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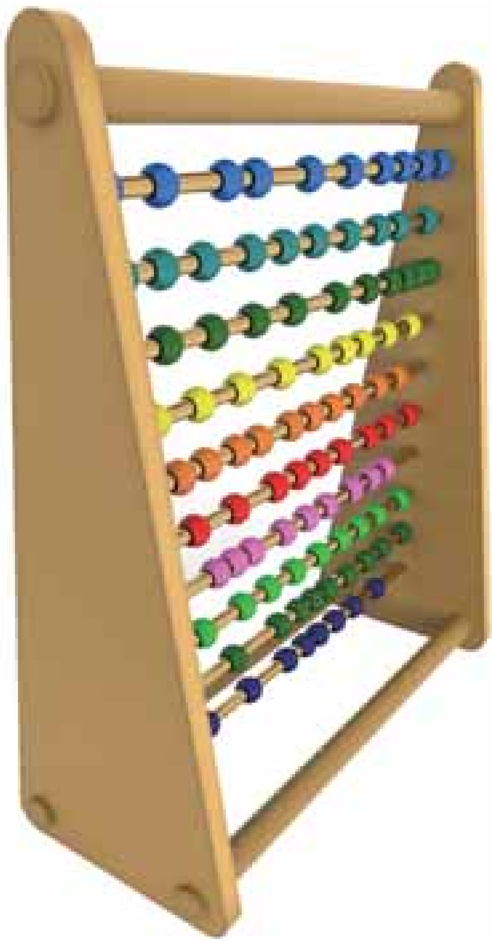
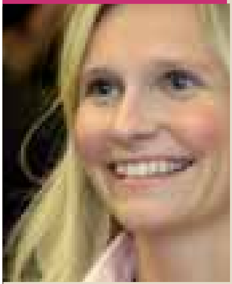
Evaluated Prices

Special Report



Editor's Letter



Eyes on the Price

For data vendors, evaluated prices has been the space to focus on following the financial crisis. This is where many vendors have added expertise, expanded offerings and boosted resources—all to meet a growing demand from a user community eager to take both more data and more frequent data.

In fact, some users tend to say that if there was another source, they would probably take that too. The pressure is on to mitigate risk, and comparing data sources is considered one of the most essential ways to do that. But the challenge is how to maintain all the data, which has to be collected, maintained and validated.

Firms are increasingly dependent on improving automation and processes to meet the operational challenges—linked to anything from having to introduce more robust validation techniques to enabling the business to take evaluated prices intra-day.

The ever-changing pricing landscape means it is vital to stay on top of news and developments, which is what we hope to help readers do by publishing this annual *Evaluated Prices* report, including comments from industry experts and a news review.

Yours sincerely,

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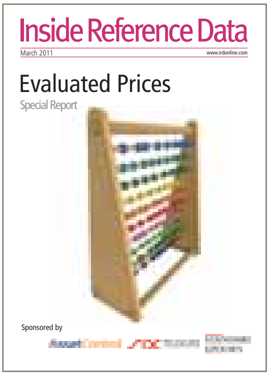

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News Review

Transparency Drive Pays Off for JP Morgan

LONDON—JP Morgan Worldwide Securities Services is offering clients of fund accounting and over-the-counter derivatives pricing services improved transparency into the overall pricing process, providing an instrument matrix to help them understand coverage.

As securities become increasingly complex and the fund accounting business moves in the same direction, fund accounting providers are highlighting how transparent services can benefit asset managers wanting to understand how an instrument can be priced throughout its lifespan before they decide to go ahead with an investment.

London-based John Haywood, JP Morgan Worldwide Securities Services, product head of global derivatives services, says for OTC derivatives, JP Morgan's instrument matrix explains and provides information required by clients on the instruments supported by the pricing team.

Clients would take this into consideration when making an investment, and this is "intrinsic to the decision-making process," says Haywood.

Marcel Guibout, EMEA head of fund accounting product for JP Morgan Worldwide Securities Services, says the fund accounting team will typically have a service-level document with clients, covering the notice and lead times for new instrument types.

See the full version of this story in *Inside Reference Data*, February 2011.

Tine Thoresen

Société Générale to Complete Valuation Time Project

PARIS—Société Générale Securities Servicing (SGSS) plans to complete its initiative to change the time clients receive daily valuations by the end of Q1.

