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WELCOME TO FIA EUROPE INFONET

Infonet@FIA Europe took a quite different tack from normal in its July session. Since its inception in 2010, the forum has always sought to look ahead, to peer down the tunnel to see what issues were likely to be impacting the industry next. Almost without exception, what we have seen hurtling towards us has been the juggernaut of the regulatory change agenda.

How refreshing it was, therefore, to be able to put on an event where the focus was on 'Innovation in Derivatives'. Using a revamped format of TED Talks, interviews and round tables, a variety of topics were covered, including the incubation of new products and new technologies, big data and applying disruptive technology.

Speakers included not only representatives of leading FCMs but also important market users and experts from firms in 'parallel universes' asking if innovative approaches from different backgrounds might help to solve recurring problems in our industry.

Inevitably, the spectre of regulation could not totally be ignored. As one participant observed, "You have the pressures of dealing with client queries and ever-changing regulations and so the spark of innovation inevitably goes on the back-burner." However, participants did manage to pause and stand back from the day-to-day pressures the industry has been experiencing to embrace the spirit of collaboration, curiosity and challenge. We certainly aim to pick up on the themes arising at future events.

For now though, it's back to the present. A year ago, Infonet covered EMIR and its impact on the post-trade environment. Clearly the effects of that remain with us and in the previous issue we observed that EMIR would likely be a 'walk in the park' compared to the ascent of Everest that MiFID II might represent. This October's event and the next issue of Infonet@FIA Europe aim to at least establish a base camp of practical insight as member firms and other market participants start to consider the potential for MiFID II to transform the way they do business.

Emma Davey

Emma Davey, Director: Membership and Corporate Affairs, FIA Europe
edavey@fia-europe.org

July's InfoNet was sponsored by:

CONTENTS

THE INFONET TEAM

Emma Davey
Director: Membership and Corporate Affairs, FIA Europe
edavey@fia-europe.org
+44 (0)20 7090 1348

Bernadette Connolly
Corporate Events Manager, FIA Europe
bconnolly@fia-europe.org
+44 (0)20 7090 1334

Philippa Hanman
Marketing and Communications Assistant, FIA Europe
phanman@fia-europe.org
+44 (0)20 7621 2811

David Setters Contango
david@contango.co.uk
+44 (0)7710 271291

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A REPORT ON THE 20TH FIA EUROPE INFONET

KEYNOTE: BP – A REAL-LIFE CASE STUDY ON INNOVATION

BP KEYNOTE:

Dean Zia Dar
CIO of Trading Functions

Charles Cai
Head of Data Science

Fabio Kuhn
Head of Global Front Office
Programme & Innovation

Three technology experts from BP took to the stage to deliver a vibrant keynote, taking the audience on a "historic journey" from the age of high-volume growth (c. 2000), the age of regulation (the present) to the age of higher-quality trading (the next few years).

The age of high-volume growth

Looking back to the past, Zia Dar explained that in 2000, when UK-based BP acquired two US-based companies, Amoco and ARCO, their somewhat disparate trading was fragmented across their various locations. He said, "upstream I had a trading organisation, downstream I had a trading organisation and everything in between had a trading organisation as well."

It wasn't until 2001 that everything was combined into one single trading unit, and at that time a lot of attention was on managing the corporation's risk as "it was all about very high volume growth." He likened this point in the company's development to a start-up. "We didn't have much technology. A lot of it was spreadsheets and access-based stuff so innovation was really about developing those kinds of technologies."

As they transitioned into a higher volume of business they not only were developing and expanding their trading systems, but were "investing heavily" in vendor products as well. He commented, "in the first six or seven years there was almost a proliferation of technology, both home grown and external. We had a lot of innovators, but they were all about building the foundation of technology at BP."

At this point, Kuhn interjected: "At the time, a lot of the focus was on our ability to do market deals, to price deals, to manage the risk around our portfolio and to do that in a controlled manner, in a way that integrated with the rest of the organisation and our ability to supply a lot of the products we trade on the physical space."

The initial technology that was being developed was the "basic link between what we traded and how we controlled the trading. As BP is primarily a large physical trader, the link between that trading and supply to the market is essential".

However, the firm trades very differently now to the way it did in 2000-2001. Then, according to Zia Dar, BP was, "just keeping the ships flowing. There wasn't really much hedging going on." It then grew into a business that "was delivering cash to the organisation as well."

Cai reiterated that BP had a lot of trading systems covering global oil, European gas and power and North American gas and power, so it was vital to develop a common kind of messaging. He said, "although we have many trading systems, at least we can glue stuff together with the technology at the foundation."

It has been very beneficial for BP to have built such a good foundation on which to build the business and develop innovation.

"Before we make a decision, we want to calculate the real cost by using all of the historical data."

Charles Cai, BP

The age of regulation

There were a lot of "large-scale transformations happening at the time and we were making a lot of money, but regulation kicked in in 2007-2008 and the world changed overnight," explained Zia Dar. This new 'age', Zia Dar said, has "been about building data feeds to trade repositories."

That's not to say that it hasn't been "a bit of an opportunity" for BP. It was a time when BP had a lot less money and so less technology. He said that "half of it was going out the door to fix and create regulatory feeds because, unlike the rest of the banking world, we didn't have data warehouses."

When Zia Dar joined BP in 2010, he noted it had about 17 or 18 big trading systems and five big businesses, but did not have one data warehouse; "it was spread out all over the place so we were investing a lot of our capital expenditure and revenue expenditure in responding to regulation." The corporation was also enforcing capital discipline, which meant that operational expenditure was also reduced. During this challenging time, it began to look at ways of making better use of funding in IT and how to help the business. He stated, "we started to focus a lot on optimisation or supply and demand flows, making better quality trades."

Zia Dar explained that BP is very much a physical commodity organisation. "Everything we do in the derivatives space is 99 per cent hedging," he said. "We smooth out the prices for some customers in utilities and airlines etc, but it is small-scale for us so we don't do a lot of derivatives on a speculative basis." So when exploring the idea of optimisation and higher quality trading, what it was doing in terms of technology was starting to develop things that enabled growth.

According to Kuhn, during this age of regulation, BP was able to bring a lot of its information and data together. He said, "increasingly we started to integrate the physical world with the trading world." For BP, the ability to link the supply chain aspect of the business with the trading side has huge potential and "can unlock a lot of opportunities for BP in the physical world."

It has invested a lot into bringing them closer together. "It plays directly to our competitive advantage on the physical markets," Kuhn explained, "and allows us to differentiate ourselves and leverage the network of assets and supply that we have around the world and then to find new opportunities and to provide a better, more timely service to our counterparts and to the market overall."

In terms of data, Zia Dar mentioned that a few years ago the team had discovered that BP had interesting data on the physical oil and gas markets. It just took them a while to figure out they had such high-quality data because it wasn't all in one place. He said, "We are only now just realising how to take advantage of it on a front to back and a back to front basis."

Cai then illustrated how such data is used. "With weather data, for example," he pointed out, "instead of just sending it to our tier one customers who can afford a whole vessel of crude oil to the doorstep of their refinery, we can consider weather hedging for the farmers."

Zia Dar wrapped up the age of regulation, by commenting that although the age isn't completely over yet, what we have now is a "slightly better measure of the volatility and the requirements from the regulators.

We know they are starting to harmonise, we know general patterns in terms of regulation requirements so we're starting to settle down."

The age of higher quality trades

Moving out of the age where resources have been directed at regulation, begged the question, where do we go from here? Zia Dar said that for BP, "it's not about rocket science, it's about market expansion. It's as simple as that. It is no longer about high volume trades, but committing to trades that allow margins to be increased. BP is entering the age of higher-quality trades."

Zia Dar argued that a company's likelihood of success will depend on data. BP wants to know "at the point of pre-deal whether trades are going to make money." He added, "that's why it is so important to take the data from the back office, the middle office, from functions, from risk and everything and push it to the pre-deal space." The challenge isn't collecting the data, "it's getting it to the pre-deal space quickly enough so that people have it at their fingertips."

According to Zia Dar, BP is now in a position to be "more proactive in the market space and expand our margins, and only do those trades that we think are going to provide longer-term benefit."

