

Evolving CTRM in the Cloud



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15 YEARS IN CLOUD CTRM

**Commodity
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CTRM Market Research, Analysis and Insights

INTRODUCTION

CTRM in the cloud was arguably innovated by Aspect (then as OILspace) when it started to deliver data and ETRM software over the Internet using a web browser 15-years ago. The company found a niche market for its software delivered 'in the cloud' and has continued to innovate cloud delivery of CTRM software ever since. Over that 15-years, much has changed in terms of technology, including the understanding and acceptance of the cloud, as evidenced by the recent ComTech Advisory research project into CTRM in the Cloud¹. Against a backdrop of rising costs and decreasing margins and a requirement to comply with a variety of regulations, CTRM in the Cloud has found a broader appeal in a cost-conscious market and is rapidly gaining ground. Indeed, almost any CTRM vendor will now offer its solution 'in the cloud' if asked and a number of other vendors have adopted the cloud model of delivery as their primary focus.

As acceptance of delivery in the cloud has strengthened, so too has appreciation of what the model can actually offer. Users desire greater choice and control in many areas of their business and the technology and service innovation associated with cloud delivery of software generally has brought this to many areas of the business. This would include the ability to pick and chose service offerings and just who manages those services, a variety of attractive hosting models that range from implementation in the public cloud to the customers' cloud and increased choice in payment options for those services. Cloud strategies are now impacting many IT and project decisions across every area of the business.

As of the end of 2013, when ComTech was undertaking the research for its definitive study, broad deployment of CTRM in the cloud had not occurred and only around 16% of those responding to the study's survey stated that their CTRM was delivered in the cloud, but more than half stated that it was a consideration in their on-going procurement projects. Since then, we have observed strong growth for the deployment model. However, there remains stoic resistance to CTRM in the cloud in some quarters of our industry. This paper will briefly examine the current state of CTRM in the Cloud and focus on its continued evolution and adoption in the industry.

1) CTRM in the Cloud – Research and Report, ComTech Advisory White Paper, 2014

CTRM IN THE CLOUD

ComTech has estimated growth rates for CTRM deployed in the cloud to be around 15%+ per annum and the combination of regulatory drivers and cost issues may push deployment rates even higher. The survey suggested that reduced maintenance headaches and reduced costs were attractions, while security concerns continued to worry many. However, as regulatory reporting bites and commodity traders are forced to report trade data to third-parties that will hold that data off-site, some of this concern may be eased.

It's worthwhile revisiting the pro's and con's of the cloud for CTRM deployment as indicated by the ComTech study. On the pro's side, most focused on costs, citing lower total cost of ownership, lower entry costs and lower implementation costs combined with some efficiencies in terms of demand on IT resources and speed of upgrades and deployment. Meanwhile, difficulties in integration, security and loss of control were the major concerns (Figures 1 and 2). These cons were echoed in reasons why some trading shops would not procure CTRM in the cloud (Figure 3). Of course, there is a tipping point at which the cost and efficiency gains outweigh the integration, security and controls side of the equation and since the survey was performed, the basic dynamics of the industry have significantly and permanently changed perhaps moving the tipping point more in favor of cloud deployment.

The regulatory environment represents a potential sea change. It isn't just getting to grips with the idea that trades need to be reported and held in a third-party repository, it is also the idea that portfolios need be compressed and optimized and that this also likely requires portfolio details to be shared with a third-party. With all of the drive towards other people having some of your data, perhaps one barrier to cloud will be slowly eroded. It will also drive investment and innovation in the area of security of data and processes such that eventually, the security concern will surely be significantly weakened?