SGSS launched the initiative, which will enable clients to receive valuation reports before 7am instead of 10am, earlier this year due to client requests and is in talks with various market data providers to facilitate the change of data delivery timeframe by sending the end-of-day or intra-day data files earlier than before.

Paris-based Phillippe Rozental, head of asset servicing, SGSS, says: "We are looking at the timelines of all market data providers asset class by asset class, and examining each contract and relationship to enable this change," he says.

See the full version of this story in *Inside Reference Data*, December 2010.

Carla Mangado

Source Comparisons and Intra-Day Snaps Squeeze Ops Resources

LONDON—Evaluated pricing operations teams are increasingly under pressure as more firms move to intra-day snap shots and multiple sources, according to panelists at an FISD event in London in December.

Following the financial crisis, there has been a growing demand for evaluated prices, with firms taking both more data and more frequent data. Panelists said this trend is putting pressure on operations, as there are more sources to compare several times a day.

London-based Ian Blance, head of evaluated pricing, business development, SIX Telekurs, said: "I believe a user should take as many sources as there are, but it's usually not commercially viable to do that. It's all very well having multiple sources, but how do you process those?" he asked.

Firms typically operate with tight processing deadlines, and an increase in exceptions can put pressure on time. Blance said this means many avoid having more than one to two sources to make the data easy to manage.

London-based Anthony Belcher, director, European Fixed Income, Interactive Data, said if clients are taking multiple sources it is essential to set up a processing strategy in advance.

See the full version of this story in *Inside Reference Data*, December 2010.

Tine Thoresen

State Street Teams Up with Teradata and SAS

State Street is working with tech vendors Teradata and SAS to provide investors with the data and tools needed to value asset-backed securities, said speakers at the Teradata Partners conference in San Diego in October.

The offering will be an ABS data and analytics repository, a new product line for State Street. State Street, a custody bank, will be selling the service to the buy side; Teradata will provide the data warehouse to manage the data; and SAS will provide the valuation and analytics tools.

Interactive Data to Launch Evaluations Service

Interactive Data plans to launch a new evaluations service for US residential whole loans, based on observable inputs from the securities markets, from the second quarter of 2011. There is currently limited or no independent evaluations coverage for this asset class.

Interactive Data says it will cover performing and non-performing whole loans, and complement its current services covering securitized debt and other asset classes.

Virtual Roundtable

Evaluated Prices: Getting It Right

Inside Reference Data gathers leading industry professionals to discuss the latest issues within the evaluated pricing arena

What is the best way to balance the need to produce timely prices with the need to ensure prices are right?

Mark Wright, vice president, Global Pricing, State Street Global Services: As important as accuracy is, it is critical that the levels of control are appropriate for the pricing window. We could sit for days debating the rights and wrongs of a bond quote, so it is important to have a clear policy and a solid control environment that is realistic to the time allotted. Five controls are better than three, but if this means the controls need to be rushed or are incomplete, then the entire process is undermined.

Rick Enfield, product business owner, Asset Control: The definition of a "right" price depends on what that price is being used for within a firm. An instrument price used as part of an overall portfolio valuation could only represent a small percentage of the overall valuation of that portfolio. In this case, an instrument price that is "not right" could be "right enough" when measured on a materiality basis for purposes of fund valuation, publication and dissemination. In this situation, being late carries a significantly higher price than the immaterial differences in a price on a holding not material to the overall valuation. Conversely, an error in a material holding could have significant ramifications on costs should reprocessing be required as a result of an error. In any internal control system, processes need to exist to surface items of a significant nature for immediate focus—with less material items perhaps being attended to afterwards. The approach to be used in surfacing such items is bound to be quite different between organizations—or even between departments in one organization.

Kerry A White, managing director, BNY Mellon Asset Servicing: When pricing clients' securities as a custodian, we strive to balance the dual requirements of timeliness and accuracy. Because so many of our clients rely upon our validation of the priced securities we deliver to them, we help them create efficiencies when they have onward distribution requirements to a transfer agent, or other stakeholders. We believe minimizing exposure to valuation risk is an important and fundamental part of the work we undertake for our clients.