On the subject of big data Zia Dar stressed its real value now that the technology is there to get it all into one place. Kuhn added "the connection of things might be even more valuable." At BP they have observed that it is important to "create an environment where people have the opportunity to propose ideas and to propose projects that will leverage the data fabric in a way that will create value for the company."

In innovation, BP has established an environment for staff in the front office to put forward ideas of how the data can be used to add value to the business or assess an assumption. Kuhn said, "we manage those initiatives like an investment portfolio and we understand and manage expectations accordingly." The ideas that fail are more than paid for by the ideas that are successful. He added, "By managing innovation very closely connected to commercial value and allowing opportunities to leverage on the big data fabric and the technology we have, we are able to create interesting pieces of new technology and strong drivers within the organisation. The return on investment has been quite high on those initiatives."

Cai believes cloud computing provides a clear advantage in this respect. "The moment you are able to start using the cloud, you can test ideas very quickly and easily," he says. Furthermore, by creating a mobile application first, because it is portable, new features can be delivered to business very quickly and, in turn, you receive feedback very quickly.

All three speakers were in agreement of the importance of disrupting the way ideas have been developed in the past.

"Before we make a decision, we want to calculate the real cost by using all of the historical data," emphasised Cai. Suddenly it is not just the front office driving the business; it is also the back office. Kuhn agreed: "Some of the things that are happening in the back office in operations are actually directly influencing the way we trade. The capacity to capture data brings about new opportunities and the ability to disrupt."

Three innovations at BP

Delving deeper into innovation, Zia Dar moved on to describe three innovations that he believed would be of interest, suggesting that companies might be encouraged to learn from one another's successes and failures in innovation and that might benefit the industry as a whole.

First he explored the idea of collaboration. Through the use of mobile applications, mostly directed at retail customers, BP gains access to data and insight into what petrol consumers are looking for. That, he explained, "plays into a very connected innovation story that relates to refined products coming out of refineries and then to crude shipments and pipelines going into refineries and so on. It is a very deep connected insight that we get into physical movements across the globe as a consequence of that."

A further way in which BP stimulates collaboration is by displaying data, key risk indicators and key performance indicators on digital walls around its buildings. "That helps us take advantage of the 80,000 plus people that BP has around the world."

Information will change and rotate over different departments and will generate conversations amongst staff and, although it's very simple, Zia Dar claimed the idea has produced revenue. "The mobile apps start generating insights from consumers and the 'walls' are releasing and freeing that information up into the buildings that we work in. This allows us to gain insights from our employees who are otherwise locked down in Microsoft Outlook."

BP has also recently started experimenting with a funding model for new technology for innovations. "We have a pool of money that we allot to new ideas and we manage it very tightly, but we essentially act like a VC," Zia Dar stated. The funding is provided over a three-year period and is driven by the COOs in the community.

He added, "The idea is that we sponsor on a year by year basis and if it is IPO-ed into the business in the third year it survives, but if it doesn't, 'hasta la vista', we're done with that particular idea."

The third and most important innovation at BP is the organisation's IT structure. Zia Dar observed, "we've got all these small, nimble and sometimes medium-sized players coming to market from a technology perspective and eating our lunch." He explained that the big data players are going around IT because they can do it faster.

At BP they are told to develop quickly but they can be held up by things like operational expenditure tied up in other things they are working on and by maintenance. So BP's IT organisation is now made up of two parts. "We've got an industrialist arm of IT, which is all about cost reduction, commoditising and STP-ing, condensing the estate, eventually getting on the conveyor belt and outsourcing it. The other part of the organisation will focus on innovation which is run using the VC model."

BP has changed its structure in order to be able to "compete at the same level as the fast players that are coming into the marketplace." As well as experimenting with innovative technologies and innovative ways of funding, BP is evaluating the marketplace and what is happening in IT departments.

ROUND TABLE: FINANCIAL TECHNOLOGY

PRESENTATION:
Hirander Misra, CEO, GMEX

ROUND TABLE PARTICIPANTS:
Fabio Kuhn, Head of Global Front Office Programme and Innovation, BP Trading
Piers Evans, Director, Product Management, Markit
Siddharth Singh, Head of Programmes, Pivotal Innovations
Steve Stewart, Managing Director, Trading Technologies
Simon Vincent, Business Development, Treasury & Execution, EMEA, Capital Markets, Sungard

MODERATOR:
Victoria Ward, Founder, Sparknow LLP

What new investments, structures and relationships are changing the shape of the development of financial technology? Exchanges have traditionally been rather slow, focusing more on 'core' areas, but now they need to look at new developments and can work with third party providers for this to help develop 'best of breed'. How do they go about it?

In his presentation, Hirander Misra from GMEX, explored the topic of fintech, which kick-started an energetic debate between a roundtable of industry experts. He began by raising the concept of disruptive technology and explained that in order to generate development and innovative change, we must question and challenge what is already before us.

It is not as simple as taking the next step up the ladder or adding to what you already have, it is about stripping a business model back to the basics, clarifying what you want to achieve and doing so by taking a completely different path.

Misra illustrated this point using Netflix and Blockbuster as an example – both companies' objectives were the same; to produce revenue through film rental. Blockbuster monopolised the market for consumers coming in store to rent films and to return them. However, times changed and technology advanced and rather than adapting in conjunction with the rate of progression, Blockbuster fell by the wayside, while Netflix swooped in and applied disruptive technology to the Blockbuster business model and took it all online. This made it more convenient and up-to-date for the consumers, and therefore, more desirable and more successful. Misra described this as "a classic case of innovators' dilemma" where "large organisations, because they were so focused on existing customers, failed to see how the market was changing and to adapt to its needs and innovate appropriately."

Misra continued by commenting on competition and how it has the ability to "accelerate development." After the emergence of electronic markets, exchanges, for some time, became complacent towards innovation and dismissed the idea that there would be any real competition. Then regulation became more demanding, forcing the exchanges to react. This in turn created an opportunity for start-up firms with progressive ideas and 'disruptive' technology to bring solutions. Interestingly, regulation could also be viewed as 'disruptive' as it was the driving force which pushed the exchanges to adopt new innovations and adapt in conjunction with the market.

"Technology is a fundamental enabler, but it must come hand in hand with a carefully considered business model to be successful."

Hirander Misra, GMEX

Misra looked at innovation both internal and external. Using Deutsche Boerse as an example, he explained, "they've got certain ventures like the cloud exchange which they have innovated from the inside out. That is a great initiative around spare capacity as far as the cloud is concerned. It brings customers and suppliers together and creates a great eco-system."

Misra posed the question of what is preventing the majority of big, well-established firms from developing fintech innovations from within? He believed there were several reasons, with the most apparent being that start-ups have the ability to be far more disruptive and responsive than the big exchanges.

He likened the position to "a speed boat versus an oil tanker," suggesting that Deutsche Boerse decided to invest in GMEX for this very reason. "Start-ups, like GMEX," he said, "are able to react to changing markets, their needs and anticipated future needs without fear of failure as they have nothing substantial to lose. But big exchanges do, along with the risk of upsetting their deep-rooted client base. It is these challenges that often allow them to become stuck in their ways."

Additionally, according to Misra, it is growing increasingly apparent there has been too much emphasis on sell-side clients, as they are "important facilitators". "Trading venues," he said, "need to build a more diverse client base that also includes the buy-side. Its needs should be taken on board and responded to with a market that will provide liquidity. Start-ups can build a diverse client base and respond to all needs, unlike the exchanges, which face the risk of upsetting their mostly sell-side clients. This demonstrates that although technology is a fundamental enabler, it must come hand in hand with a carefully considered business model to be successful."

Once a technological system is in place, the problem of inter-connectivity still remains, however. "Some of the smaller exchanges simply do not have the funds to spend on innovation and they are buying the technology off the big exchanges in the belief that everyone is connected to their system," says Misra.

But if you look at this big expensive piece of technology, much of it dated, no matter how you wrap it up or market it, it is deployed into these exchanges standalone, so again it's on an island where the ships of liquidity can't sail. If each exchange has its own system connected to a market, they are effectively detached entities, which are unable to help these markets grow and increase liquidity.

