

Best Execution

European Markets Choice Awards 2021 Winner: SmartStream

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In this year's European Markets Choice Awards, SmartStream Technologies won the award for Best Regtech/Data Solutions Company thanks to the continued investment in its regulatory data solutions. For example, its Reference Data Utility (RDU) allows market participants to easily access high quality, reliable data they need to trade successfully and meet reporting obligations accurately.

Linda Coffman, Executive Vice President responsible for overseeing SmartStream RDU said SmartStream started developing the service with clients in 2017, the year before MiFID II was due to introduce new regulatory requirements across asset classes. The firm used a similar collaborative process before the roll out of the Securities Financing Transactions Regulation (SFTR) last year to launch a product to meet the ESMA SFTR reporting deadline of July 13th.

Coffman said: "Giving our clients access to cleansed and timely data in a format that allows them to make fast and accurate decisions on what and when to report has been the foundation of our regulatory solutions since day one."

MiFID II is under review by the European Union authorities so there could be changes to reporting and the underlying reference data required. Since the EU regulation came into effect the UK has also left the EU and the Financial Conduct Authority is likely to develop its own reporting requirements.

"We support both the FCA and the ESMA brand and we definitely think that there will be divergence," added Coffman.

For example, a paper from the UK Treasury indicates they are thinking about taking a different approach to the Systematic Internaliser regime. Coffman said: "We really tried to take a proactive approach, knowing they were going to diverge. For each jurisdiction we have developed a set of APIs which we can tweak as required."

This approach highlights the benefit of using SmartStream as a managed service for reference data.

"We take over the management of vendor and regulatory notifications so clients can devote resources to their core business," said Coffman. "Of course, we collaborate to explain our understanding and make sure it meets their needs."

In addition, the utility model functioned very well in the midst of the Covid-19 pandemic when there was unprecedented volatility with a number of new issues, especially for derivatives. Despite these challenges, SmartStream did not incur any downtime.

"Our technology and operational processes were able to handle the increase in volume and exceptions," added Coffman. "It's all about catching and correcting the exceptions before it gets to our clients."

An important component of providing managed services across Smartstream's data sets is to ensure updates are applied accurately and on a timely basis. For derivatives this requires monitoring notifications issued by more than 105 exchanges and ensuring all new data and data updates are completed before the trading day begins.

Smartstream uses a mixture of natural processing language and human intelligence to filter the many exchange notifications to identify the small number that affect reference data. The firm needs to capture that information and ensure accurate changes are made on the right date.

Coffman said: "Our exchange-traded derivatives customers really appreciated this effort and asked a lot of questions around how we kept our data up to date. They encouraged us to turn those activities into a new solution."

As a result SmartStream RDU launched the Exchange Notification Service (ENS) for listed derivatives in June 2020 for pilot customers, and then rolled it out in full at the end of last year. The service provides clients with a normalized view of exchange notifications related to the management of listed derivatives reference data. Coffman said SmartStream is reviewing whether to extend ENS outside listed derivatives.

"The number of exchanges increases massively when you move from listed derivatives to equities but we now have the foundation in place," she said.

SmartStream launched into fixed income at the start of this year with the release of reference data for global sovereign and corporate bonds which can be accessed via an API or a file. The firm supports a number of vendors in fixed income and is looking to expand the products covered. For example, to US municipal bonds or collateralised mortgage obligations (CMOs).

Coffman said clients are increasingly looking for data across listed derivatives, equities and fixed income.

"It feels like a shift has happened lately and it's one of the reasons that we invested in developing a suite of APIs," she said. "Firms don't want to do the heavy lifting that was necessary in the past, but want to be able to slice and dice information so they are not paying for data they do not use."

SmartStream is also developing its position around reference data for environmental, social and governance securities legal entities, and focusing on EMIR Refit Regulation, which aims to simplify EMIR reporting for derivatives.

“ESG is all everybody can talk about at the moment so we think that a utility is a great place to park this data as regulators try to standardise taxonomies,” said Coffman.

She continued that SmartStream was thrilled to win the Markets Media award as it highlights the value of the utility model and the firm is grateful for recognition by the industry.

“I think there were industry doubters when the SmartStream RDU was first created, but over time we have proven that the utility model works and is here to stay,” said Coffman. “We are proud of both our technology and operations staff and that combination is what sets us apart.”

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