

CASE STUDY

How LBX Portal and LBX Outsourced Trader Help CAPIS Efficiently Deliver Differentiated Products

COMPANY: CAPITAL INSTITUTIONAL SERVICES, INC. (CAPIS)

TYPE: INDEPENDENT AGENCY BROKER AND OUTSOURCED TRADING DESK

PRODUCT: LBX PORTAL, LBX OUTSOURCED TRADER

REGION: GLOBAL



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Overview

CAPIS is an agency broker that offers global execution services and commission management solutions. Founded in 1977, the Dallas-based firm helps institutional investors meet their trading mandates through leading-edge technology and a commitment to client service. To that end, CAPIS is always looking to offer innovative means of enhancing efficiency that can evolve over time – and that means having the right technology partners in place.

CAPIS ARC – the firm’s electronic solution for post-trade allocation, reconciliation and clearing – is a prime example of this commitment. ARC was built specifically for investment managers sub-advising the managed account industry. This utility enables advisors to execute away orders with their broker(s) of choice and automate the allocation and step-out process with each sponsor platform. This leads to lower costs, simplified operations and easier demonstration of best execution.

CAPIS’ outsourced trading business is another example of how the firm has evolved to meet client needs. Amid growing cost pressures, more and larger funds and asset managers are seeking to reduce the size of or completely shutter their trading desks, necessitating sell-side partners that can face the Street as a true buy-side desk. CAPIS’ outsourced trading desk handles a wide range of asset classes (equities, fixed income, derivatives, ETFs) and offers solutions across the trade lifecycle, from market intelligence to commission management, enabling clients to focus on their own differentiated approaches to managing assets and relationships.

Both of these solutions are powered by LiquidityBook, a leading provider of cloud-native trading technology for the buy and sell sides – in this case, its LBX Outsourced Trader OMS and its LBX Portal distribution model. While CAPIS ARC and the outsourced trading business were launched years apart, both are examples of how LiquidityBook delivers transformative results – and today, these two solutions are more intertwined than ever before, resulting in even greater efficiency for CAPIS’ clients.

“Throughout the entire process, the CAPIS team was engaged, thoughtful and collaborative about the solutions they needed to create for their clients,” recounted Kevin Samuel, CEO at LiquidityBook. “Both the LiquidityBook and CAPIS teams share this dedication to our clients, and to delivering innovative, efficient solutions that stand out from the pack. CAPIS’ outsourced trading and ARC offerings are perfect illustrations of this, and we’re proud to support their development.”

Read on to learn how it all came together.

CAPIS ARC

Over a decade ago, as the groundwork for CAPIS ARC was being laid, the firm identified a need to work with a technology provider capable of building a post-trade solution with unprecedented functionality – and one stood out from the crowd.

“The flexibility of LiquidityBook’s technology, their ability to move quickly and the expertise of their team were clear selling points that delivered value from the very start of the relationship,” said Mark Viani, Director, Institutional Sales



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at CAPIS, one of the architects of ARC. “We did our due diligence, had an initial conversation with the LiquidityBook team and within days, we were delivered a framework for our ARC product. It was really incredible.”

The resulting solution empowers CAPIS' RIA clients to streamline historically inefficient execution and allocation methods for managed accounts. After advisors select the brokers they want to execute with, the brokers settle to a CAPIS clearing account. Each sponsor platform receives an automated email notification with detailed delivery instructions, while clients receive full breakdowns of the execution price, commission or explicit fee, and operational fee. By mitigating the practice of sponsor rotation, CAPIS ARC helps clients reduce market impact, information leakage and account return dispersion.

Users interact directly with the CAPIS ARC platform – most sign into a LiquidityBook-powered front end so they can upload spreadsheets of trades to be automatically processed. This workflow is powered by LBX Portal, an innovative partnership model that enables sell-side and outsourced trading firms to offer a wide range of out-of-the-box functionality to their clients. With preconfigured GUIs, seamless upgrade paths and a full range of APIs for custom integrations, LiquidityBook enables CAPIS to not just offer cutting-edge technology, but to do so efficiently, economically and at scale.