Misra introduced the idea of jointly developing products, forming partnerships around innovation and opening up the market, allowing smaller exchanges and emerging markets to become connected. "The next wave [of business models] is all about partnerships and innovation around them because you've got to work with these markets in a way that they grow and interconnect." By creating a network of interconnected exchanges and markets, liquidity can be provided even in local markets, and new opportunities can arise. He referred to Intercontinental Exchange as an example; through acquisitions ICE has connected its users to Europe and is now expanding into Asia.

As well as working with emerging and smaller markets in different jurisdictions through exploring and developing technology with the intention of "opening up the market", he emphasised that start-up exchanges should focus on product innovation.

"Taking an innovative approach to products is key and that, you enable with technology," he said.

Summarising his thoughts, Misra concluded that larger exchanges have a great opportunity through partnership to expand their franchises and have some organic growth. "Coupled with that," he said, "it's about smaller emerging markets, working alongside larger markets that have the foresight, innovation and interconnectivity to create a network effect because that will create new opportunity."

Misra's insights paved the way for an interesting roundtable discussion in which a lot of focus was placed on the obstacles that stand in the way of innovation. Fabio Kuhn developed Misra's point about not being afraid to fail. "The ability to fail fast," he said, "by trying things out early on in the cycle of development allows you to identify the opportunities that will make a difference." Addressing the issue of cost, he said, "You make the large investments once you see that is the right thing to do."

Victoria Ward of Sparknow explored this further. "Some small organisations have got investors to please," she said "They may not have a tolerance for the fail fast mentality."However, most felt that start-ups have a far greater hunger to succeed. Furthermore, according to Siddharth Singh, a start-up is better equipped for testing new ideas than a large organisation, because rather than being set up to be scalable, repeatable and automated, it can take an idea to market and quickly consider client feedback. If an idea is a failure, there is room to pivot, recalibrate and adapt.

Simon Vincent from Sungard recognised that larger organisations could benefit from "going back to that kind of culture." According to Vincent, Sungard is beginning to "implement that kind of mentality across some of its products." Piers Evans of Markit followed this by exploring the notion, that no matter the size of the organisation, it is more to do with balancing resources in an effort to "keep up with regulation" and what is being "dictated by clients".

Kuhn described a way to justify exploring new innovations within organisations. "Ultimately it comes down to results," he said. "If you have a portfolio of several projects, some of them might fail, but from that portfolio you have to deliver. That is key to keeping the cycle perpetuated. You have to diversify your risk. A few investments carry the rest of the portfolio. The challenge is building your portfolio in the first place."

Other challenges that were noted included setting milestones for measuring innovations; potential over reliance on an entrepreneurial staff member who might leave to launch his/her own start-up; incentivising staff appropriately and overcoming the difficulties in a large company which make them slower to innovate?

Responding to the issue of the size of the company Kuhn said, "One of the bigger problems in any large corporation is that a lot of the people at managerial level are paid not to take risks. That prevents people's ability to test and pursue their ideas" He believed that the solution to this would be to provide a forum within the organisation where people have the chance to present ideas and test them on a small scale before making any big investments.

Vincent and Trading Technologies' Steve Stewart were in agreement with this and said that their companies hold competitions to encourage innovation with prize incentives. Stewart was also able to offer a possible solution to keeping entrepreneurial staff within the firm. "Trading Technologies is a privately held company," he said, "and all our employees are shareholders so new ideas benefit the company as a whole."

Stewart went on to add that although Trading Technologies do a lot of internal development, it's "most successful innovation is something we acquired". Evans responded to this point by remarking, "We've bought a lot of firms, but we also try to grow organically and we try to balance those two things out." So it is about pulling lots of different resource together to make new products.

Others felt that for large organisations to be successful in innovation, they needed to adopt the practical mentality which was often prevalent among smaller to mid-size firms by looking at how teams are managed.

"As a manager," said Singh, "if there are people in your teams who have capability, drive and initiative, you need to give them room, to document and formalise it and make sure they spend 80 per cent of their time on the day job and the rest to come up with new ideas. It's a small thing, it's not expensive and it should not make huge changes to communication structures and remuneration packages, but it gives you the space to test new ideas. Then if you get something interesting, you can take it to the next level and decide whether to put money behind it."

In terms of setting milestones to measure the success and productivity of a new idea, Kuhn explained that at BP it is kept very open. "We ask for estimations of how much they're asking for and what they are planning to do. It comes back to the 'fail fast' mentality and what you can trial on a small scale and build on from there."

Addressing the issue of managing relationships and partnerships Ward asked what would happen if you had the same companies competing in the same space at the same time as cooperating with each other as was happening more frequently in financial technology and financial markets themselves. This prompted a discussion exploring the option of working together as an industry to find technology solutions rather than having dominant for-profit organisations who may charge you whatever they want.

Others proposed having an open environment whereby, in a controlled, structured way, companies might provide software services to the community and the community grow them in a structured way which would also provide an opportunity to standardise fintech within the industry.

This premise of companies with open source was challenged. "You should start realising the actual cost behind some of it," said one observer. "If you are running exchange gateways, there is an ongoing

"If there are people in your teams who have capability, drive and initiative, you need to give them room to document and formalise it."

Siddharth Singh, Pivotal Innovations

cost that is needed to upgrade them. Then you need more people to support them. So at some point you'll be acquired and you would become just another big organisation."

Others mentioned that it is also important to consider the cost of ownership and of licensing and intellectual property. The observation was also made that "companies have responsibilities in terms of maintaining a secure environment." Misra had his own take on the open source issue. "You get the trial version and it's great, but all the best features are in the upgraded version you have to pay for. Ultimately you need to licence those to make open source truly useful."

Bradley of Eurex rounded off the discussion by encouraging the community to welcome open innovation even if it is just in terms of having a forum like InfoNet to discuss issues such as fintech and to explore solutions as an industry. Most agreed that there are things which big organisations used to do which they are not doing anymore which opens the way for fintech firms to come in as start-ups to address those issues.

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Email: options@theocc.com Phone: +1 312 463 6193

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ROUND TABLE: BIG DATA

ROUND TABLE PARTICIPANTS:

Charles Cai, Head of Data Science, BP Trading
Jonty Field,
Head of EMEA, Quantitative Brokers
Kirk Wylie, Executive Chairman of the Board and Co-Founder, OpenGamma
Paul Marks, Futures, Clearing and Collateral, Global Head of Electronic Trading Product, Citi

MODERATOR:
Sabine Jaccaud, Partner, Sparknow LLP

At the heart of innovation in the financial services industry is the opportunity presented by advances in technology. With increasing technological power and sophistication comes the ability to make greater use of the wealth of information generated by the industry – in other words, big data; or Big Data, as some insist on labelling it.

With the opening presentations from BP's trio of technologists, the InfoNet audience saw some real life examples of the practical applications of big data. Charles Cai, head of data science at the energy company, took the discussion one step further, by outlining some of the core building blocks of big data ahead of a roundtable discussion among a group of industry practitioners and technologists.

Cai, who describes himself as a data scientist, said that big data should be looked at in the context of data science. As such, it has gone through an evolution in a relatively short period of time. Just a few short years ago, big data was categorised with four core attributes, known as the Four Vs:

- Volume – which looks at the scale of data
- Velocity – or how quickly it changes
- Variety – the different forms of data
- Veracity – the uncertainty of the data

Through the use of more robust and sophisticated storage and computation, with systems such as Hadoop, data can be managed in different ways today.

For example, Cai asked, "Do you want to make your data real time, if so, how real time? If you look at the value of the data, you may have to clean the data in order to make it of better quality, and that takes time."

Such advances have taken the big data landscape forward into the arena of data science and to the Five Rs:

- Relevant
- Real time
- Realistic
- Reliable
- ROI

With increasingly sophisticated systems provided by a growing range of start-ups now available, this approach of the Five Rs allows the data landscape to be viewed with more flexibility – as structured data, unstructured data or semi-structured data. By placing cloud computing above these structures, users are able to move from data intelligence to data science to get move value from the data and make the best use of the information at hand. IBM, said Cai, describes the process as allowing you to see what is happening, why, what will happen next and what should be done about it.

Cai claimed that normal business intelligence ROI is 80 per cent, but with predictive analysis from increasingly sophisticated use of big data, ROI increases to 250 per cent.

