There are no secrets that time does not reveal

French dramatist Jean Racine's point seems particularly relevant in today's financial markets. A view of time has becoming increasingly valuable but not easy to achieve, writes Ian Salmon, Market Consultant at Accedian.

Banks and other financial institutions have endured extreme adversity in recent weeks, brought on by unprecedented levels of market volatility. Now is perhaps a more apt time than ever to ensure optimal profitability, manage risk and strive for better-informed business decisions. The ability to thrive while minimising the cost of operations, and in the face of such adverse market conditions, will require significant agility.

Banks had already begun their review of processes as they continued to focus on efficiency and client service. Some have consolidated business lines as a result – however, in doing so, they must rationalise individual service-specific infrastructures. They must also find a way to deliver a complete view of everything across those infrastructures so they're equipped to make smarter decisions.

Regulation has also become a major driver for change. Regulators are demanding that firms deliver a holistic view – and a key part of this is the MiFID II requirement for all data to have a universal timestamp. What's interesting is that the regulators' motives for doing this, to reconstruct sequences of events to gain intelligence on the market, are closely aligned with what firms need to be thinking about internally – understanding business activities in order to hone strategies.

This elephant in the room, compliance, could be the imperative that firms need to rethink approaches once and for all. And with market participants and regulators pushing in the same direction, it's time for a radical shift. That means turning attentions to the real underlying problem – disparate technology.

Financial institutions have long had to contend with multiple systems that operate with different architectures and different protocols. In the front office, many separate systems may prevail at the desk level and firm-wide, with multiple ISVs. In particular, FCMs are hardest hit with many disparate systems present in a single asset class.

Running multiple infrastructures can be costly and challenging. Furthermore, this plethora of applications inevitably use different data structures and timestamps, which means they all present a separate unsynchronised version of events in differing formats. As a result, it becomes almost impossible to piece everything together into a sequential unified view of all data, which adopts a universal format, across all asset classes and in real-time.

A strategic approach to compliance

When dealing with regulations, all too often, firms have focused on addressing each regulatory requirement individually – or they've dealt with a specific piece of the architecture in isolation. These tactical approaches are now proving ineffective, particularly given the scale of the challenge ahead.

MiFID II is a case in point and most in the industry that have lived through previous major regulatory change appreciate the potential for market structure impact.

Few predicted the amount of transformation that would result from MiFID I – and MiFID II promises to up the stakes dramatically.

To address the enormity of the issue, firms are moving to a holistic approach; one that recognises the common regulatory requirements and addresses them as a whole; and, crucially, one that broadens the horizons beyond immediate regulations to achieve enterprise-wide commercial gains.

Timestamping – a watershed moment

The MiFID II timestamping requirement is an important catalyst for this widespread change. Many firms have invested in data cleanliness and have integrated with data repositories to house the information already. But that's simply not enough going forward.

Timestamping creates a common fabric that brings together a whole set of worlds that were historically never linked. It's a particularly difficult requirement to address because of the granularity required and because timestamping needs to happen at every link in the chain. Extracting data from each application and then analysing it simply isn't going to work. However, if firms have a way to grab the data off the wire, already timestamped, they will be able to construct a holistic view far more easily.

Firms will be able to comply with regulation as well as achieve important business gains. Get this right and it's a crucial turning point.

Driving profitability
One possibility is that it would allow institutions to look at trading behaviours in a whole new way and with far greater control. They will be able to analyse profiles of trading and identify profitable and non-profitable clients and business lines for all platforms and across all asset classes. For most firms, this is an entirely new level of insight.

It is this type of intelligence that will enable them to become more agile and strategic, by truly understanding performance within every portfolio of activity. That's going to lead to more efficient operations and greater profits. The reality is that the days of siloed business models are numbered and firms are thinking bigger – and in times of turmoil and high volatility, that could determine who sinks or swims.

Forward-thinking firms are already exploring ways to bring timestamping to fruition sooner rather than later. Those that wait for the regulatory deadline risk being left behind by those able to apply new insights to powerful effect today.