

# At a moment's notice

Tracking exchange notifications that affect listed derivatives reference data is laborious. Overlooking notices is easily done and can be costly. Aparajita Dalal, Product Manager, the SmartStream Reference Data Utility (RDU), believes the RDU's newly launched Exchange Notification Service (ENS), which is also available as an API, offers an efficient, prompt alternative to taking the task on in house.

**M**onitoring notifications from derivatives exchanges can be a complex and time-consuming business: there are in excess of one hundred exchanges dealing in derivatives, as well as multiple exchange websites. Tracking subscriptions from exchanges is generally done through email, and the administrative headache is intensified as notifications are published at varying times during the day by different exchanges. The lack of an industry-agreed standard template or delivery method makes collating, cataloguing and assimilating the data even harder work.

Tracking exchange notifications accurately is essential, if financial institutions are to ensure that the reference data they hold on listed derivatives is up to date. Making sure this task is done correctly is vital: missing or losing a notification can be potentially costly if it disrupts trading or has an impact on risk management.

Keeping a close eye on exchange notifications is not simply a burdensome administrative exercise – it can also incur sizeable operational overheads, and a financial institution may need to employ several staff members to carry out this task. Monitoring notices demands experience and skill, too, and so the appropriate personnel are also required, which adds further costs.

Concerningly, some firms have not fully appreciated the importance of treating this process as a discrete activity, creating a potentially risky gap. The task of gathering reference data from the plethora of exchanges that deal in ETDs tends



to fall between operations and compliance teams and, as a result, where omissions or mistakes occur, these are not always captured.

In response to industry requirements, and following pilot projects carried out in partnership with clients, SmartStream RDU has developed an Exchange Notification Service (ENS). This innovative, unique, and extremely useful service provides a normalised view of exchange notifications related to the management of listed derivatives reference data.

So how did the ENS come about?

The SmartStream RDU provides a well-established ETD reference data service. To maintain this ETD security master, the RDU sources reference data directly from over one hundred exchanges, which it then cleans,

normalises and cross references. Experienced staff identify notifications that affect reference data, such as changes to trading rules, and pick through corporate actions to extract any relevant points that might have an impact on reference data. It is a manually-intensive process, as hundreds of notices must be looked through. Observing the SmartStream carrying out this activity, clients expressed an interest in taking advantage of it, leading the development of the ENS.

One client already experiencing benefits from the ENS is a large hedge fund. The fund was looking to drive down operational overheads – simply monitoring exchanges for reference information relating to ETDs required the efforts of three full-time staff, incurring a six-digit spend. In addition, their internal control groups has flagged the potential to lose or miss notices as posing a serious risk of disruption to trading and risk models.

The SmartStream RDU now distributes data, via the ENS, to the investment manager, which the company uses to cross reference corporate actions received and to check changes from reference data sources. The service allows the fund to obtain the correct information at the right time, lowering exposure to risk and improving the accuracy of compliance activities.

Rather than being farmed out across the organisation, notices are aggregated by the ENS, and so multiple teams do not end up trawling through the same information, replicating effort and therefore increasing the amount of administrative effort needed to gather, study and check data.

SmartStream also supplies the fund with intraday notifications: RDU specialist resources collate notices, which are then cleaned and processed, and dispatched to the client as rapidly as possible. Other clients may, however, opt to receive information on a beginning-of-day or end-of-day basis, depending on preference.

Organisations can receive information either as files or via an API. Each event is formatted using industry-standard JSON formatting and can be delivered near real time, using APIs, or on a schedule for batched event notifications.

The ENS API, which is part of a suite of reference data services made available by the RDU via API, is straightforward to deploy and easy to access. It provides a simple, efficient and cost-effective way for firms to tap into specialist data, without the need for complex, time-consuming and expensive technology projects.

Gathering the information feeding the ENS is a large team of RDU in-house experts – many of whom have an exchange background. The ENS API offers organisations a fuss-free means of dipping into this pool of expertise, enabling them to benefit from the skill and experience of RDU resources.

Additionally, as the RDU goes to great efforts to maintain the highest levels of accuracy – and is also, in the case of the ENS, its own client – users of the service have the reassurance that the data they receive is of the most reliable quality.

Enriching the ENS service further is the RDU's capacity to provide information on historic notifications. This aspect enables organisations to see the timeline and frequency with which notices have changed, facilitating an added dimension to their understanding.

Looking to the future, the coverage offered by the ENS is expanding beyond listed derivatives to encompass equities and fixed income. A dashboard has also been added to the service, to enable ease of use. As well as these developments, the SmartStream RDU is using advanced AI and machine learning technologies to inject greater levels of automation into the service and to further improve response times.

In summary, the SmartStream RDU is, at present, the only provider of a list of normalised notifications from exchanges trading in listed derivatives. The ENS is a cost-effective, complete and accurate service that helps financial institutions spend less time assimilating information from notices and more time acting on them. Finally, as notifications can have an impact on multiple systems, e.g. order management or execution management systems, and cleaning up data downstream is an expensive operation, having high quality reference information from the earliest stage makes strong economic sense. ■