The current environment of declining and lower commodity prices also increases emphasis on costs and efficiencies. IT will always be an area under pressure to deliver more for less in such an environment and inevitably the idea of flexibility in terms of procuring services and having third parties

Figure 1: Assessment of the Benefits of Cloud Deployment

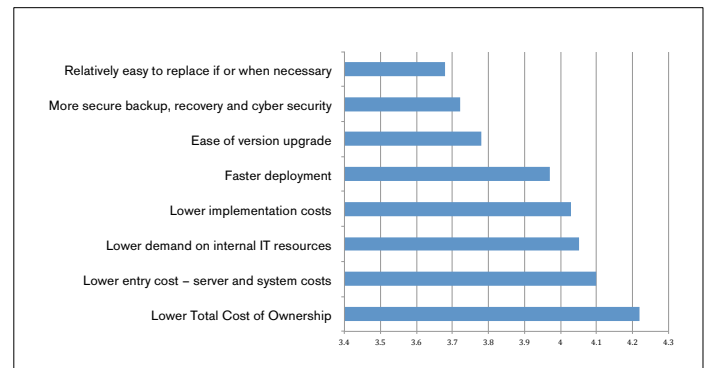
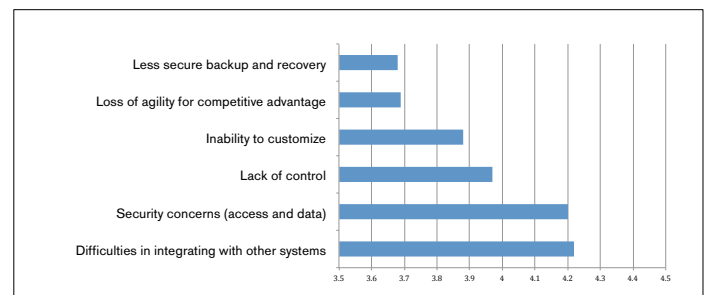
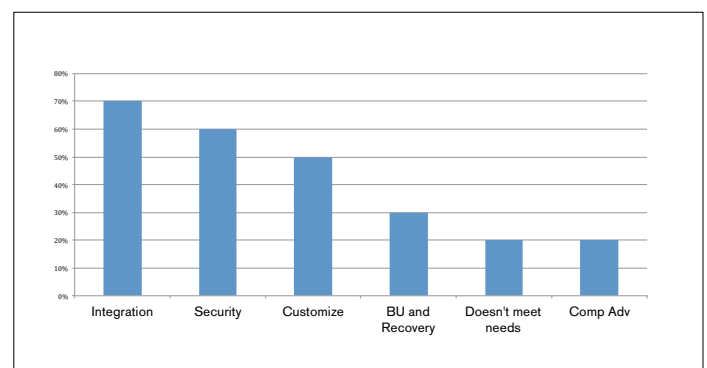


Figure 2: Assessment of the Downside of Deployment in the Cloud



Note: Respondents scored the values between 1 and 5 where 5 was very important.

Figure 3: Reasons Not To Procure In The Cloud



sometimes manage those services will be increasingly mooted. Not only might this help defray IT costs, but it might help businesses gain more efficiencies too as they procure best of breed business and/or IT services. Business agility and flexibility may be improved under such models as well.

Integration is also cited as a concern but even there cloud brokering with standard pluggable adaptors is rapidly emerging that holds much promising in not just quieting the criticism but also enabling increased flexibility. Areas such as analytics, trade confirmation, regulatory reporting, and market data can be procured as services to build composite solutions that deliver.

Today, the vast majority of CTRM deployed in the cloud is almost certainly essentially single-tenanted in the private cloud. About 80% of the respondents would consider cloud deployment as a viable option. However, the study strongly suggested that multi-tenanted deployments in the public cloud were seen as more risky and less acceptable to management. Despite that, ComTech has observed a small but growing minority of largely smaller firms opting for such a model simply due to its relative low cost and ease of entry.

The sheer complexity of many trading operations and the speed at which the industry changes seemed to ComTech to continue to work against the true multi-tenanted cloud deployment model for now in the broader context, although over time, this may change. Several CTRM vendors can and do offer true multi-tenanted SaaS in the cloud options but appear to have had no or very low uptake to date. Instead, in the short to medium term, we see strong potential for hosted in the cloud (public and/or private) deployment approach and flavors of that model. We see a good future for E/CTRM in the Cloud

but still think that true multi-tenanted SaaS will be limited to lower complexity, smaller, single commodity traders or those who are predominantly financial commodity traders in the foreseeable future.

In the end, the decision to use CTRM in the cloud will be based on the balance of speed, risk and cost. For example, a start up business may find it more cost effective and faster to start out in a multi-tenanted cloud environment hosted and serviced by a vendor but, as the business grows and evolves, migrate to a private cloud solution hosted and serviced primarily by internal IT. In other words, it is not a binary decision in the same way that implementing on premises can be, but a route that provides plenty of flexibility and optionality down the road too.