As a global tech lead for big data analytics initiatives within BP, Cai has historically been more active in the front office application of big data, but things have shifted. At BP, he said, "it's really a variety of data that we need to take care of, and much more interesting datasets, like weather, ship movements, geospatial data and all kinds of time series."

He referred to data science and business intelligence as the best way to extract value from Big Data. "It's about how you lift up your existing IT and use business intelligence, and business analytics, to bring the power you can use from Big Data."

Others who joined Cai on the roundtable discussion that followed, questioned the term big data. Jonty Field, from Quantitative Brokers, did not like the tag. "I don't like buzzwords. You lose a lot of meaning with buzzwords. Yes, there's a lot of data and you can store a lot of information." What is important is not the storage of the data, but its retrieval.

As Kirk Wylie from OpenGamma explained: "When I started hearing a lot of buzz about big data coming from a front office technology perspective, I thought, 'this is nothing new; we've been doing this for decades. It's called Alpha Gen.' So, when I think about big data, in the context of finance, I tend to disregard anything that would conventionally happen in a sales or trading area because, from my perspective, that's just part and parcel of what people have been doing for years now."

What has become more interesting, Wylie continued, is the deployment of large-scale risk systems to hedge funds, clearing houses, tier one investment banks, and learning from the experiences of the sales and trading side to provide operational efficiencies through big data.

Citi's Paul Marks also questioned the use of the term big data. "For me, it's more about the data model… I come from an engineering background, so I look at everything as a system, the systems are made up of components. Some of those components are static and some of them are dynamic. Some of them are technology and some of them are people."

The key, said Marks, is to take a step back and model your data. "People here have today been talking about looking at data rather than from the front to back, from the back to front. "And that is what we did when we joined Citi three years ago. We had a clean sheet to design an FCM business and we said, 'the way to do this is to look at where the business is going to be in five years' time. Let's look at what we need from the back office in terms of surveillance; look at what's coming in the regulatory agenda.' So you could read the tea leaves, as it were, and we made sure we built systems in an extensible manner and that the data models captured more information than we would previously have captured."

"I don't like buzzwords. You lose a lot of meaning with buzzwords. Yes, there's a lot of data and you can store a lot of information."

Jonty Field, Quantitative Brokers

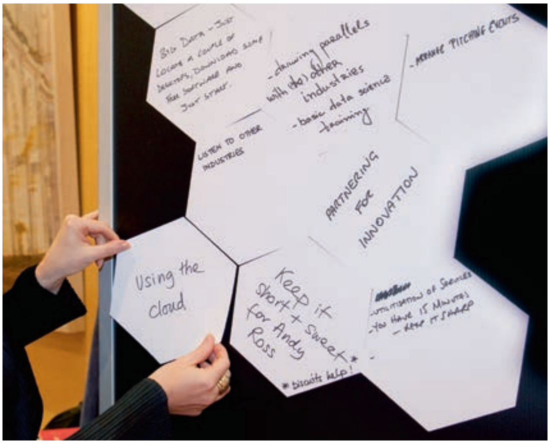
Management of data

Marks continued: "So, if you have more information, you don't necessarily have to use all that information, but you should only capture it once, drive things systematically and lockdown that data. This is because when you're trying to then aggregate that data and make sense of it, if you're relying on manual mappings, you are fundamentally flawed." From a risk perspective, he added, if you have one mapping wrong, then your complete risk calculation is wrong "so you may as well not have bothered."

One audience member picked up on Cai's earlier reference to the cleansing of data – would this not change the data? he asked. Cai explained that cleansing data was about making the data set smaller, more manageable, rather than changing it.

Of course, the cleansing and managing of data is not new. Wylie recalled the use of ETL systems (extract, transform, load) to "take stuff out of some systems, transform in and cleanse it and augment it and make sure that it's all standardised and then put it into another system. It's almost the same thing".

One way to think about it, he continued, is "just capture everything raw and then transform it on the fly or transform it once it's stored. So don't necessarily worry about transforming in flight, but literally just capture everything because you may not necessarily know what needs to be cleaned at the time at which you're capturing."



"Just capture everything because you may not necessarily know what needs to be cleaned at the time at which you're capturing."

Kirk Wylie, OpenGamma

To Cai, it was less a case of ETL, more of ELT – extract, load, transform.

Field was impressed with BP's earlier presentation which described the display of wind farm data in public areas of the company generating interest from a range of staff. "I think the key thing with vast amounts of data is being able to leverage that and be able to see it and have some kind of visualisation so there's kind of an analytical component.

"If you expose the things that you're looking at yourself to people who are not the main experts in a way that's attractive and engaging, you get a very different spin on things," Field concluded.

From an investment bank's point of view, Marks said what is important is the relationships between different data. Traditionally, he argued, firms have looked at their clients' risk exposure to assess, for example, whether they are over their credit limit. "What people didn't do was ask 'now what do I do about it, what does it mean? What's happened, and how do I stop it?' What we thought was really important was the data relationships and being able to slice and dice that data in different ways. Rather than making it completely flexible, it is important to come up with some standard ways that people can view that data, because too much flexibility just creates a minefield."

Marks added: "You have to work out those views that are meaningful and add value, and present them in a way that is easy for people to navigate. You have to take the Apple approach to developing systems and thinking about your user's experience in terms of how they are viewing that data. What's the next question they are going to ask when they see that data and how do you help have that answer there ready for them? I think that's really important."

At BP, this is achieved by encouraging staff to 'play' with the data, said Cai, to build up a picture (he called it 'story telling') of what big data can be used to solve. "It's not just the technology; it is also about educating people to identify the problems that big data can solve."

One important issue discussed by the roundtable was the benefit of standardisation of data, with some participants citing what FIX protocol achieved in financial services by addressing common attributes across the industry.

As Marks pointed out, "We probably all use the same attributes, and, in many cases, the same data, but we call it and label it different things." There are many examples in the risk limit area: "If there's a fat finger and an order size limit, say, and there's a value for that, then could that be given a parameter so that at least we have a common language?"

The need for algo tagging, introduced by regulators to help market surveillance, is another example of an area that requires standardisation in data, he added.

Standardisation would also help to reduce cost, of course, by leading to componentisation and outsourcing, or open sourcing, because people could then solve problems more easily.

There was speculation about the power some of the world's biggest firms might have as a result of the access to data. One observer pointed out: "Should Google, with all the information in the world at its fingertips and the right people to be able to use it, not be in an unassailable position as the most powerful company in the world?"

Cai agreed, pointing out that Google had just bought a start-up satellite company which would enable the firm to scan and reproduce in high resolution an image of, for example, Walmart trucks making and taking deliveries to enable an assessment of supply and demand.

It is important to retain control of proprietary data, though, and to look at the regulatory oversight for managing those with the power around data. Field took that issue one step further, pointing out that regulators around the globe already have an issue addressing cross-border oversight.

Another audience member raised concern about the security of data that is essentially anonymous and proprietorial – transaction information – but is placed into a number of venues – trade repositories. "How careful are they going to be to keep this information secure in a world where they're just interested in a few cents per lot or per trade," said the speaker. "At some point all of this information is there and it is literally all of the trading information in our industry. Is everyone comfortable with that kind of responsibility?"

As with any conversation of this nature, talk eventually moved on to how to make money from data.

> "You have to think about the simplest solutions to the problem and constrain your technologist from over-engineering them."
>
> **Paul Marks, Citi**

The audience questioned what sort of organisational structures need to be put in place to exploit data.

"Putting the technology in place is one thing, but how do you keep it going because this isn't a transactional system?" one speaker asked. "What models do you put in place and how do you fund it?"

As Citi's Marks pointed out: "Obviously, everything has to have an ROI and part of the challenge is working out what you actually have to solve and what's nice to have. So you have to think about the simplest solutions to the problem and constrain your technologist from over-engineering the solutions." ■

INTERVIEW: MARK BEESTON

INTERVIEWER:

Victoria Ward,
Founder, Sparknow LLP

INTERVIEWEE:

Mark Beeston,
Founder & CEO,
Illuminate Financial Management

Victoria Ward There's been a lot of discussion about disruption and acceleration. Do you want to be disrupted or a disrupter? How do you handle being disrupted? So Mark, when did you decide you wanted to be in a market where you're concentrating on disruptive technologies fostering disruption?

