disaster recovery sites close to their head office – often within one mile – and typically provide facilities for only 20% of their staff. However, evidence suggests that this may be changing. According to Guardian iT, a large provider of DR sites, many now locate their disaster recovery sites more than five miles from their operational centre.

Moreover, Unified Networks, the communications networks installer, believes there may be a reversal of the trend among financial institutions to house all their staff and operations in just one building.

The Internet's coming of age and the development of application service provision (ASP) technology – allowing users to access a software program running on a remote server via the Internet – means that firms should now be able to provide alternative facilities for much more than 20% of their staff. While a DR site is likely to accommodate only a fifth of the workforce, ASP technology means other vital staff can work from home or hotel rooms as they did in the aftermath of 11th September.

**today's ASP technology means other vital staff can work from home or hotel rooms**

City firms, particularly those with trading departments, rely on real-time market data to execute business. It is therefore vital that these firms have contingency plans so that employees can still access these systems in the event of a disaster. Fortunately, many ASP users benefit from the reliability of the Internet, which itself was built on a resilient, decentralised model designed to work under duress.

Our services are uniquely the only 'thoroughbred' ASP solutions that genuinely allow users to log on wherever they are, with no downloads, installs or upgrades. Moreover, our services are collocated both within the City and Docklands, making them ideally suited to cushioning the impact of unforeseen disaster.

KTS offer a complete DR package in which an entire workforce can be activated within one hour of invocation. Prospective clients can call 020 7256 2300 for more information.

## Forex made simple

KWI	998.6300	0.1230	0.01%
SAR	6.5775	-0.0433	-0.66%
SBD	12.5838	0.0013	0.01%
SCR	9.6026	0.0845	0.88%
SEK	13.6710	+0.0280	+0.2%
SGD	2.9738	-0.0088	-0.3%
SIT	351.05	0.3200	-1.40%
SKK	57.1295	-0.1030	-0.19%
SLL	4.210.1048	7.0800	0.11%

We have recently made improvements to our Foreign Exchange feed, which shows rates for just about every currency from the Afghanistan Afghani to the Zimbabwean Dollar.

The feed went live in November 2004, but these improvements enable more elegant symbols to be used. For example, instead of typing USDSS to see sterling vs dollar, you can now type GBPUSD.

**you leave the financial professionals to get on with the core business: making money**

You may be wondering why you hadn't noticed these improvements. This is because our architecture enables us to enhance our services with no downloads, installs or upgrades.

So, no longer do Ops teams have to disseminate new third-party software versions, they can simply get on with improving or monitoring their own systems. In turn, you leave the financial professionals to get on with the core business: making money.

## Meet and greet

Allen Butcher,  
Business Development Manager



Allen has worked primarily in the software industry with a focus in the financial services sectors, and brings a huge depth of experience in business development and direct sales.

Having worked with large organisations such as KPMG Consulting (now Atos), he finds smaller companies a much more enjoyable challenge – he once joined a small software company with only twenty people and left some years later when they had reached nearly 300 employees and he was closing multi-million pound deals for them.