

Why The Big Secrecy?

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By Commodity Technology Advisory LLC

The longer we spend in this industry, the more CTRM software products we see, the more requirements that we listen to, the more we've come to understand that actually, much of what people do in the commodity trading industries is pretty much more or less the same. Yet, how many times have we heard that "the way we do things is proprietary and is a competitive advantage?" Well, as this industry matures, that's a message that is getting harder and harder to believe every day.

It's an argument that is often used against deployment in the cloud – "our data, positions and portfolio of business is a big secret". Really? So what will you all do (or even what are you currently doing) about that when regulatory reporting forces you to send that same data off site into the arms of the regulator at a data repository?

Some businesses already have a disaster recovery process that sends all of this data off site, sometimes to a third-party anyway. The truth is that really there is little of value to anyone else in having your data. By the time they figured it out what the bits and bytes mean, and decided on how to use it, the market would have largely shifted anyway. Further, without access to the applications that created the data, there really is little value in trying to get to a bunch of cryptic data tables.

No, sorry. Although we should be sensible about data security, the value in your business is not really the trade or position data in your portfolio at any particular instant in time.

How about business processes then? Eighty percent of what people and companies do in our industry is essentially the same. Of the remaining 20%, almost 80%



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of that could be if the will was there. The remaining four percent may very well be industry leading competitive wizardry but in our experience we've seen the inside of enough trading shops to believe a good portion of the industry is deluding themselves most of the time even there.

There is competitive advantage in people, their skills, their rolodexes, market knowledge. There is competitive advantage in assets and operating efficiencies. There is competitive advantage in brand, reputation, volume, scale (particularly the balance sheet), speed to react and many other things... but business processes and data? At this point, we would have to disagree... but we're always happy to discuss.

It almost seems that a lot of the secrecy that pervades our industry is there simply to create a mystique. We turn the ordinary into something magical and end up believing our own propaganda. In a cost conscious environment we need to get real about where the value is. It isn't in business processes around trading, hedging, contacting, moving and managing. It isn't in your portfolio data either.

So where are we going with this?

There are some 80+ software vendors and countless trading and trade-related IT shops and businesses struggling to get the model right. The vast amounts of money being spent to design and build the perfect multi-commodity all singing, all dancing system and keep it up to snuff with the rapidly moving requirements of our industry. Where is the industry initiative to develop an 80% solution using say, an open source solution? Why aren't there standards bodies outside of industry niches like energy? Why isn't all the experience of trying to solve these problems being pooled for common good?

We wrote a white paper on [open source](#) a while ago. We sort of expected it to be controversial. Actually, it seems to have been pretty much ignored, with the message seeming to be "No one in our industry would do that! We would lose our competitive advantages..."

You know, if there were an 80% solution, it would still leave room for plenty of competitive advantage anyway. It



would leave room to focus on real problems and think about how to solve the needs of different parts of the business with a common language and a system of core capabilities in which there are clearly no competitive advantage... after all, who ever made more money than their competitor because they had a really cool counter party contract system...

What do you think? Are we too secretive as an industry for our own good?

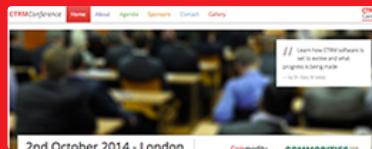


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