Mark Beeston When I was at Deutsche Bank, I suddenly realised I had a business problem of epic proportions. And, no matter how many bodies I threw at it, I couldn't actually solve my problem with extra resources and I realised that, what I actually needed, was a technology to solve my problem and it didn't really exist. And so, in May 2005, I left to launch the firm which solved the specific problem of outstanding documentation in credit derivatives.

VW It was mentioned in the fintech discussion that the people with the great disruptive ideas, on the whole, tend to leave and take that idea somewhere else. Would you say, you see a pattern of stayers in disruption and leavers in disruption?

MB I think there are intentional disrupters and accidental disrupters. We actually live in a very rich environment for emerging disruptive tech, because our markets, even post-2007, with the whole financial deleveraging that we've seen, have put a lot of people with domain expertise into a world where access to significant amounts of computing power, is very cheap. You don't need $3 million to set up a beta of a technology product anymore. You can go and pull it down from the cloud. It's really the domain knowledge that is key. So, you either have people like me, who, very fortunately, was released from Deutsche on sabbatical, to go and try to solve a problem and ended up staying to solve it, or, you have a lot of people thinking, "how am I going to feed my family? Well, actually, I had a critical business issue, let me bring my domain expertise to it" and disrupting from there.

VW So, it's people having the wherewithal to solve problems differently. It's quite a low-cost of market entry, and, so long as they've got the knowledge and the expertise, there's a real possibility for them to do something new?

MB Yes, we're living at a disruptive moment in time that is probably a once-in-a-generation opportunity. With the Volcker rule, EMIR, Dodd-Frank, Basel 3 and more we've created a regulatory environment, where the case for adopting new tech, or new solutions, is as strong as it ever has been. There's nothing like a regulatory deadline, to make you look for a solution.

At the same time, the technology part is cheap; the requisite domain expertise is out there and financial institutions are facing a moment, where they simply have to change their business model, whether that's around cost or control, or capital or compliance. The old model simply doesn't work. It's too inefficient and you need disrupters to bring you to new levels of control, or new levels of efficiency.

VW Before we come onto what it takes to back disrupters, can I ask what kinds of dragons have you had to slay along the way?

MB In my own journey, which is going from poacher to gamekeeper, I went through a particular interesting history with TriOptima. I was the COO of rates at Deutsche Bank that said "no" to four Swedish guys who came into my office and said, you really should pay us to help reduce your derivatives notional, because it really starts to stack up after a while and it's going to get to be a bit of a pain. And I said, "well, why would I do that? And look how much you want to charge me".

A year later, I remember being at an OTCDerivnet board meeting, where I said to a colleague at the time, "we should watch these Swedish guys: they're interesting. Maybe we should be doing something with OTCDerivnet and them". Then one or two board meetings later we heard that ICAP had invested in them. Ten years later while at ICAP myself, I along with a colleague, did the deal where we bought TriOptima outright and ironically I became the chairman, which of course became a highly amusing anecdote for them to tell at their ten-year anniversary.

So, I've both learned to deal with people who were like my former self and actually taught myself not to be like my former self. This whole game is about adoption. There's no lack of innovation. The industry thinks it needs to innovate, or large players in the industry think that they need to innovate.

I would actually argue that, it's not the financial institutions that need to innovate; they just need to create a culture, where investment in the validation of innovation paves the way for its adoption. The same person that needs the innovation the most is the most likely person to actually kill it – and not even intentionally. That's the challenge that we face as an industry and I can only say that with a straight face, because I've just confessed how guilty I was.

VW Are there other unlikely things that have helped you in your success? Companions or people you've admired? Or skills that you've found surprisingly useful in doing the job that you do and choosing who you invest in?

MB Like all things, it's a combination of being in the right place at the right time. I ended up leaving Deutsche because I bumped into somebody on a plane who had a technology that we agreed could solve my problem, if he set it up as a separate company. And at the end of the seven-hour flight he said, "I don't want to be too rude, but I think you're working for the wrong company." And five weeks later, I left to set up and head that new company. So luck makes a huge difference.

> "The same person that needs the innovation the most is the most likely person to actually kill it – and not even intentionally."
>
> **Mark Beeston, Illuminate Financial Management**

Having a wide network also obviously helps, but whether you're an entrepreneur, an investor or represent a group of investors, the key thing is, you have to develop a good reputation that means that people will want to take a meeting. And that's the challenge the whole way through.

The biggest problem that the most innovative disrupters have is that when they phone a large institution, they invariably get the answer, "who the heck are you?" And if they can get past that, the next question that they face is, "that's great, kind of interesting, how do I know you are going to be here in three years' time?" And so bridging those problems is part of our industry challenge as well.

VW So what's your advice to the new disrupters? How do they tackle those kinds of challenges?

MB You've got to surround yourself with a network of well-connected, well-respected people who enable you to punch above your weight. There's nothing new in that. Anybody who thinks that they have a great disruptive idea or are on their way to market with it, I would just strongly encourage them. As I've said, we are at a unique moment in time, in terms of the ability to bring multiple disruptive technologies to a very change-hungry client base.

VW If everything goes as it could, with the best kind of disruption happening, what kinds of things might be happening in the industry in a year or two years' time? What would your vision be?

> "If you're feeling a bit jaded, spend some time with entrepreneurs. They're full of enthusiasm; they might just recharge you."

MB Well, the thing that excites me the most is this combination of factors that create such an exciting environment for the young entrepreneurs and technologists of today. I see a situation where an industry that has been relatively slow to adopt the new world of the cloud, the new world of software as a service, for mostly entirely appropriate reasons, is going to be dramatically turned on its head.

We are going to find ourselves, in ten years' time, with financial institutions supported by a model that really is truly flexible to underlying volumes, at a level of control that we haven't seen in our industry before. And that's going to be a great foundation for the next wave of growth in our industry generally. The whole environment is just fantastically exciting.

VW You have previously spoken about the things that people in your position need to do; the responsibility you might need to take to help people, to mentor people through, or to back them. Is there anything else that you want to say about that?

MB In this room, as a group of people who have a vested interest in innovation and disruption, then it is our collective and individual responsibility to make more time in our working days to validate the propositions that come available to us. If I can go from the nay-saying Deutsche Bank Rate COO I was circa 2000, to a guy whose entire business is about trying to unearth the people that I want to say yes to, then I think it's within everybody's capacity.

I'm not saying 'say yes to every new product that calls you up', but if we really want to be part of a new industry and we believe in the things that we're talking about today, then investing a little bit more time in a feedback loop back to the entrepreneurs themselves is something that doesn't cost your organisation a lot, but can, collectively, yield the industry a huge amount.

There is value to any group of entrepreneurs in having more than one person to sound ideas off with and, by being part of that process, you will have other people that you can actually validate propositions with and bring things to market and solve your problems more quickly.

VW And do you think there's an active role for a network like FIA Europe's InfoNet in building the culture of disruption?

MB It's all about the whole adoption of disruption. Validation is a step, but innovation without adoption is doomed. So, the largest part of adoption is being able to cast a broad net and get as much engagement as possible across as wide a domain as possible. There's certainly a role there, as there are roles for incubators and heads of innovation in industry, sponsoring accelerators, incubators like Tech City, Level 39. All of these things are places for opportunity to germinate.

VW And for the people who feel tired and a bit overwhelmed by all of that; what are you telling them, to get out of the industry? Or find a way to recharge your batteries?

MB I don't want to be ageist about this, but I'm nearly 43 and one of the things that I find incredibly empowering about getting up every day is that I'm surrounded by younger, smarter people, more full of energy than I am. So if you're feeling a bit jaded by it, spend some time with entrepreneurs. They're full of enthusiasm; they might just recharge you along the way.

VW Any questions from the floor?

Emma Davey, FIA Europe I have a two-pronged question. It's about success rates in the listed derivatives exchange business; we're quite familiar with the notion that a lot of product is launched that never gets traded or never meets with any success. And that being the case in your area, how do you view the success rate in innovation in start-ups and why would innovation not work? What is it that hampers innovation?