When it comes to illiquid, or thinly traded securities, one could argue there is no "best" price. BNY Mellon works with a number of vendors to provide evaluated prices based on market data where possible. Utilizing normal market trade data and oversight of the process through back testing and modeling of instruments, vendors are able to provide scrubbed prices that have a consistent methodology. BNY Mellon looks for multiple sources of price data to give our clients information to support their review of holdings and value. Our review, comparison and analysis of data provided by our pricing vendors is key in minimizing valuation risk exposure.

AssetControl

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Ian Blance, head of evaluated pricing business development, SIX Telekurs: First, it is important to qualify the concept of a price being "right." There are some with the viewpoint that the only "right" price is a market-derived price (where an actual transaction of a security has taken place) because that is the only price at which a real buyer and a real seller have consummated a trade. While it is indeed true that a market price represents a level where an actual transaction took place, it is also the case that today, more securities trade over-the-counter than on an exchange, and that many instruments simply do not trade on a regular basis (and some may not ever trade).

In this situation—where a market price may be unavailable or stale—how is a price deemed "right"? In relation to our evaluated prices, we regard this as being a reasonable and fair valuation for the instrument based on current market conditions, and do not sacrifice quality in this respect for the purposes of speed.

Philippe Rozental, global head of SGSS Asset Servicing, Société Générale Securities Services: Having at least two data providers for each single point to ensure accuracy and timely data to feed your enterprise golden copy.

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Frank A Ciccotto Jr, senior vice president, Standard & Poor's Valuation & Risk Strategies: This balancing act between timely and "right" is becoming difficult to maintain as markets continue to remain volatile, becoming more sensitive to even the slightest economic and environmental developments. Late-day market volatility is commonplace, placing pressure on pricing providers to react quickly to market changes while still fulfilling scheduled delivery commitments.

Late-day price adjustments may be required on individual securities, within a unique sector, or across the fixed-income universe. Standard & Poor's has invested in systems that enable rapid price adjustment at the universe, sector, or security level. Continued investment in processing power is essential to eliminate delays caused by late-day volatility.

Any decision regarding a late delivery is weighed against the time pressures clients experience given their daily reporting requirements. It is of the utmost importance that the client meets its processing deadlines. Any decision to delay delivery, which may be a result of late-day market volatility, will always be made within the context of our clients' downstream reporting requirements.

Liam Davis, London-based data management consultant: Timeliness versus accuracy is a key challenge within the retail funds industry, as well as ensuring stakeholders such as fund managers gain timely statements of their funds' performance. Therefore, the evolution must take place in the areas of acquiring faster real-time data from market data vendors and processing the data through more efficient operating platforms. The key challenge must be to ensure the exception management process is geared towards highlighting the highest risk issues is key to avoiding costly mistakes. That is, the price validation platform used by data management departments must be capable of low-latency production of real-time price exceptions, capturing risks via an efficient and user-friendly interface. Deadlines for releasing information to the market will only become more challenging as clients and fund managers want their data delivered more expediently—firms will be judged on speed to market and accuracy of their outputs.

If firms do not have the capital resources to purchase more sophisticated pricing platforms, which can enable greater efficiency, they should be pressing their data providers for faster batch file data delivery, enabling more time in the post-validation stage to scrutinize data exceptions.

Data vendors and stock exchanges need to understand that delivery of data to fund administrators in a shorter time frame post the valuation point should be less restrictive as there is no economic value to be gained by fund administrators in gaining information earlier than the standard 15 minute data restriction barrier. Earlier delivery of price batch files is essential to providing the necessary oversight and corrective ability within the fund administration sector.

If a pricing team were to make one change in terms of how they validate their prices, what should they do?

Wright: They should ensure the mind set of the operations staff is to ask "why." Simply checking a tolerance break to a second source is one thing, but looking for justification as to why the tolerance was broken is a much more effective approach. Ensuring the appropriate levels of resource, training and experience are key here.

Enfield: Just because prices are provided by an outside party does not mean they are correct, nor does it abrogate the fiduciary responsibility of an asset manager for accurate valuations. Having a proper program to regularly review external prices can help reduce the risk of surprises in the valuation process. This is not the same as reviewing and challenging the tolerance breaks found during the regular pricing process. Valid statistical sampling techniques can be used to gain confidence in the results received from vendors. After all, a price that does not break tolerance does not necessarily ensure it is accurate, current or reflective of actual value. No approach is fool-proof, but internal control testing helps ensure processes and procedures thought to be in place are actually in place and enforced.

