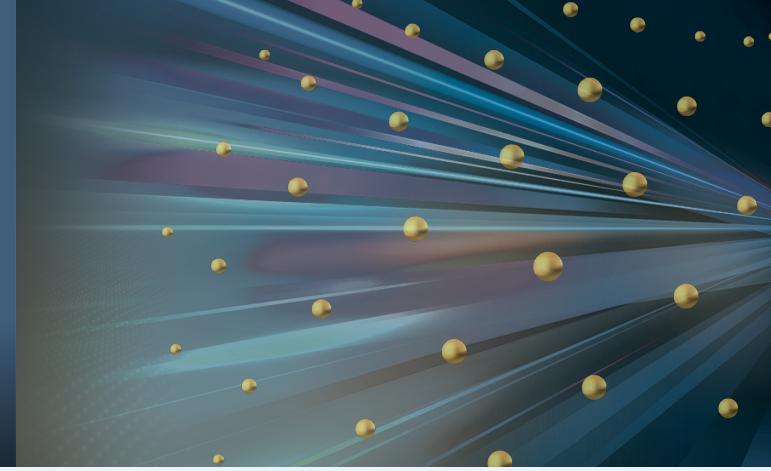




## Rewiring Finance: Intelligence, Connectivity, and Velocity in the Age of Transformation



### Interoperability as the New Competitive Differentiator (Part 2)

As discussed in Part 1 of our series, [From Systems of Record to Systems of Intelligence](#), the financial industry is undergoing a significant transformation. The shift from static systems of record to dynamic systems of intelligence marks the first critical step in revolutionizing financial infrastructure. Legacy platforms, while precise and compliant, have become rigid fortresses that protect data rather than enable insights. To remain competitive, firms must embrace intelligent architectures that unify data, support reasoning capabilities, and enable proactive decision-making. This evolution sets the stage for the next phase: leveraging interoperability as the defining advantage in an increasingly interconnected financial ecosystem.

In financial technology, breadth used to be the moat. The largest platforms won because they could support the most products, clients, and geographies. But as systems age and ecosystems proliferate, interoperability—not breadth—has become the competitive advantage.



### From Silos to Cross-System Intelligence

A single trade can traverse dozens of systems: order management, risk, financing, collateral, accounting, reporting, and compliance. Each layer introduces friction due to translation, reconciliation, and duplication. The result is increased cost, latency, and operational fragility. To compete, institutions must address the reality that most enterprise platforms were not engineered for interoperability. These legacy states, accumulated over years and sourced from multiple vendors, create siloed data and over-engineered integrations that impede seamless connectivity and agility.

Composable architecture offers a disciplined path forward: modular, API-first capabilities that enable native interoperability while minimizing costly multi-step handoffs. As outlined in Part 1, this foundation of capabilities enables systems of record to evolve into systems of intelligence, unlocking faster innovation and deeper insights from existing data.

To realize cross-system intelligence, institutions must pair composable architecture with a modern data operating model that reduces integration debt and enables governed self-service. Adopting domain-oriented data ownership and standardized semantic contracts accelerates interoperability while improving trust in analytics. A step-by-step modernization roadmap unlocks scalability, accuracy, and operational resilience without a disruptive “big bang” rewrite. This disciplined approach aligns platform engineering with data management to deliver measurable outcomes faster and reduce risk in complex financial estates.

## Designing for Connectivity and Speed

Modern systems and data strategies are intertwined and built on three principles:

1	2	3
<b>Open APIs</b>	<b>Canonical Data Models (CDMs)</b>	<b>Event-Driven Flows</b>
<ul style="list-style-type: none"><li>Data and functionality are exposed securely for internal and external use</li><li>In 2025, APIs that enable process automation cut operational costs for financial institutions by an average of 33%<sup>1</sup></li></ul>	<ul style="list-style-type: none"><li>A shared language for trades, clients, and positions</li><li>CDMs reduce integration complexity by replacing <math>n^2</math> point-to-point mappings with <math>2n</math> mappings via a single shared model, enabling faster system changes and lower maintenance effort<sup>2</sup></li></ul>	<ul style="list-style-type: none"><li>Real-time synchronization between systems through publish–subscribe patterns</li><li>Event-driven processes automate cross-system actions and keep data current, boosting efficiency and accelerating product go-to-market timelines</li></ul>

**This architecture mirrors the internet itself:** modular, extensible, and interconnected—allowing banks' risk engines, financing modules, and reporting tools to evolve independently while communicating seamlessly.

Since these components can be iterated and deployed in parallel, speed becomes a competitive necessity.

The fastest-moving institutions:

 <b>Capture client demand</b>	 <b>Compress time-to-value</b>	 <b>Outpace slower rivals</b>
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Slower processing increases cancellations, as latency compounds across the stack and erodes execution quality. Composable systems shorten the path from intent to execution by modularizing workflows, standardizing interfaces, and automating handoffs, allowing trades to confirm faster, fail less, and capture more pricing opportunities with fewer cancellations.

### Illustrative Example: The Importance of Speed During the Trade Lifecycle<sup>3</sup>

Time Window	Order Activity
<500 Microseconds	Fewer than <b>8%</b> of Cancellations
<50 Milliseconds	<b>25%</b> of Cancellations
<0.5 Seconds	<b>38.7%</b> of Cancellations

<sup>1</sup> Burnett, Steven. "API in Financial Services Statistics 2025: Discover Game-Changing Growth." CoinLaw, November 17, 2025. Available at: <https://coinlaw.io/api-in-financial-services-statistics/>.

<sup>2</sup> Alation. "Canonical Data Models Explained: Benefits, Tools, and How to Get Started." Alation Blog, June 2, 2025. Available at: <https://www.alation.com/blog/canonical-data-models-explained-benefits-tools-getting-started/>.