MB I remember having lunch with a head of a very large, listed derivatives exchange a couple of years ago and I asked him, "do you not feel that every time you launch a listed product, that doesn't do anything, that you've eroded a little piece of your brand and how many times can you do that, before you've done irreparable damage to your brand?" And he answered that the marginal cost of launching something new is relatively low and that they didn't know which things would succeed, but when they do the big winners more than pay for the losers.

That's clearly a business model that works for a very profitable institution. But of course, that's based on a huge portfolio effect with very high pay-offs for winners and negligible marginal cost for losers.

In the innovation space, that's absolutely not the case. The individuals that have backed a given piece of disruptive tech, whether it's people that are investing their careers, or whether it's people that are investing their money or other people's money, or people who are investing a bit of their own career risk; as early adopters, those people are very vested to that particular thing and they don't have that portfolio effect. So it's a very different environment.

One of the things that we're doing is creating a much better validation network, where we're bringing more entrepreneurs to more financial institutions and hopefully, finding the ones that work for everybody, including our investors.

When we set up the seed funding vehicle at ICAP, Euclid Opportunities, which I think is a very good vehicle, we were investing in about one in a hundred things that we saw. Now, that's not to say that the other 99 were non-starters. They may well have all had a chance of success and, indeed, we may well have proved to be the guys that didn't sign the Beatles. But the trick is to fit the investments that you make to the interests of your portfolio. In the case of Euclid, it had to be relevant to post trade, it had to be relevant to ICAP and it had to have a focus on income, rather than just pure capital opportunity.

But at the end of the day, whether you're an investor or a manager of funds for an investor, or a buyer, you have the same risk. You need to validate the technology, which is why it's always easier to say, no, than it is to say yes, but the more validation that you do, the better that you will get at making your yes's.

Ken Wong from OpenGamma There has been a lot of discussion around open source vendor companies.

"We may well have proved to be the guys that didn't sign the Beatles. But the trick is to fit the investments that you make to the interests of your portfolio."

How do you see these companies disrupting the derivatives industry and what's your outlook?

MB The interesting thing about open source is that, perhaps it's not even about open source. It's actually about a different model being applied in a particular niche domain, which in this case, is risk, which could be anywhere from pre-trade in the front office, through to collateral in the back office. The outsourcing of some of those functions, to an open source, third-party model was unthinkable a decade ago.

It's very illustrative of the environment that we find ourselves in now, that a company like that can find a place for its model, because there are no holy grails anymore. This industry is so challenged, in so many different places; it has to find ways to cut the cost. It has to find ways to cut the capital. If that means bringing open source technology into the very front of the front office, and it doesn't create risk and it doesn't erode competitive advantage, then I think open source has got as much of an opportunity as any other model. As an industry, we have to be open to everything.

ROUND TABLE: INCUBATING INCUBATION

ROUND TABLE PARTICIPANTS:
Andy Ross, European Head of OTC Clearing, Morgan Stanley
Brendan Bradley, Member of Eurex Executive Board, CIO Innovation, Eurex/ Deutsche Boerse
Clive Furness, Managing Director, Contango
Mark Beeston, Founder & CEO, Illuminate Financial Management
Patrick Towell, Joint CEO, Cinegi Media and Golant Media Ventures
Dr Stephen Taylor, Head of Market Development, Nasdaq OMX NLX
Terry Hollingsworth, Director, EMEA Head of Client Executive Team, Futures, Clearing and Collateral, Citi

MODERATOR:
Victoria Ward, Founder, Sparknow LLP

Futures industry participants have clearly been under immense pressure in the past few years as they struggle to cope with the seemingly never-ending slate of regulatory measures imposed on them as a result of the financial crisis. As the need for investment in resources and technology to comply with the new regulations has mounted, most people recognise that very little time and effort has been focused on innovation.

The recent InfoNet 'Incubation' session looked at ways that new products (in terms of traded contracts) and new processes and services could be nurtured against this background. A mixed group of entrepreneurs from outside the mainstream derivatives business discussed the issues together with industry specialists.

Overcoming the obstacles to innovation – a question of time or mindset?

Most participants agreed that finding innovative solutions to issues, although difficult in these times, was necessary to move the industry forward. The key difference among the panellists seemed to be on the best way to allocate the increasingly precious resource of time, with the entrepreneurs arguing that potential industry customers did not spend enough time with them investigating potential solutions.

Others argued that having a more open mindset to new ideas was a prerequisite for derivatives industry renewal. Clive Furness was perhaps most forceful in this respect, believing the exchange traded derivatives community to be too complacent. "We're in real danger of letting ourselves be overtaken by something that we've not seen coming," he said. "I'm a great believer in the 'if it's fine, let's break it' way of thinking. The industry should be questioning itself every time someone says, 'You can't do that' for such and such a reason. I appreciate that the industry is hard pressed but it owes it to itself to find out what the next solutions will be. It should at least be open to opportunities and new concepts."

Like Furness, Mark Beeston believed more forward thinking is necessary. "For me, a good deal of innovation is stifled by people saying 'Yes, but...' Unfortunately that stops things dead in their tracks. What I would say is that we need to surround ourselves with people who say 'Yes and...'"

He was, however, encouraged by seeing some initiatives in the exchange and clearing house space. "Some firms are seeing the need to innovate on behalf of themselves, their clients or the wider industry as a whole," he continued. "They are starting to take the responsibility for building these solutions in conjunction with others because once built, they know that they will be good products, because they have clients demanding them."

According to Beeston, a major drawback is getting the opportunity to discuss new ideas with potential customers at major institutions. "When the customer sets up a meeting for three weeks' time they think 'Oh, that's good, I've got a slot to see these guys.' But the guy at the other end is thinking, 'that's several thousand pounds of burden to me.' I'd say that everybody's time is very valuable. The value of time to an entrepreneur that is burning money trying to solve your problem is critical. To put it in it in listed derivatives terms, I think he's got a lot more theta than you do."

Beeston also compared the buying cycles of large institutions with the survival cycles of entrepreneurial companies. "The two simply don't match up," he said. "That makes it difficult for early stage entrepreneurs trying to sell into first tier institutions to get a pace of adoption that works."

Brendan Bradley described the drivers behind his exchange's approach. "We've tried to foster innovation with some of the early stage investments that we've made. But it has been prescriptive because we're not a VC. An investment has to be strategic and there are tick boxes to ensure it fits this or that requirement. With respect to the open innovation platform we launched recently we understand that we won't always be the right people to talk to, because we may only choose one in ten proposals, but we may know somebody we could introduce you to. That may be the way to get the innovator's foot in the door."

"There are significant challenges to innovation when the downside to getting it wrong has the potential to impact your firm as a whole."

Andy Ross, Morgan Stanley

FCMs – under pressure but trying to innovate selectively

Andy Ross was keen to emphasise the pressures he, his colleagues and peers are under. "At Morgan Stanley, we put our clients' interests first by ensuring that we provide them the service they need, offering new solutions to help navigate the regulatory environment. However, there are significant challenges to innovation when the downside to getting it wrong has the potential to impact your firm as a whole. In addition to market and operational risks, we also factor in franchise risk, which makes the process of innovation more demanding."

Terry Hollingsworth saw similar pressures to Ross. "We try to automate and provide scalable solutions as much as possible but you have the pressures of dealing with client queries and ever-changing regulations and so the spark of innovation inevitably goes on the back-burner."

Both Hollingsworth and Ross said that they are forced to be selective with their innovation initiatives. "In a changeable environment such as this, it's easy to become distracted by the new, shiny thing," according to Ross. "But we have taken the decision to focus on a specific set of innovations. By not being distracted, and having a laser focus on what we're doing, our clients can really benefit from the attention, effort and energy being put into the process."

And Hollingsworth admitted that while, in an ideal world, innovation would be at the forefront of these firm's activity, "We end up having to pick one particular thing that we can all work on as a group at Citi and then really make sure that we get that right."

Despite the pressures of coping with the regulatory change agenda, Ross also sees opportunities. "While the regulatory environment has made some processes more time-consuming and expensive, it has also given us an opportunity to improve them and add commercial value. I don't see it as a series of boxes to tick, but rather an opportunity to understand our clients' requirements which builds on and strengthens our offering."

He also sees the opportunity to improve communication internally. "My colleagues across

"Could we work with other risk management institutions, such as the insurance industry… to work out more hybrid models?"

