



Commodity Technology Advisory Roundtable CTRM in the Cloud

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By Commodity Technology Advisory

Recently, ComTech Advisory completed a major research project looking at the adoption of ETRM and CTRM software in the cloud. The final report was issued recently and is available for download at both ComTech Advisory's website and the CTRM Center. In the light of its findings, we thought we would ask the three companies that sponsored the research some follow up questions.

ComTech Advisory: Our recent [CTRM in the Cloud](#) study showed that there is quite a good understanding of the values and issues around cloud deployment models and that most respondents were willing to consider it as an option for applications in and around trading. Do you think this will ultimately result in cloud deployment replacing traditional on premises installation anytime in the future?

Yags Savania – Aspect Enterprise Solutions: The cloud will almost certainly be taken up by commodities trading houses; however, larger companies will continue to prefer in-house models in the near term. In my experience, the IT teams within these large companies perceive the cloud model to be a threat to their existence and they will often highlight security as a downfall for the model. These IT teams and key stakeholders are led to believe that their data is at risk, or that the NSA will get to their trades. Cloud companies take security very seriously – even more than these traditional thinkers do! It has been shown that the 'cloud' can be just as private and secure as the traditional models. Over time, the Return on Investment is realized far quicker in cloud models and I believe this will ultimately push the market to cloud.

Jon Hobbs – Brady PLC: Yes, although CTRM Cloud adoption has been relatively slow compared to other sectors, we've already seen growing demand for our Cloud based solutions. We only expect this to accelerate over the next few years. That demand will principally be driven by the economics of Cloud solutions that offer over on-premise deployments. For smaller CTRM software consumers this will be because the Cloud pricing model allows access to sophisticated software solutions with a significantly lower total cost of ownership. The significant costs associated with traditional solutions have effectively made such products prohibitively expensive for some smaller organisations and have forced them to continue to rely on spreadsheet-based solutions (or similar). Converting CapEx to OpEx and offering something close to a 'pay as you go' through one monthly Cloud package price makes these sophisticated solutions more accessible and affordable.

At the other end of the spectrum, larger organisations benefit considerably from the greater flexibility and scalability offered by Cloud solutions. Such attributes make it easier to maintain and extend competitive advantage, deliver greater value to the enterprise and ultimately make Cloud solutions better investments. Given the inexorable trend towards software being consumed more like a utility and, with the barriers to Cloud adoption now addressed by leading Cloud CTRM providers like Brady, we expect to see Cloud become the preferred option for

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CTRM solutions in the very near future.

Richard Williamson – Generation 10: The increasing trend towards cloud computing among companies large and small around the World is well-documented, with Southeast Asia taking the lead in cloud service adoption. IBM, Google, Microsoft, Amazon, SAP, arguably all of the largest technology companies have spent and continue to spend billions in cloud services and technology, so I would say for the majority of trading companies, the cloud will be an increasing part of their technology portfolio.

Moving to the cloud for our own business requirements was one of the quickest returns on our investment in IT we had ever had. Let's take email as an example. A Forrester report back in 2009 covered Total Cost of Ownership of traditional email versus cloud email services like Gmail. They calculated an average of USD 25.18 per user per month where email is managed on premises versus USD 8.47 for the cloud solution. I think they were being conservative.

Prior to moving to Gmail, we had our own mail servers that needed constant monitoring, maintenance, server and desktop upgrades etc. We had to worry about uptime, backup, anti-spam, anti-virus on a continual basis. We had to manage mobile mail access and a multitude of different devices and their compatibility issues. This required fulltime resources and constant hardware expenditure. Then one day we migrated over to Gmail and we were left to just focus on the contents of emails themselves.

Cloud presents a compelling case.

ComTech Advisory: *What other benefits do you think E/CTRM in the cloud deployment offers users?*

Yags Savania: There are a host of potential benefits including things like thin clients, improved scalability, no need for in-house technical resources, quicker processing (if in-memory processing is utilized), a common code base (as new versions and product enhancements are released and bugs are fixed everyone benefits) and faster, more cost effective implementation projects. In my opinion, integrations are also easier using simple web-driven API's. I would also include improved mobility, automatically updated holiday and expiry calendars, automated price feeds, a centralized support model and much more.

Jon Hobbs: As well as reduced total cost of ownership, Cloud solutions offer a number of other benefits. Although it might be a surprise to some, in many cases enhanced security is one of those benefits. Leading CTRM Cloud providers have recognised that this is one of the major sticking points for many customers and made it a priority to address. As a result, our Cloud security is state of the art with multi-layered and multi-faceted measures in place that meet or exceed international standards such as ISO27001 for information security. This makes our Cloud security as good as, and in most cases better than, on- premise deployments.