<sup>3</sup> Downie, Christopher. "Latency Standards in Trading Systems." LuxAlgo Blog, April 11, 2025. Available at: <https://www.luxalgo.com/blog/latency-standards-in-trading-systems>.

## Pathways to Composability: From Fragmentation to Intelligence

Migrating from **systems of record to systems of intelligence** is a layered transformation, not a rip-and-replace, that preserves regulatory integrity while shifting value creation to analytics and AI. Systems of record remain the authoritative source for booking, accounting, and compliance; systems of intelligence sit alongside as a reasoning layer that predicts outcomes and supports decisions. This separation reduces risk and enables faster innovation without destabilizing the core.

To operationalize this model, execution begins with a set of shared foundations:



Rather than moving data wholesale, institutions stream normalized events from systems of record into analytics and decisioning engines. Early use cases focus on “human-in-the-loop” processes—flagging risk, recommending actions, and simulating outcomes—to build trust before automation.

Over time, intelligence executes within governed guardrails, automating low-risk decisions and exceptions with full auditability. Decision logic is progressively decoupled from the core, simplifying it into a stable execution and ledger utility. Governance and security mature in parallel, making integrations provable, auditable, and controlled, ensuring that only approved services interoperate under defined data policies.

Success is measured by outcomes, including:



Treating interoperability as a managed asset, via service registries, zero-trust networks, and data-sharing agreements, ensures systems of record reliably evolve into systems of intelligence.



## Competitive Implications

Interoperable ecosystems translate directly into business performance. They enable faster partner activation through shorter onboarding cycles, fewer bespoke integrations, and quicker revenue realization. They also accelerate product delivery by assembling reusable services and event streams that reduce build times and support rapid launches. Interoperability lifts execution quality through end-to-end visibility that improves straight-through processing, lowers exceptions, and tightens SLA adherence.

Interoperability also expands commercial flexibility. Standardized data-sharing and service contracts enable new pricing models, bundled offerings, and co-branded products. Vendors integrate once and collaborate continuously, increasing interchangeability and resilience while avoiding dependency risk. Each new connection compounds value by boosting discoverability, distribution, and utility. In this environment, advantage shifts to firms that can trust and connect with others instantly. Interoperability becomes a market-facing capability that lowers switching costs, increases optionality, and amplifies growth as partnerships, products, and data-driven services scale together.

Crucially, this interoperability is not just an architectural advantage, it is the foundation for intelligence. AI-driven decision-making depends on consistent data, real-time event flows, and shared context across systems. AI at scale only works when open APIs expose capabilities, CDMs align semantics, and event flows provide real-time context. Without these capabilities, AI initiatives remain fragmented experiments rather than enterprise capabilities. This helps explain why, despite widespread ambition, only 31% of organizations are on track with implementing data-enabled AI integrations.<sup>4</sup>

## Industry Inflection Point and Execution Gap

In this environment, owning the largest platform matters less than being the platform everyone connects to. The next decade will reward firms that treat interoperability as the product itself: a living, evolving interface between markets, technologies, and clients.

The financial industry is therefore at an inflection point as institutions move from rigid legacy environments toward interconnected architectures that prioritize adaptability, insight, and scale. Interoperability is no longer a technical preference but a structural requirement for scale, resilience, and insight. This is especially true as firms seek to operationalize data and advanced analytics across the enterprise. While ambition is high, execution remains uneven, with many organizations constrained by fragmented data models, inconsistent integration patterns, and legacy operating structures.

Alvarez & Marsal works with institutions across this transition, helping close the gap between architectural intent and operational reality by designing interoperable architectures that align technology, governance, and operating models across financial services and product classes. This execution-focused perspective is increasingly relevant as interoperability becomes a prerequisite for sustained innovation rather than a discrete modernization effort. When you are ready to transform your data into a strategic advantage, we are here to help.



<sup>4</sup> Lobo, Yohan. "AI and Data Interoperability are Crucial for Success in the Financial Industry." Global Fintech Series, February 3, 2025. Available at: <https://globalfintechseries.com/guest-posts/ai-and-data-interoperability-are-crucial-for-success-in-the-financial-industry/>.

## About A&M

Alvarez & Marsal's Financial Services Financial Markets Infrastructure practice delivers operational and technology-driven solutions to address the evolving needs of financial markets participants. We specialize in optimizing business models, driving digital transformation, and navigating complex regulatory landscapes to enhance performance and enable growth. Our core services include:

### Technology Enablement

Modernize operations with AI, blockchain, and digital platforms to enhance efficiency, transparency, and customer service through tailored digital transformation.

### AI and Advanced Analytics

Leverage AI and advanced analytics to improve decision-making, operational performance, and unlock new revenue opportunities.

### Digital Assets and DLT

Adopt blockchain and digital assets to streamline operations, with expertise in regulatory and operational standup, tokenization, DeFi strategies, and regulatory compliance.

### Regulatory Compliance

Provide tailored compliance frameworks and solutions to meet evolving global and regional regulatory standards.

### Risk Management

Assess and mitigate risks across credit, market, liquidity, and operations with strategies to enhance resilience and performance.

### Target Operating Model Design and Execution

Develop and implement scalable operating models to optimize performance and align with strategic goals.

### M&A Support and Inorganic Growth Strategies

Support mergers, acquisitions, and partnerships with diligence, integration, and value creation planning to drive growth.

### Customer Experience and Service Enhancement

Redesign customer journeys and enhance service delivery with digital tools to improve satisfaction and retention.

### Revenue Generation and Go-to-Market

Identify growth opportunities and execute go-to-market strategies to drive revenue and long-term success.

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## ABOUT ALVAREZ & MARSAL

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