Clive Furness, Contango

departments, such as operations and trading, face different challenges and often speak a different language," he says. "The new environment has driven communication helping to open new opportunities, such as through new traded products or the dynamics of pre-and post-trade processes."

Working together on utility solutions

The possibility of joint industry approaches to incubate innovation was a recurring theme of the session. Bradley felt that there are certainly issues which are non-competitive which could be looked at. "In today's environment, most FCMs can't afford to build solutions themselves. Could a trade association or another group foster that approach? Is it possible that banks might get together to prove a concept and contribute towards new ideas? Or are we all too busy competing with each other to find them?" he asked.

Beeston believed that such cooperation was desirable, saying, "The FCM community have made it clear that innovation is not easy in these times when they are regulated so strongly. Perhaps they could partner more closely with organisations which aren't quite so restricted; where they are more likely to be able to come back with the 'Yes and' answer and build products and services as JVs, partnerships and consortiums."

Hollingsworth agreed that partnerships should be possible in the new environment. "We do share many of our customers. When a customer says that they will give us a certain amount of their business across prime brokerage, we no longer gain any competitive edge by saying that they should place more business with us. They are very systematic. We know how much business we'll get because that's how much counterparty risk they are comfortable with having with us. There may be 5 per cent up for grabs, but if we can stop competing for that and save 20 per cent of costs, it's a no-brainer. So we could partner with other clearing brokers and look into sharing the necessary technology and costs to find a platform that could be shared with the industry."

Speaking as an industry outsider, Patrick Towell was confident from his own experience of the collaboration paradox: "By working on common standards, necessary to the competitiveness of the sector as a whole, firms can find ways to collaborate even in competitive areas, to benefit the growth of the sector as a whole. These hybrid relationships, simultaneously collaborating and competing, are part of the paradigm shift."

Beeston emphasised the need to identify the services it would be possible to commoditise. "If we could 'utilitise' these services, then companies might be able to focus on more innovative initiatives," he said. "Would 'know your client' (KYC) processes be 'commoditisable'? The information could be centralised and the FCMs would become users of it. They might not be responsible for it but perhaps that could be a regulated responsibility for a service provider. It would massively simplify the space in which they operate."

Others believed that a centralised hub, external to all of the FCMs, holding information on the full picture of a counterparty's risk position would be highly beneficial. There would be no need for the utility to send out information but to be available for interrogation.

Stephen Taylor believed that there would be room for third-party/ISV service provision to grow under those circumstances. "Additionally," he said, "Commoditising certain aspects of the service delivery process would help the industry because by driving down costs you can free up money for trading."

Beeston also pointed out the major disparity between the small start-up company with an idea and a consortium constructed to build something that the industry agreed needed to be 'utilitised'. "If a big problem needs a 'utility' solution there will be a limited number of larger companies to contact. The entrepreneurial institution won't get a look in," he said.

"But large organisations can be better incubators by recognising that often these technologies can be adopted incrementally. If you want a new reconciliation platform, for example, you don't have to junk your old one anymore. For an immediate fix you might be better served by somebody coming in with an entrepreneurial solution. In turn, entrepreneurs would be greatly helped if larger firms were more open in considering quite small products. They would have a better idea of validation, future saleability and scalability. There is a big asymmetry with some of the processes around the edges of the FCM franchises that you can more easily give away without taking too much career risk and really start to foster an entrepreneurial culture."

Paul Marks underlined the need for more standardisation in the industry but also believed a lot of innovation was going on. "But it's tied up in a few big vendors and firms and if we believe we need to get access to new start-ups etc, then there does need to be some sort of provider willing to act as an incubator so that firms are dealing with entities that have some credit history and record of delivery."

Parallel universes – what can the derivatives industry learn?

Speaking from his external view, Towell emphasised the value of studying innovation in one arena and applying it to another using his recent experience in the intellectual property area.

"We recently published a report on creating products for intellectual property that are tradable and financeable. There are many comparisons between those intangible assets and financial instruments and there are derivative products that come from them, that are similar to financial derivatives," he explained. "Very few people make those connections. Quite often the best way to innovate is to steal an idea from another sector and put it in yours. It's amazing how you can take a wholesale idea, for instance, from theatre and apply it to film marketing. Or, in this case, from financial trading and apply it to intellectual property."

"One of the keys," he said, "is to involve multiple disciplines. What has been unusual in a lot of the projects that I've worked on is that they've aimed to bring about change to the whole supply chain. Even though we may have been contracted by one player, we've understood that the boundaries are fuzzy and things are distributed across multiple players, even down to the detail of individual business processes. And if those elements are not modelled correctly in requirements or in the questions that are being asked then the answers become 'point solutions' all the time."

Is it time to look for more hybrid models in developing new traded products?

Innovation in product development has largely focused on OTC products coming in to the cleared environment in recent times and some believe true innovation is lacking.

"The classic futures contract has been around for many years and in certain asset classes it is not as appropriate as it has been, particularly the commodity models. Are there other models?" asked Furness. "Could we work with other risk management institutions such as the insurance industry, for example, to work out more hybrid models?"

Furness then cited his recent experience in emerging markets where the need for an alternative model of developing traded products was obvious. "In Africa, for example, you have to look for things in product development to suit their model, not yours. It's got to be different. There is such an imbalance between the sell-side, generally smallholders and the buy-side who are larger institutions.

"For me, one of the biggest challenges is to

"In terms of product innovation, exchanges used to be the incubators of new products and the members owned those products."

Brendan Bradley, Eurex

come up with something that doesn't replicate the traditional Chicago, London or Frankfurt contract specification. How much of a new design does it have to be to make that product accessible to the farmer? Do you have large contracts or small contracts? How do you structure the mini contracts so that somebody with micro-finance can use it so as not to have to sell their product this week, but can hold it for a month in a warehouse. Then, how do you engage warehouse finance?"

Bradley acknowledged that both the process and the cost of developing new contracts had altered dramatically. "In terms of product innovation, exchanges used to be the incubators of new products and the members owned those products," he said. "Now, to a certain extent, we've gone back to that with our GMEX investment. We don't own it, but we're supporting something new."

"The cost of introducing a new product has increased considerably," he continued. "We've probably been working on some of the products we've announced recently for two to three years. There has been a lot of work and investment but we have no income coming from them and there's no guarantee we will do in the future but we have to keep doing it."

According to Ross, FCMs are working together with exchanges on innovative new product development. "That is us displaying intellectual capital," he asserted. "It's not just about taking some career risk; it's looking at the opportunity cost of time and effort and building on that. If you pick the right partners and you focus, you can get things to happen. The OAT future we launched with Eurex and some market-makers is a great example of that."

Taylor took a different tack, pointing to potential protectionism in the behaviour of some exchanges once they had established dominant market share in a particular contract.

"Today's innovation will become tomorrow's Bic biro," he stated. "And we find that once an exchange has that Bic biro, or a commoditised product that everyone wants, they often tend to erect barriers to competition. We're very interested to see that regulators across Europe have started to look at ways of ensuring that competition remains across the board. Regulators have a big role to play, in ensuring that competition is never stifled and that open access in Europe is embedded into the next tranche of regulation. Then we can be sure that there's always a competitive force in place, to move that Bic biro idea forward."

Bradley clearly believes that regulatory change represents a major opportunity, comparing it to the previous catalysts (i.e. the move from floor to screen, the introduction of the euro etc). "From that perspective, everybody has to view this as an opportunity," he said. "We've had all the pain but we have to move forward. The way we've looked at that is through what we call 'Trojan horses'. Perhaps we wouldn't have been as welcome if we had gone to the market place as our regulated entity, Deutsche Börse, but if you can find ways around the regulation, by looking at entities that are the routing and transmission of orders, as opposed to being an MTF, or looking at somebody who's got a buy-side network, that's the way forward."

In a session which hopefully brought greater mutual understanding to both providers of innovation and to hard pressed industry executives, Beeston's summary of the changing balance of power between the exchanges and the banks provided considerable food for thought.

"The exchanges have clearly got the upper hand on innovation right now because the banks are under significantly more pressure," he said. "Banks have been beaten almost senseless for the last five years and they are only just recovering. So, do the exchanges continue to be the innovators? And if the banks don't compete with that, are they the potential losers? The exchanges have the power and the reach to make life very difficult."

