Legacy Systems Slow Business Growth

The demands in the market have changed, but the infrastructure that connects market participants has not, according to John Paul DeVito, Co- Founder and Director of Sales Marketing, InteliClear.

He compared the market infrastructure to the pipes, which are dominated by outsourced infrastructure deployed a generation (or more) ago.

“The pipes are clinging and clanging, and the tenants are worried about their foundation,” he told Traders Magazine.

“The lyrics of Bob Dylan are astute: “For the times they are a-changin,” he added, mentioning shortened settlement cycle, zero commissions, robo wealth management, DeFi vs. traditional custodians, algorithmic nanosecond trading, investing in non-regulated alternatives like crypto and digital securities alongside traditional assets in whole or fractional shares.

According to DeVito, fintech firms and established firms alike are becoming more and more aware of the limitations legacy post-trade processing systems can present.

These firms wish to control their own destiny and being beholden to legacy technology and their business models is unacceptable to many today and are looking for options to improve upon the status quo, he argued.

DeVito said that some players will accept those constraints, while others will seek an alternative that enables them to have an operating and financial advantage in the marketplace.

He explained that sometimes it is complacency, but other times it can be the fear of the conversion itself: “It can be a daunting thought to consider the amount of work involved in changing what you’ve known for X number of years and get it working on a new platform that you are not familiar **with**.”

And tied in with all of that can be a bit of self-preservation or selfishness, DeVito added: “What if the new system is more efficient and my job becomes redundant?’ or ‘Do I want to have to deal with all these technical issues that my service bureau presently handles?”

When asked about his expectations for the operating landscape, DeVito said: “The ‘old guard’ have retired or are on the verge of retirement.”

There are new players with new ideas who will not or cannot accept what they see as antiquated tech and operating models, he said, adding that “complacency and fear do not fit the ethos of ‘real’ fintech companies.**”**

“The companies that are pretending to be fintech, or who wish to be perceived as being fintech – are being exposed and they will either adapt or will fade away,” he argued.

DeVito said they see more firms investing rather than outsourcing, mainly for time to market and the dearth of real expertise on both the tech and business sides.

For example, InteliClear's model allows firms to use its system like an in-house service bureau or as "a vendor of a robust foundation that they can then expand upon internally**"**.

A source code purchase allows a firm to replace a liability on their balance sheet to an asset while simultaneously improving operating functionality, DeVito explained.

InteliClear was founded in the early 2000's and was created out of the need for a modern clearance and settlement system to cost effectively support the changing regulatory and operating landscape of market members.

The system was architected as a client-hosted solution, agnostic to markets, products, currencies or settlement cycles with all the features a self-clearing, correspondent-clearing, omnibus clearing or introducing broker/dealer requires to be competitive today and tomorrow, DeVito said.

"Our clients are our sales force, our clients dictate their priorities, which then becomes our direction. We will continue to listen, we will continue to grow our client base and our functionality, and we will continue to explore new worlds with our clients leading the way – and InteliClear right next to them ready to help forge new paths whether with a machete or dynamite!" he concluded.

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Post Trade Solutions