The Brady Cloud can also offer greater flexibility and scalability because additional Cloud features and resources can be made available at the flick of a switch. This also affords customers greater reliability and redundancy as well as more economical and comprehensive disaster recovery - which is something often lacking with traditional deployments. Add to this the fact that the underlying platform, resources and services are managed and maintained by the people with the most expertise in running that product and platform...the vendor, then it should be clear that the best Cloud solutions offer significant and wide-ranging benefits to customers.

ComTech Advisory: *What other pitfalls should potential buyers be aware of?*

Jon Hobbs: One of the key things Cloud consumers need to be aware of is the wide range of different offerings that now typically fall under the Cloud banner. An explanation of such offerings and the differences between them is something



About ComTech Advisory

Commodity Technology Advisory is the leading analyst organization covering the Energy and Commodity Trading and Risk Management (E/CTRM) technology markets. We provide invaluable insights, backed by primary research and years of experience, into the issues and trends affecting both the users and providers of the applications and services that are crucial for success in markets constantly roiled by globalization, regulation and innovation.

Contact Information

US: Patrick Reames
+1 281 207 5412

Europe: Dr. Gary Vascoy

that is covered extensively in ComTech's [CTRM in the Cloud](#) report. However, while Brady can offer a full range of Cloud options, we see most interest in our virtual private Cloud (VPC) based solutions. Many CTRM clients are now prepared to consider Cloud solutions but are also somewhat cautious and have concerns around flexibility, privacy and security. This makes VPC a popular choice because it offers customers access to features from a dedicated virtual environment that is not shared with other customers while also still providing the flexibility and economies of scale synonymous with the Cloud. In our experience, it is this sort of offering that will gain most traction in the CTRM space because it provides consumers with the benefits of a Cloud solution without the perceived risks.

Richard Williamson – Generation 10: We have been discussing the concepts of cloud and various methods of deployment. The pitfalls come into play at the detail level, make sure the provider's data centre infrastructure is tier 1. What does their Service Level Agreement look like? How configurable or static is the system? Get a good understanding of what their update policies are and be comfortable with their development roadmap. How much interaction with your provider will you have after subscription? If you are not meeting regularly with them, the chances are you are not getting the most from your data. As your technology partner, Generation 10 encourages its Software-AND-a-Service combination to help our customers get the full benefits now achievable with data management where agility in both business and technology is a fundamental component of success.

Yags Savania – Though we believe the benefits of our offering will provide value to all companies, there are issues that fall outside of our control that companies need to consider when exploring adopting Cloud solutions; particularly issues like poor internet connections and connectivity in certain areas or geographies and the performance of their internet access in general.

ComTech Advisory: *Do you think that the complexity of a multi-commodity global trader's business can really be catered for using a SaaS model?*

Richard Williamson: A CTRM solution's success is determined by its architecture, functionality and usability – not the deployment model. As far as complexity, if I were a multi-commodity global trader, I would be more concerned about:

1. If my CTRM solution was derived from or evolved from an accounting/ERP system, I'd worry that it will not handle the complexities and dynamics of the business.
2. If the system seems complex to the people who are using it, it will fail regardless of how sophisticated the technology is. A flexible, well-designed CTRM solution must be designed from the user's perspective, so it works the way they do.

If the updates, customization, integration and underlying architecture are designed and managed well, the solution will be successful whether it's hosted on-site or deployed via SaaS.

Jon Hobbs: No, not yet at least. Full multi-tenanted SaaS solutions do not typically offer the configurability and control afforded by some other Cloud offerings. This sort of control is key for users of complex trading and risk management systems. Add to this the fact that consumers are already nervous about security/privacy and this makes single tenanted private Cloud solutions a much better fit. Looking ahead, we think that virtual private Cloud solutions will dominate, but these will be augmented with other features/services that may operate on a SaaS model. Virtual private Cloud can also deliver the majority of the benefits of what's typically understood as SaaS without the pitfalls.

ComTech Advisory: *Which is the bigger issue – security or integration and why?*

Richard Williamson: Is it a trade-off? They are both important issues. For many companies, a cloud-based, or hosted environment is likely to give them

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many companies, a cloud-based, or hosted environment is likely to give them higher levels of security, back-up, failover contingencies with experienced staff dedicated to the security, maintenance and performance of the hardware, software and comms. Anyone who has emailed a group P&L report is more vulnerable to security issues than collaborating on a managed cloud platform. Integration between modern platforms is becoming a lot simpler than, say, between older mainframe setups. It matters less about where the data resides. Industry standardization of web services, for example, would be a worthwhile advance from the current status, and while for the individual vendor in the short term, the benefits may not be so obvious, it is undeniably good for the industry we serve.