“LBX Portal is a big reason for the success of our ARC utility,” said Viani. “It simplifies the nuts and bolts of integration, so we can onboard new clients fast. And as with all LiquidityBook products, the SaaS-based model makes it easy for us to deploy upgrades on a rolling basis, so we can focus less on delivery and more on tasks that actually add value for our clients. CAPIS ARC has been enhanced regularly since launch – and that’s a level of innovation and responsiveness that wouldn’t have been possible without LBX Portal.”

Some of those enhancements have involved tighter integration with CAPIS' outsourced trading business – which is in itself another illustrative use case for LiquidityBook.

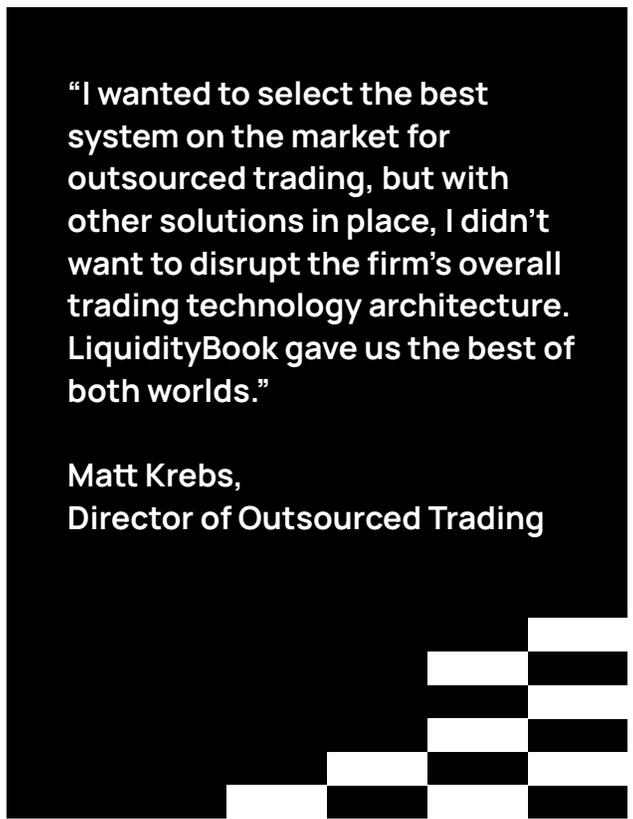
Outsourced Trading

As CAPIS was laying the groundwork for its outsourced trading business, the firm needed a platform capable of supporting the unique requirements of this business model. Matt Krebs, Director of Outsourced Trading at CAPIS, described the ideal solution as a “catcher’s mitt,” able to host client order flow and distribute it to either external brokers for attributed trading or execute using CAPIS' legacy trading system. Other key capabilities included handling all allocations and settlements, and efficiently disseminating relevant data concerning best execution and commission management to clients.

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“I wanted to select the best system on the market for outsourced trading, but with other solutions in place, I didn’t want to disrupt the firm’s overall trading technology architecture. LiquidityBook gave us the best of both worlds.”

**Matt Krebs,
Director of Outsourced Trading**





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buy-side trading offering, and that meant flexibility was the name of the game,” said Krebs. “We needed to accept orders like the sell-side firm that we are, but when it came to facing the Street and providing the necessary data and disclosures, our ideal workflow was much more similar to that of the buy side. From the start, we knew that having the right technology in place was of paramount importance.”

CAPIS undertook a search process for an OMS capable of supporting these needs and found that most products on the market were built for the sell side – adapting them for the outsourced trading workflow would require additional integration or manual processes. LBX Outsourced Trader was the exception. Because its buy- and sell-side solutions are built using the same code base, LiquidityBook is ideally positioned to offer technology that bridges the gap between both sides, mirroring the role that outsourced trading plays in the execution landscape.