White: There is a strong awareness at BNY Mellon when reducing valuation risk that we consider all the data available, including vendor prices. As we are such a risk-averse firm, a frequent topic of discussion is how we can minimize the potential for error and the risk associated with using inaccurate or inappropriate reference data.

If there was one change a pricing team could make to improve how they validate the prices received from vendors, it would be to ascertain they are knowledgeable about the models and methodologies being utilized for specific asset classes. Often, these models and methodologies can be very sophisticated and complex, possibly deriving prices from market parameters (ie, volatilities, correlations, prepayment

Virtual Roundtable

STANDARD & POOR'S

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rates or default probabilities) that are forward-looking. This can make it difficult to identify outliers by making a straight comparison of market prices of traded securities.

We also find sharing data internally for additional validation and comparison to benchmark returns is another way a pricing team could add a reality check, perhaps even before making a call to the pricing vendor. BNY Mellon evaluates vendor processes and places considerable value in relationships with quality vendors who are experts in identifying irregular markets and irregular data. In working with our clients and vendors, BNY Mellon can utilize multiple price sources, pricing hierarchies and pricing tolerance checks on a client-by-client or investment manager level.

Blance: We cannot comment specifically on what pricing teams should or should not do, other than to say we are aware the validation of models and vendor sources is something auditors are looking at very carefully. Areas such as multiple sources, vendor due diligence and transparency are under increasing scrutiny.

Rozental: It depends on the level of change. If they had to switch data provider source, they could do it internally by providing documentation on the reasons for the change. In other cases, price validation is done through pricing procedures, validated in pricing committees involving multiple stakeholders.

Ciccotto: A pricing team is obligated to validate that the prices received from their independent provider are representative of the market. There are a number of ways a pricing team can enhance the price validation process. It's likely that most teams employ several options today. Regardless, most solutions will deal with the acquisition of more pricing-related data, and the improvement and enhancement of communication mechanisms with their independent providers.

Most often, teams will subscribe to both a primary and secondary price source for their independent pricing. When available, they will also purchase market data feeds from a number of different providers. The limitation with market data feeds is that due to the over-the-counter nature of fixed-income markets, comprehensive feeds are not available for all asset classes, and the randomness of day-to-day trade volumes will make the feed extremely reliable on some days and less so on others.

Clients may also employ a tolerance system that focuses on their most sensitive positions, so when a big price move occurs it is flagged and a communication with their provider can take place immediately. If the user can align its tolerances with those used by its providers, they will have a much greater comfort level with general market movement.

Davis: If a pricing operation is not already performing a review of how prices impact client portfolios or funds through NAV materiality, then this is an area they should be isolating as a priority 1 development. It requires some form of synchronization with downstream accounting/portfolio systems, but it is probably the most important integrity check on prices, which assists in the prevention of client-impacting data errors. Anomalies can arise through various points of failure along the process, but as a final scrutiny of price accuracy, the NAV materiality impact review will highlight any potential errors that have gone undetected through earlier validation stages.

How important is it to assess price challenges in relation to NAV impact?

Wright: I do not believe NAV impact should be the sole consideration, as creeping errors can gradually increase over time. However, NAV impact is a good way to prioritize and add a level of focus.

Enfield: Theoretically, any error that keeps a fund NAV rounded to the same amount is immaterial. Thus, a price between 9.9950 and 10.0049 still gives a rounded 10.00 price. A common rule of thumb is that impacts over 0.005 need to be verified. Less understood is the difficulty caused when an actual error pushes a NAV across a threshold after rounding. What happens if there is a 0.0001 error on a NAV calculated to be 10.0049? Does the NAV have to change to 10.0050 and thus be 10.01? This would be impractical to say the least, and is an example of how a constant approach to data management can be more important than an insistence upon exactitude in processing. Reasonable and constantly applied control procedures are the best way to ensure accuracy in valuation processes.

