

# Outsourced Trading

**Outsourced trading has emerged as an opportunity for institutional investors globally to achieve efficiency-driven growth in a cost constrained environment. With our solution, clients gain access to a flexible and comprehensive platform supported by well-developed infrastructure and experienced markets professionals.**

## Drivers of Change

Institutional investors continue to endure increased financial, regulatory and operational pressures during a protracted low-yield environment. In response to this trend, many asset owners are exploring internalization of a portion of traditionally delegated investment management with the aim of improving returns for plan participants. Meanwhile, investment managers are seeking efficiencies to comply with regulation and to keep up with technological advances, all while fees have been compressed by competition, upstream cost pressure and a structural shift into passive investing.

While the concept of outsourcing components of the investment process is well established in the middle and back office, today's market environment has motivated the investment community to consider front-office trade execution outsourcing as a means to deliver efficiencies, expand product offerings and enhance business continuity programs.

## What We Offer

We have been providing outsourced trading solutions since 2010, leveraging our scale and global reach to help clients reduce costs, meet regulatory demands, keep up to date with technological change, improve transparency and reporting, and access diverse sources of liquidity globally. We offer a comprehensive suite of solutions including



**Deliver tangible efficiencies both above and below the line**



**Access new markets and a broader suite of liquidity sources**



**Leverage our deep technology and risk infrastructure**



**Expand your team with 40-plus outsourced trading professionals, including 19 traders deployed globally**



global multi-asset class execution, middle office, commission management, analytics and reporting, as well as access to our market strategists and unique asset intelligence. Above all, our solution is designed to replicate and improve upon the capabilities and performance offered by an in-house trading desk and its surrounding infrastructure.

Recognizing that trade outsourcing is a marathon and not a sprint, we have designed our product in a modular fashion with the ability to select the mix of components that deliver against unique client-driven objectives. In addition to the short-term benefits, we believe we are a valuable long-term partner, offering workflow solutions, interoperable data and analytics, and investment decision support tools through our front-to-back platform, State Street Alpha<sup>SM</sup>.

## Key Features

Unlike some outsourced trading providers, we offer a multi-asset and multi-discipline service capable of scaling alongside your outsourcing objectives. We provide execution across equities, fixed income, exchange-traded derivatives and foreign exchange; each in both developed and emerging markets.

Our outsourced trading product operates in a broker-neutral, agency-only capacity. We are not affiliated with any dark pools or alternative trading systems, nor do we engage in proprietary trading in the execution of equities, fixed income or exchange-traded derivatives within our Global Markets business. At the client's discretion, foreign exchange can be executed on an agency basis in competition with a panel of swap dealers or through StreetFX<sup>SM</sup>, our automated benchmark service, accessing our principal FX liquidity.

Many clients benefit from anonymized access to our diverse pool of counterparties, but we also maintain

flexibility to expand our counterparty roster and to trade on an attributed basis as requested.

## Experienced Professionals

We have a deep bench of experienced traders as part of a staff of over 40 individuals supporting the outsourced trading business<sup>1</sup>. Our outsourced trading customers can benefit from the broad capabilities that we offer, ranging from front-office technology to academic partnerships as well as middle and back office solutions/services.

## Customized Support Model

We recognize that outsourcing trading to an external provider requires a relationship founded on confidence and trust. Central to the success of this partnership is the trader/portfolio manager dynamic. We deliver a customized support model to each client, which can include a host of interactions such as portfolio and watch list monitoring, morning meetings, wake up calls, and periodic performance and service reviews. Clients maintain access to their existing body of research, complemented by access to data, insights and research offered through our macro strategy team. We can also partner with managers in their efforts to "unbundle", a common trend post MIFID II.

# US\$50B

**One in five fund groups with assets exceeding this amount will outsource at least some of their trading function by 2022.\***

\*source: Opimas, February 2019

<sup>1</sup> Includes management, trading and operations

### **Middle Office Integration**

We have designed a middle-office solution for outsourced trading clients seeking an out-of-the-box option. The solution offers a streamlined approach to middle-office services that allows clients to efficiently integrate into our existing middle-office infrastructure without compromising on service or support. Outsourced trading clients are set-up in our multi-tenant Investment Book of Record platform (IBOR) as new portfolios that inherit established middle-office services and functionality. Although an out-of-the-box solution is available, additional services can be solutioned directly as per the client's requirements.

Our solution includes the following middle-office functions: trade and data management, investment book of records, corporate actions, reconciliations, information delivery and a full suite of reporting.

### **Advanced Technology and Intelligent Analytics**

We deploy a comprehensive suite of technology in support of execution management, risk analytics, commission sharing (CSA) and transaction costs analysis, combining our own proprietary tools with market leading products to maximize efficiency and transparency. We consistently monitor and upgrade our technology platform so that our clients can focus on strategy and portfolio management.

**“Outsourced trading introduces economies of scale and efficiency gains into the buy-side trading process at a time when MiFID II and the unbundling of research put the cost of trading into the limelight while competition from passive funds intensifies fee compression”**

TABB Group, Outsourced Trading: Buy-side Perspective, November 2019

**“Our clients are the architects and we are the engineers: they design what they want and we execute on it as an extension of their teams, bringing our 30 years of practitioner experience, advanced technology and access to scale and liquidity”**

Nadine Chakar, Head of State Street Global Markets

To learn more about our Outsourced Trading solution, e-mail:  
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