As ComTech looks into its crystal ball, we do foresee greater adoption of the cloud in all aspects of trader's and commodity firm's businesses simply as a result of the increased broader acceptance of the model combined with costs and flexibility. At what point does the cost of everything in house exceed the risk of cloud deployment? We see those scales tipping quite quickly and while the cloud is not and never will be a panacea, we see it as the logical next step in the evolution of CTRM software.

Interestingly enough, we do see the vendors adopting the same approach and for the same reasons. For the vendor, the cloud model delivers increased agility, flexibility and reduced costs too but, and perhaps more importantly, it delivers a predictable revenue stream that allows them to better manage their businesses. It also offers another area for innovation and differentiation in terms of bundled service and product development that must surely be good for the industry too?

ASPECT 'ANY CLOUD' INNOVATION

Aspect's cloud innovation did not stop 15-years ago with its ETRM in the cloud offering. Indeed, they have launched the Aspect AnyCloud model for increased flexibility and choice. Currently, Aspect customers are offered a range of choices. Users can choose multi-tenanted CTRM deployment in which the application and hardware are all included and shared between users. Aspect also provides operations management, installation and set-up and release management. Users can also chose a single tenanted installation on shared hardware where Aspect supplies operations management and set up and install but the customer decides on the upgrade timing. Finally, Aspect will also offer what is essentially a typical on premises installation as well. Currently, Aspect's approach is limited to private or client cloud deployment but it is adding public cloud into that mix.

The resulting approach is called Aspect AnyCloud. It is a vision in which customers can choose 'My Cloud', 'Your Cloud' or 'Public Cloud' and will be able to migrate with ease to any of those cloud offerings while selecting the appropriate services that fit their business and operating environment.

As the tipping point moves inexorably towards cloud for many companies in the commodities trading world, this level of flexibility will surely allow the calculation of speed, risk and cost to be determined through time as the client is able to adjust and adapt how its CTRM software is delivered.

ABOUT ASPECT

Aspect is the leading global provider of multi-commodity trade, risk and operations management solutions (E/CTRM) delivered Software-as-a-Service (SaaS) in the cloud. With more than 487 customers in 86 countries, it's one of the fastest growing providers with rapid deployment, affordable subscriptions, and immediate ROI for all size companies from the largest trading organizations in the world, to small and large trading firms.



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AspectCTRM is a full-featured commodity trading and risk management enterprise suite for front, middle and back office with support for financial and physical trade activity. It's available in three editions: Lite, Standard and Enterprise, expanding in functionality according to the needs and budgets of clients. Aspect is the only E/CTRM solutions provider with market data and analytics tools delivered with its trade and risk functions on the same platform, for convenient price uploads to CTRM.

AspectCTRM is scalable, and integrates with home-grown and 3rd party systems. Its Trade, Risk, Market Data, Operations and Financial Operations modules are developed as components allowing companies to incrementally integrate solutions as challenges arise, add new functionality as needed, and maintain investments in current systems.

Because AspectCTRM resides in the Cloud, there are no software, hardware or IT investments required by clients. Clients are able to trial AspectCTRM before investing in a system, which removes significant financial risks. Its underlying architecture and proprietary AESThetics scripting engine have made it possible to take common business practices and workflows and create a standardized and flexible environment that allows users to configure their solution to fit their business.

Aspect's solutions are available on desktop, tablets and mobile devices and through its new Aspect Partner Program (APP).

ABOUT

Commodity Technology Advisory LLC

Commodity Technology Advisory is the leading analyst organization covering the ETRM and CTRM markets. We provide the invaluable insights into the issues and trends affecting the users and providers of the technologies that are crucial for success in the constantly evolving global commodities markets.

Patrick Reames and Gary Vasey head our team, whose combined 60-plus years in the energy and commodities markets, provides depth of understanding of the market and its issues that is unmatched and unrivaled by any analyst group.

For more information, please visit:

www.comtechadvisory.com

ComTech Advisory also hosts the CTRMCenter, your online portal with news and views about commodity markets and technology as well as a comprehensive online directory of software and services providers.

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