White: BNY Mellon recognizes the price challenge process is critical, and one must weigh the challenges with respect to the NAV impact. We constantly review stale prices and perform source-to-

Virtual Roundtable

Mark Wright, State Street Global Services

source comparisons at security level so we can challenge our pricing vendors when necessary. This process also helps us prepare for any price challenges our clients might lodge with us. Maintaining a robust database, combined with comprehensive reference data, allows us to provide clients with the tools to review pricing and render their own decisions as to whether or not they may be exposed to any valuation risk. We believe transparency is of utmost importance with respect to the pricing processes and know it is important to our clients, too, that they understand how to identify abnormalities.

Any change in the ability to value securities from vendors is a concern for us, and we are not shy about making price challenges. We recognize many securities are priced on a matrix or based on derivative information of other securities, and this creates an inherent risk in valuation when the security no longer meets the criteria within the associated matrix. This could be due to illiquidity, changes or default characteristics that are not readily identified. Often, these types of issues arise with evaluated prices, which require price challenges because they result in a significant NAV fluctuation.

Blance: As a pricing provider, we have no information on the actual holdings of clients and are therefore unable to assess materiality. One comment though—since our prices are independent of any client influence, whether they are material or not to any specific client would be a matter solely for the client and should be irrelevant to an objective vendor.

Rozental: For some funds' pricing policies, even a very limited change in the price can have big impact on the NAV. Price challenges should always take into account each fund or sub-fund pricing policy and evaluate on a real-time basis the NAV impact of changes.

Ciccotto: Mutual fund companies challenge securities based on several criteria. They may believe a security is mispriced based on a bid shown directly to them. They may challenge based on actual trades of the security, or based on trades of securities deemed comparable. Challenges may also result from a client's review of fundamental data not yet assessed by its independent provider.

It is possible a change in price resulting from a challenge may impact NAV, Standard & Poor's does not consider NAV impact when reviewing the challenge.


Kerry White, BNY Mellon Asset Servicing

In most cases, pricing providers would not have enough information (holding size, shares, etc) to even estimate the impact on NAV. Regardless, a pricing service's mission is to provide an independent assessment of where an individual security could be liquidated in the market at the time of valuation. Standard & Poor's understands that providing the client with added transparency about how the challenged price was developed is critical to our role as an independent evaluator.

What can pricing teams do to be better prepared for volatile market conditions?

Wright: Access to multiple sources is a sensible approach, information is key. It is also important to consider your tolerance thresholds, remembering that the idea is to focus on movement out of the norm. If all markets are moving excessively over an extended period of time, then a change in policy should be considered for the duration of the volatile period, to ensure they remain relevant to the change in market behaviors. Index movements should also be factored into tolerance rules where possible.

Enfield: Balancing relative materiality with an understanding of pricing dependencies is the best way to deal with volatility. Just because there is a massive price swing does not indicate a pricing problem has occurred. Conversely, the lack of a large pricing swing does not indicate no pricing problem exists. The first step is to evaluate relative materiality in terms of the critical items that require focus in the tight timelines within the pricing process. Next is to determine which material holdings have significant price movements (or lack thereof) to trigger a threshold for evaluation. Volatility matrices are well established tools in portfolio management, and these same types of tools can be used to help reduce the noise levels caused in volatile markets. Understanding how prices should have moved relative to their respective markets, benchmarks, etc, can help pricing teams quickly focus on areas requiring attention.

White: One thing pricing teams can do to be better prepared for the next period of market volatility, is to make an honest assessment of how they handled the market during the fall of 2008. Appropriate questions to ask include:

- How were their service levels?
- How many price challenges did they lodge with their vendors?
- How many price challenges were lodged with them?

● Most importantly, did they end up delivering any inaccurate prices resulting in an incorrect NAV?

Once a pricing team identifies any flaws or cracks in the process, they can take steps to address them and be better prepared for future volatile market conditions.

At BNY Mellon, this is the kind of self-assessment we carry out continuously. It isn't always easy to ask those questions, but it is critical to ensuring we have a rigorous process in place. Likewise, we continually monitor our pricing vendors for quality, and periods of market volatility can help expose those whose service might be slipping. We realize the value in maintaining consistent and comprehensive security master data, providing the same data source for custody, accounting, performance, compliance monitoring, valuation and other services that provide value to our clients. Consequently, we look for vendors who share our belief in the importance of consistent data and processes, and recognize we are ultimately beholden to our clients.

