

Reference data API services: digitisation without disruption

Financial institutions require rapid, cost-effective access to reference data. Rocky Martinez, Chief Technology Officer of the SmartStream Reference Data Utility, believes APIs offer a useful way forward.

Better, quicker access to accurate data holds the key to achieving some of the most greatly desired goals in financial services: improved customer service, operational efficiency, greater agility and competitiveness. Financial institutions are now realising the need for change, with many currently engaging in digital transformation projects.

Yet when it comes to instrument reference data, companies still cling to old habits. When obtaining reference information from commercial sources, financial institutions' primary focus tends to be on pricing. All too often, instrument reference data is treated as an afterthought, with attributes simply tacked on to the end of the files firms receive from vendors.

Getting to the position where reference information can even be consumed is usually a laborious task. It generally entails a lengthy infrastructure project, with considerable amounts of time spent analysing files, storing files in a master database, loading files into applications and so on.

So do companies need to take another look at the way they source and consume reference data?

Poor reference data can result in failed trades or necessitate the repair of trade breaks – all of which can be expensive. When business is booming,

financial institutions are not particularly troubled by such overheads, often overlooking this type of operational loss. In a tough economic climate, such as the present, companies can't afford to throw away money, and must tighten up their operations.

Recent financial rule-making has piled added pressure on to organisations. Regulatory measures, such as MiFID II or Securities Financing Transaction Regulation (SFTR), impose reporting obligations that can be complex and burdensome to fulfil, and make access to accurate, reliable and up-to-date reference data an absolute necessity.

Clearly, getting reference data right is becoming ever more important for the industry. For buy-side firms, which may have smaller budgets at their disposal, obtaining the required information quickly and cost-effectively can pose a particular challenge.

One promising way forward is offered by APIs. Software intermediaries that enable two applications to talk to each other, APIs open up communication conduits between programmes. Systems can be joined up across operations or electronic data from external sources fed in, breathing new life into legacy infrastructure. The technology's appeal lies in its ability to facilitate digital transformation without the need for a total overhaul of existing infrastructure – which, as firms



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have often found in the past, can be a costly, risky and disruptive exercise.

SmartStream is already driving change in this area, with customers currently benefiting from our Reference Data Utility’s SFTR API service. The API hugely simplifies the process of sourcing and deriving the instrument reference data required for SFTR reporting. It can be integrated into existing IT systems easily, functioning either as part of a primary solution or serving as an additional source of information.

As a supplementary information source, the SmartStream RDU’s SFTR API can come in extremely handy. For example, if a firm has installed a transaction reporting solution but discovers that data is incorrect or missing, the API can be used to fill any gaps. Onboarding is rapid, and the service is also very user-friendly – simply identify the instrument that is the subject of the SFT, make a call to the cloud-based API, and the required data attributes are returned in an easily digestible form.

In response to customer requirements, the SmartStream RDU is expanding its range of API services, and early 2021 will see the RDU offer its full suite of services via API.

RDU services currently fall into two categories: security reference data and regulatory reference data. Security reference data solutions becoming available on an API-basis will include a listed derivatives service – with data sourced from over one hundred exchanges, and comprehensive coverage for options, futures, options on futures, and calendar spreads – and an equities service. Early 2021 will also see a fixed income solution come on stream that can be accessed by API.

In addition, it will also be possible to access the RDU’s regulatory reference data services

by API. Firms will be able to tap into the RDU’s MiFID II solution and the Systematic Internaliser Registry – the latter offering complete clarity into the systematic internaliser services available across Europe, down to individual security level. The SFTR enrichment API will also continue to be provided.

For buy-side firms that want to avoid putting in place hefty IT infrastructure or hiring costly support staff, APIs offer an attractive option. The RDU APIs make reference data available as an affordable service, which is straightforward to deploy and can be called up at will. No complex, time-consuming and expensive technology projects have to be undertaken, no master database is necessary – all that is needed is a simple rest API call, providing organisations with a convenient, cost-effective means of obtaining the specific data they want.

Utilising this type of service not only allows firms to keep costs down, but enables them to drive up efficiency. Information users are no longer limited to the data they can obtain from within their own organisation and, by being able to get data simply and efficiently from a reliable external source, they can increase processing rates.

Importantly, firms accessing the SmartStream RDU’s suite of reference data services can rely on the information they receive being of the best quality. The RDU goes to great pains to maintain the highest levels of accuracy, cleaning and verifying data carefully, and making it as accessible as possible to users. Created by teams of highly skilled developers, data scientists and industry professionals, the RDU’s suite of APIs has been devised with ease of deployment and access in mind, and has also been extensively tested.

In conclusion, reference data has, all too often, been the forgotten child of the financial world. Change is underway, however, and accessing reliable reference data is becoming more vital than ever. For firms burdened by legacy architecture, or under pressure to keep costs to a minimum, API services supplying high quality reference data offer a much-needed helping hand, allowing systems to be digitised, but without the disruptive impact usually associated with overhauling technology infrastructure. ■