Jon Hobbs: Security is the bigger issue or rather perceived security issues are the greater barrier to Cloud adoption. Integration is something that sometimes needs to be approached differently with Cloud solutions but is rarely a major problem or significant hurdle. Sure, for larger organisations, integration can be complex but this is true whether in the Cloud or not. Integration issues are also largely solved with technology. Security presents a different problem. While actual security issues can also be largely solved with technology (and process); it is the perception that is more difficult to address. As mentioned earlier, leading Cloud providers offer state of the art security that often beats on premise security. Despite this, consumers still feel nervous about handing over the responsibility to a third party even when that third party is the vendor. The Cloud industry has done a lot to erode these concerns but it is still the number one concern for most customers. Recently reported stories on NSA/GCHQ snooping and PRISM only compound these concerns. However, the idea that your systems and data are more secure because they are within your 'four walls' is flawed. Once you're connected to the outside world, every system is vulnerable to an extent. For Cloud providers, addressing any real issues and such concerns is critical - the Cloud business model depends on it. That's why at Brady Cloud security is our number one priority.

Yags Savania: Security by far. The perception was that cloud is insecure - when I say that our secondary data center is in Chicago, some customers frown and say that they cannot have their data residing in the US, as it exposes them to the US government getting access to that data. If that is a concern, we can and have made different arrangements to address the needs of these customers. Once the method has actually been embraced, the technologists usually find that integration is a non-issue.

ComTech Advisory: *What would you advise buyers to be careful about when negotiating a Service Level Agreement.*

Richard Williamson: I assume you mean an SLA for a SaaS deployment. The good news is that SLAs are arguably more manageable in a cloud environment. From the client's perspective, they know where the buck stops - with the provider - as that provider has the familiarity and necessary access to not just the software, but with all the other components that can affect connectivity, security and performance. The client won't have to safeguard himself from too many things outside of his control as he does with an SLA for an on-premise deployment. He will no doubt have his own monitoring applications from both within and from outside his facility to be able to better troubleshoot and provide better response/resolution times, if not pre-empt an issue.

There is the pressure of the SaaS provider's bias towards the 'standard SLA'. However, don't settle for the 'standard' argument if it doesn't suit your company. The key is putting forward a clear reason why your business requires a specific change. Chances are, it will be a good idea and get incorporated as their 'standard' and by a small change, and the world becomes a better place. Equally, be realistic with your business' needs. No one can deliver the moon on a stick, however hard we may try.

Yags Savania - The customer should really think about their preferred vendor's security procedures, upgrade frequencies, ownership of data, uptime/downtime procedures, maintenance windows, access security (who has access and to

procedures, maintenance windows, access security (who has access and to what), support timings, and defect resolution times. These elements should be clearly defined in the SLA.

About the Participants



Yagnesh Savania

(Yags) has over 16-years' experience in Information Technology with 12-years' experience of trade and risk management tools. Initially with OILspace - a software start-up, Yags drove market data sales to the oil trading community and now is fully focusing on selling Aspect CTRM within the EMEA region to commodity trading houses. Yags is well known in trading and vendor circles because of the time

he has spent supporting the industry. Over the last 6-years, Yags has spearheaded sales of the CTRM solution and is heavily involved in contributing to the business' 'to-market', product and sales strategies.



Jon Hobbs, Group CTO, Brady plc

Jon has gained over 20 years' experience delivering software solutions to customers in the financial services space. He has held a number of senior development/technology positions at Brady, most recently as Group CTO, responsible for developing, articulating and executing Group technology strategy, aligned with industry trends and best practice, through collaboration with colleagues, technology partners, analysts and clients.

Richard provides insight to trade associations and government organizations from a technology perspective and is a regular contributor to industry publications on all things CTRM, supply chain optimization and data analytics.



Richard Williamson, Founder & CEO, Generation 10 Ltd

After spending five years in the cotton trade, Richard founded Generation 10 in 2000, a company that has spent the last 14 years delivering flexible, innovative software that helps companies better manage their operational and trading risks, collaborate more effectively, improve their business transparency and ultimately

perform better. Richard provides insight to trade associations and government organizations from a technology perspective and is a regular contributor to industry publications on all things CTRM, supply chain optimization and data analytics.

Vendor Perceptions Survey

As a way of saying "thank you" for your participation, for each 5 full and valid responses we receive, we will randomly select one of those five respondents to receive a **\$30 gift card** from Amazon.com

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