Blance: We would recommend that clients have a full back-up plan, ensure their vendors are fully transparent, and are aware of what the price they are using really represents. For instance, if a pricing source is of a composite type—ie, the value is derived from dealer quotes or trades—then if these inputs dry up, the pricing will cease.

Philippe Rozental, Société Générale Securities Services

Rozental: The mutli-sourcing strategy is the best way to protect accuracy of our data.

Ciccotto: It is vitally important for pricing teams to maintain consistent communications with their trading desks. These communications will provide the pricing team with an understanding of the day's general market movement. This knowledge will help the team plan accordingly for its end-of-day processing responsibilities.

Additionally, there is no discounting what an experienced valuations staff can provide in times of volatility. The importance of employing staff with "Street" experience cannot be understated. At Standard & Poor's, our pricing analysts average nearly 15 years' experience in the fixed-income markets. All investment functions are represented; portfolio managers, traders, salesmen and fundamental and credit analysts.

To be better prepared for volatile markets, ensure there are open lines of communication between pricing


Liam Davis, consultant

teams and investment professionals, and hire professionals who have experienced unstable markets first hand.

Davis: Financial crises are not a "one-off" event, and each firm needs a plan to deal with future economic crisis fall-out. When markets go into meltdown, normal operating procedures do not apply when dealing with large volumes of data exceptions as a result of large swings in indices. When economic indicators begin to show signs of distress or significant volatility, an action plan should be called upon. The action plan should contain provisions to alter the thresholds by which price exceptions would be observed under normal market conditions. If firms are not already performing market movement index benchmarking, that is, adjusting exception parameters to take account of larger than normal index movements, then this should be addressed and development scheduled to support such a process.

If another credit crisis were to occur, extended data coverage should be acquired that would allow for greater depth of market information, and therefore would assist by reducing numbers of data validation exceptions.

I also recommend that pricing operations target up-skilling and training in areas such as fixed income and OTC derivatives, thus enabling greater competency to manage such conditions.

A further recommendation would be to establish a governance committee within each firm, which could provide cross-functional direction and leadership during market upheavals. The data governance committee would help to manage the interests of clients, communicate service delivery expectations and communicate the data quality approach being executed during a period of turmoil.

Data vendors have continued to improve coverage and services in the evaluated pricing space over the past years. What is next now, and what can vendors do to meet ever-changing client requirements?

Wright: I feel there is still an opportunity to increase the service offering for intraday evaluated prices.

Enfield: Evaluated pricing is an area that is expanding as the need for reliable, independent valuation grows. Each vendor adds their own proprietary methodologies to enhance their offerings to their clients. However, those clients also will require transparency into the valuation process; and this is an area of focus for the data management areas. Application of the pricing model, controls over the application, and an understanding of the inputs to the pricing models is an area of intense interest to customers. Being able to easily prove compliance with pricing mandates will ensure clients can rely on the results of their vendors' pricing accuracy.

White: I would agree data vendors have significantly improved their coverage and services with respect to evaluated pricing over the past few years. These improvements have been, for the most part, driven by the evolving regulatory and reporting landscape. The adoption of FAS 157 and later accounting regulations has really shed light on the valuation of securities that are hard to value, and has, in a sense, spawned a whole industry that is obsessed with deriving "fair value" to make certain that investors aren't caught by surprise.

As our clients navigate through the regulatory changes being proposed, it is evident transparency in pricing is key. While this may be achieved through regulatory mandates or improved open-market practices, I think pricing vendors must be sure they stay current on what is happening from a regulatory perspective. It helps if they think like the ultimate consumer of their data, whether the asset owner is an SEC-regulated entity or one who comes under the scrutiny of the DOL. BNY Mellon works with vendors to provide pricing transparency so that the valuation and pricing data can be reported back to our clients and their investment managers to help in their decision-making process.

Blance: As a data vendor, we can certainly confirm it is true that clients always want our service better, faster and cheaper! From our perspective, we are always reviewing how client requirements are changing and updating our services accordingly. Our major drive at the moment is on transparency and auditability in our pricing process as the key to client acceptance.