As a longtime LiquidityBook client (CAPIS ARC had been live for several years at this point), CAPIS had an existing comfort with the LBX system and selected it to power the new service. Implementation proceeded smoothly, resulting in CAPIS launching its outsourced trading business in 2018.

One of LBX Outsourced Trader's key differentiators was its ability to support a wide array of bespoke commission structures. Outsourced trading firms are often tasked with paying different commission rates on behalf of different clients, even if the executing broker is the same. Most sell-side systems do not support this complex functionality – they are built for an omnibus workflow, with a single rate per broker. With LiquidityBook, CAPIS can manage all outsourced trading order flow via a single point of access while still reporting exact fills to clients, making it easier for them to assess individual brokers based on execution quality.

“Our ability to create what we call a ‘bottom-up’ commission structure within LBX Outsourced Trader is one of the most powerful parts of the platform,” said Krebs. “We’re able to not just provide data on overall client commissions, but break them down into soft commissions, broker commissions and retentions. The fact that we can send trades to any number of brokers at different rates across the spectrum, all for a single parent order, is huge. It provides a level of flexibility in how we interact with the Street and in how we monetize our clients’ varying commission budgets. Our hands aren’t tied, so neither are theirs – and that helps us bring clients through the door.”

Another key feature of LBX Outsourced Trader is its ability to work harmoniously alongside existing OEMS functionality. While CAPIS leverages a third-party system for its sell-side business lines, the outsourced trading business uses it purely for execution management – LBX Outsourced Trader can effectively bolt onto the existing infrastructure and take over all allocations and commission tracking. This is key, said Krebs, because clients often want to see some level of separation between the outsourced trading business and the larger

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Results

In the years since their respective launches, both CAPIS ARC and the outsourced trading business have evolved to even more holistically meet the needs of CAPIS’ clients. Their integration with one another is a key example – today, RIAs looking to outsource all or part of their trading can access a combined solution for execution and settlement, whether on an institutional or wrap/custodial basis. Both solutions address the economic and operational pressures the buy side faces, and the benefits they offer are even more powerful when combined.

The outsourced trading business has grown accordingly. Today, CAPIS serves clients ranging from \$100 million emerging managers to \$15 billion institutional asset managers, with strategies spanning long-only to long-short to sector-specific and beyond. The scope of these relationships has also diversified, with many larger clients seeking to work with CAPIS in a supplemental capacity, outsourcing only part of their trading.

Amid this growth, the relationship between CAPIS and LiquidityBook has remained highly communicative and collaborative. LiquidityBook’s client-centric approach shines through at every step, from its responsiveness to its expert service to its transparent pricing.

“LiquidityBook’s support is the best I’ve ever seen, hands down,” said Viani. “Updates come through quickly and requests are always addressed in a timely fashion. Their people are as easy to work with as their technology, and that’s been the case from our first day as a client.”

Looking ahead, CAPIS plans to continue to look to LiquidityBook as a resource in standing up new functionality and optimizing its approach to technology.

“LiquidityBook gives us the tools we need to build the operational structure we want,” said Krebs. “Our company is growing and developing strategies so we can keep delivering for our clients long into the future. We see LiquidityBook as a key piece of that puzzle.”

About LiquidityBook

LiquidityBook is a leading provider of cloud-native buy- and sell-side trading solutions and is trusted by many of the industry's largest and most sophisticated firms. The LiquidityBook platform is easily configurable and enhanced daily with client requests, giving these firms peace of mind that their trading platform will adapt and scale as they grow. A disruptive force in the market for over 15 years, the founder-led LiquidityBook backs their platform with unparalleled support and employs a client-centric business model with no hidden fees. For more information, please visit www.liquiditybook.com or contact sales@liquiditybook.com.