Preparing for the long term

Aaron Levine, vice president of OEMS Solutions at FlexTrade, considers the challenges faced by start-ups and the importance of differentiation

Aaron Levine
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Aaron Levine has been working in the financial services industry for 10 years, leading various roles in the order management systems (OMS) space. Prior to joining FlexTrade, he spent three years at Bloomberg AIM, where he handled OMS sales and relationship management. Before that, Levine worked at Eze Software Group for three years as an OMS business consultant. He is a graduate of Cornell University with a BS degree in Applied Economics and Management.

Q What is the biggest challenge you're currently seeing for start-up hedge funds who are looking for trading technology?

A New managers are working harder than ever to differentiate themselves and attract new investors. Hedge fund start-ups have decreased over the years, and this has a lot to do with the competitive nature of the industry.

There is now a plethora of tech solutions on the market, and knowing which provider is best-suited to an individual's launch is more critical to ascertain than ever. Doing more with less has always been a theme, both for operating capital and people depending on when the launch takes flight, and how much time there is to go to market with the launch, so a suitable partner to help bridge the gaps is important for a start-up in terms of best practices and helping guide them to their launch date.

Q Do those who take longer to seek out trading tech have more weak points when it comes to being able to implement this tech quickly?

A This really depends on the strategy. Some by nature apply greater sophistication, whether it's on the portfolio management side, trading, compliance, or more. You could talk to a purely systematic quant start up that needs to do software development and code to APIs, for instance, and that will have a different level of input on their tech provider than a long-short equity manager with less technical requirements.

Q What are some of the basic things start-ups can do to stand out?

A Strategy drives everything at a hedge fund. Whether it's a start-up emerging manager or a matured fund, having the tech so you can handle the strategy at day one and into the future, is very important. While a lot of providers want to do full front-to-back solutions and provide everything to a new launch, there's a level of sophistication that's needed by many managers when it comes to differentiating themselves and being able to actually analyse the portfolio and trade in the style they want.

At FlexTrade, we focus on clients that are coming to launch with the level of sophistication that's needed, which a mature firm would have on day one. Being able to partner and work with the top end of the start-ups and bring a level of sophistication to them right away will set them up well for future growth.

Q How much of FlexTrade is automated within the technology and do clients have a choice to choose a more or less automated system?

A FlexTrade's DNA is within quantitative and algorithmic trading, so all of our products have some type of systematic or automated trading which you can find right now with buy-side start-ups who are looking to do more automation, not just in trading but on the operational side, too.

Working with algo wheels and automated trading has a great impact for a start-up hedge fund now and into the future, but to be able to streamline operations – whether it's allocation logic, locate processing and any compliance violations – efficient workflows are required so that operational tasks are not being done outside of the system; but rather are being automated inside the technology.

Q As far as trading technology goes, have you seen much impact on it from a regulatory and operational point of view?

A From a start-up point of view, the trading tech itself is being relied on heavily to equip them with best practices. Finding a vendor that has the experience of implementing start-ups that need to adhere to regulation in numerous ways is important.

Operational due diligence has radically changed over the years, and it's not uncommon for us on the tech side to be incorporated into investor reviews, whether that's the ODD side of the group or third parties, who will ask questions about the workflows and firms which the hedge fund plans to use. This drives a lot more of the conversation.

Q Will start-ups now and in the future be more prepared given the amount of regulatory upheaval in recent times?

A Investors are certainly demanding more questions upfront. There's a lot of regulation, but hedge funds look to the community to understand the best means of implementation. There are lots of best practices but there is variance in the way that these are interpreted. Overall, being able to implement multiple solutions is highly important for providers at all levels. HFM