



Evolution Securities

BUSINESS CASE STUDY

Improving the trade flow on securities

THE MARKETS, THEY ARE A-CHANGIN’

Europe’s securities markets are changing and changing fast. To survive and thrive, service providers have to be prepared to adapt to and evolve with the new paradigm. One company doing this is Evolution Securities, which is determined to live up to its name

Although formed less than a decade ago, Evolution Securities has rapidly matured into a significant player in the UK equity market. It is recognised as one of country’s most active investment banks. Evolution has carved out a strong niche meeting the needs of small- and mid-cap companies looking to list on either the London Stock Exchange’s (LSE’s) junior Alternative Investment Market (AIM) or its main market. The firm is committed to delivering a wide range of services, including corporate finance and broking advice, equity research, institutional sales and trading and market making. It also has a growing fixed income business.

In theory, until recently, Evolution’s IT requirements for its middle- and back office were relatively simple. The majority of its business was conducted on a single execution venue, the LSE, through one central counterparty before being settled in one location. However, whilst seemingly uncomplicated, Tim Valmas, Evolution’s Chief Operating Officer, says the firm had identified potential limitations with its settlement system.

Improving STP

“We realised that the two different systems we had in place to manage our post-trade operations needed to be upgraded. We were looking to gain greater STP and general operational efficiency and this was being hampered because the two systems didn’t speak to each other. It was difficult for us to get all the trade data in one place and interrogate it,” he says.



↑ Tim Valmas, Chief Operating Officer,
Evolution Securities

Another more pressing concern was perhaps more familiar – how to cope with increasing volumes. “Another major issue was that the system had been designed to cope with a lower volume capacity. Our base line level of transactions, the sort of volume we handle everyday, was pushing capacity to the limit and it had started to take a lot of time to process trades. We had bottlenecks forming and this was going to possibly limit what we could do at the front end. It also meant that our back-office was having to work increasingly long hours to process our normal business,” he adds.

After a comprehensive tender process, Evolution decided to replace its middle- and back office with GL RIMS. Now, a year on, Valmas is pleased with its impact. He says it communicates easily with Evolution’s front-end system, which is supplied by another vendor, and that the company is seeing many benefits. These include higher STP rates, savings from settlement netting costs and improved exception handling.

Multi-venue trading capacity

But as important as this, Evolution is now starting to reap the reward of what could be described as a ‘windfall benefit’ of upgrading its post-trade infrastructure. The impact of Markets in Financial Instruments Directive (MiFID) is now becoming clearer. Europe’s equity markets are fragmenting and as a result, Evolution has decided to connect to two of the new multilateral trading facilities (MTFs), Chi-X and Turquoise, because it wants to ensure that it continues to deliver the best possible execution it can to its client base. Crucially, GL RIMS supports the clearing and settling of trades executed on both Chi-X and Turquoise, as well as other MTFs. The effective result is that Evolution’s back office is not restricting where its front office wishes to trade.

Valmas says this is significant. “We are looking at increasing the number of venues we’re looking to execute on. We want to be able to shift business from one platform to another without having to change all of the post-trade processes. We also want to be able to adapt to market conditions. It looks like fixed income is going to become more important and we want the ability to offer new solutions, such as moving away from a plain vanilla offering. We need a system that can easily cope with not only the demands to trade on multiple venues, but also the demands of trading multiple assets. We’re confident that GL RIMS can do that,” he concludes.

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