Rozental: Data providers could be closer to us by anticipating impacts to our needs, given the different regulatory moves in the financial industry, such as Solvency II and UCITS IV.

Ciccotto: As S&P has done, pricing vendors need to continue enhancing their price transparency mechanisms; offering more in-depth views into assumptions, models, trades that were looked at, and other aspects of what one might deem "intellectual property."

An example of such "IP" could be a sharing of the vendor's securities classification and grouping rules employed when parsing through a securities universe of several million bonds. A client understanding of such rules will provide valuable insight into how providers are seeing relative value within and between sectors and sub sectors.

Davis: Coverage continues to be an area requiring continuous improvement for data vendors specializing in evaluated pricing. Ideally, everyone would like to see 100% coverage of the corporate fixed income market, but how likely is that? I believe vendors should take a more proactive approach in engaging with clients to enhance the coverage assets within their evaluated pricing universes. In a perfect world, clients would aim for complete vendor coverage from primary to secondary and tertiary vendor coverage. I expect the use of two to three sources of evaluated bond pricing would prove expensive for businesses to support, but it would seem to be the most risk-free approach and would constitute a cost versus risk trade-off that requires business consideration.

Intra-day evaluated bond pricing continues to be a challenging arena for vendors to target specifically at EMEA. Fund administration firms require the best available information in the market when they proceed to assign a valuation to portfolios. Specifically in times of market upheavals, fund administrators want to assure their clients that portfolios are being valued as accurately as possible when performing intra-day valuations, therefore, there is an expectation that evaluated pricing vendors should step up to the plate and provide this capability to accurately identify issuer-level price volatility right up to the fund valuation point, and be capable of passing this information onto their clients. Clients will not be satisfied with information that is not envisioned as being up to date.

Transparency of how evaluation models perform and how underlying data is captured remains a challenge in this space. Not all vendors have provided the base-level price modelling assumptions, and this provides challenges to firms seeking to provide clients and regulators with assurances that they are using the appropriate evaluated vendor services. I would highly recommend that all vendors publish the evaluation models they are deploying for each bond asset type, along with providing transparency of all the price model data inputs/assumptions. Only then will users of their services be truly satisfied the information is above reproach and regulators can be assured the outputted evaluation prices are fit for purpose, thus not negatively impacting retail investors.

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2011 events

Hosted by **Inside Market Data, Inside Reference Data, Buy-Side Technology, Sell-Side Technology** and **Waters** magazine, the **WatersTechnology** series of events are the leading financial data management and technology conferences for information and systems professionals working at financial trading firms around the world.

These conferences deliver expert analysis and commentary through interactive panel discussions, case studies and keynote addresses that provide delegates with the latest on the business, competitive, regulatory and technological issues affecting market data, reference data and trading technology professionals.

Our series of events provide the opportunity to network with hundreds of leading market data, reference data and trading technology executives from consumers, producers and suppliers across North America, Europe and Asia Pacific. Combined attendance for our 2010 totalled 3,250 delegates across 11 events.

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December

watersUSA 2011
trading technologies for financial-market professionals

Q&A

Servicing the Buy Side

Fritz McCormick, Aite Group

As buy-side firms are under pressure to improve transparency into pricing methods and mitigate risk, evaluated pricing vendors see clients requiring improved coverage and capabilities. IRD speaks to Fritz McCormick, senior analyst, Aite Group, about the opportunities in the evaluated pricing market

Who's setting the agenda in the evaluated prices space?
The agenda is being set by users on the buy side needing access to third-party evaluated services for purposes of increased audit and risk management obligations.

How do you expect the interest in evaluated pricing information to develop in the coming years?
I would expect interest in evaluated pricing information to continue, based upon the continuing need for evaluated pricing to substantiate positions and support audit, risk and margin/collateral operations.

What market factors will impact the interest in this content type?
Market factors such as increasing OTC derivatives volumes and continued regulatory and audit scrutiny will impact interest in evaluated pricing information.

What could third-party vendors do to improve existing offerings?
Vendors can expand the scope of their offerings to include additional instruments—especially in the OTC derivatives space—and update their delivery and price challenge capabilities to better communicate with clients.

What are clients looking for in terms of price challenge capabilities?
Clients are looking for the ability to submit and review challenges and responses, as well as monitoring the overall process.

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