FIDESSA'S LONG ROAD TO SUCCESS IN DERIVATIVES

AN INTERVIEW WITH STEVE GROB, DIRECTOR OF GROUP STRATEGY, FIDESSA

It may have been a hard road that Fidessa has followed to make its mark in the international derivatives business but it has, in recent times, opened the doors to a broad number of derivatives firms, including large global players such as Citi, Newedge and Nomura and, interestingly, a number of other smaller firms too.

Despite its power base in the equity markets, success in derivatives has not come overnight. Steve Grob, director of group strategy, first embarked upon the journey with Fidessa nearly 10 years ago.

"We spent a fair bit of time considering how best to enter the marketplace," he says. "We did look at acquisitions but decided fairly early on that the key was to leverage the robustness of the established core Fidessa architecture. So we went back to basics and re-engineered the platform to support futures and options workflow. This approach probably took us longer and cost us more than an acquisition but has paid off in the long run.

"While we had some early successes, the real catalyst came with Dodd-Frank and its objective of converging the ETD and OTC markets. Even before the details were really clear, it was obvious that market participation would become more complicated and therefore the value of our proposition – simplifying customers' operations through workflow - could become extremely powerful.

"With this in mind, we started to look for a contract with a major global FCM that was derivatives only rather than a derivatives project attached to an existing equities customer. And this led us to Citi and Newedge and our first global derivatives only deals as an ISV."

Grob believes that while there were common themes, there were also some very specific motivations behind individual sales.

"With Citi, a new management team had come in with a brief to build out a major derivatives franchise. It was about trying to find a long-term partner to help them navigate the increasingly complex waters of Dodd-Frank and the associated agenda of overlapping regulatory change. What they needed was a partner that was able to assimilate all these changes and to execute on a truly global scale.

"For Newedge, however, it was all about consolidation of the 16 different ISV platforms it had around the world," he continues. "They looked at the sheer number and complexity of the new regulations and quickly understood that having to keep all these different platforms compliant on a global scale would be a near impossible task. So what they really wanted was the capability to take an order from any office anywhere in the world and put it through the same workflow technology so that it would never have to be rekeyed. They also wanted a complete view of their global risk profile so that their senior executives could sleep at night. Nomura's motivation was different yet again. It was looking for a level of robustness and resilience that it hadn't been able to achieve up to now."

Other dimensions

Not surprisingly, there have been some stresses and strains during these major implementations. "You can't get away from the sheer size of some of these operations," explains Grob. "You need very tight project management on both sides. And with these global firms you will obviously come across cultural issues. Senior management will obviously make the decision but when you get to the implementation you are bound to get

> "The old model simply wasn't economically viable, which meant relationships often didn't work for either supplier or customer."
>
> **Steve Grob, Fidessa**

different views from, say, the Sydney or Singapore office. There is a human dimension. You still have to win the hearts and minds of everyone involved in the process."

It seems that there has been a fundamental change in how contracts between ISVs and banks have been negotiated in recent years. Formerly, it was a question of "selling screens" on a short-term contract basis. Now Grob believes that the deals are much better balanced and longer term.

"The old model simply wasn't economically viable, which meant relationships often didn't work for either supplier or customer," he says. "The proof of that is how few ISV firms now remain. To have longer term deals is important because otherwise you'll have a more fragile kind of relationship. Our fundamental business model is to steadily grow the business around long-term commitments and recurring revenue."

"Another dimension to all of this is the concept of firms supporting different fiefdoms, each led by a charismatic 'star' trader on different desks, many of whom could dictate which ISV's screens would be used. In today's world, the idea of a firm supporting multiple different ISV systems is just too expensive, too inefficient and almost impossible to manage from a compliance perspective. Having a bunch of different ISV platforms under one roof doesn't seem to have much of a future," says Grob, "and so now senior management is very much in the driving seat when it comes to system selection."

Perhaps because of the recent major deals Fidessa is perceived to cater primarily for large firms. However, Grob sees mid-tier companies and larger proprietary trading houses as being equally interesting.

"All of the same macro themes are playing out with the smaller firms too, and that has led us to adopt an increasingly modular approach to our system deployment for these types of firms. We set out to prove our credentials with the biggest global firms first," says Grob, "but with the challenges facing global FCMs applying across the board we've now enabled the smaller firms to get on the Fidessa ladder at a lower price point.

"Of course there is a reduced footprint of functionality, for example they won't get some of the more sophisticated middle office services, but it gets them in the game. Once they are on Fidessa they then have access to our extensive buy-side community and they can trade on markets they are not members of through our network of global clearers. This is facilitated via a much richer API than pure FIX, and so these firms can trade through the clearer pretty much as if they were a member directly.

"This empowers the smaller firms to really punch above their weight", Grob continues. "If they have expertise and are a member of a local market they can supplement these local relationships with broader access to global markets unrestricted by the limitations of FIX."

Fidessa's recent success has been built on the strength of its managed service model and this seems certain to continue. "We are driven by the way customers want to use our software," says Grob. "It's evident that most don't want to build in-house anymore. They want a third party product and to deploy it on a service basis. Four or five years ago firms shied away from running their core trading systems as a managed service, but now all the big derivatives deals are being done on this basis."

The use of the core platform is central to Fidessa's offering but important elements of customisation remain to enable clients to develop and maintain their competitive edge. As Grob explains, "Fidessa is Fidessa. It's one branch of code so everyone gets the same core workflow. But, for example, when it comes to algos we enable our customers to write and deploy their own unique models within the Fidessa framework. And so we see technology as an enabler that's all about delivering our customers' IP as efficiently as possible. And this isn't just limited to algos; it includes research, relationships, market or sector expertise, margin compression and even downstream services. Customers can therefore dedicate their own resources to building out their own distinct services but the Fidessa infrastructure does all the heavy lifting for them."

In terms of adding new markets and services to the Fidessa platform, Grob says that although Fidessa already has extensive capability, it will continue to invest. "We're now connected to BrokerTec and eSpeed and we recently added US Treasuries," he says, "and we're looking to build out access to OTC cleared markets too. On top of this, in commodities, we already have customers in the energy space."

Interestingly, Fidessa has also recently increased its efforts in post-trade. "It's becoming increasingly evident that there is a need to find greater efficiencies in post-trade operations," observes Grob. "Driven by diminishing returns on investment the industry must find ways to simplify things. One way our buy-side user community suggested we do this was by extending the use of FIX. They wanted to use the same infrastructure that they already use to send orders but for post-trade processes as well. So, in August last year, we launched our FIX Post-trade Hub for affirmations and allocations and a number of customers are live with it in futures as well as equities.

"It's a very exciting area for Fidessa," he continues, "because we can persist information all the way through the transaction life-cycle. More than ever today it's all about following the natural direction of the workflow."

Some commentators have suggested that Fidessa is lacking in derivatives know-how and resource compared to competitors. However, Grob refutes that, pointing out that many of the team, including himself, with key roles in the derivatives franchise, have earned their spurs with long-term apprenticeships in the industry, mainly with other ISVs. In addition, because the derivatives capability was built directly onto the original core architecture all the staff throughout the company can contribute. "That's why we were able to lift the algo framework and smart router technology that we built for equities directly onto the derivatives platform," he explains.

The recent Bloomberg acquisition of RTS has prompted discussion of further merger and acquisition

"Wherever there is fundamental structural change there is always opportunity, but at some point you have to put your cards on the table and make some decisions."

activity in the sector. Grob thinks it unlikely that Fidessa would make any moves in this area, given the premise on which they have built out their system. "We need to be able to deliver on our workflow promise so acquisitions would have to fit in with that," he comments.

Looking forward, Grob believes the next three to five years will see considerable change, with market participants across the board wrestling with potential outcomes of the convergence of ETD and OTC markets. "Wherever there is fundamental structural change there is always opportunity, but at some point you have to put your cards on the table and make some decisions about what you're going to offer," he says.

Ongoing changes in the market landscape also give Grob food for thought. "Trading venues are thinking very hard about what their role is," he says. "Are they actually a venue or are they a venue and a portal? Will some follow the example of insurance websites whereby if they can't offer the most attractive quote they send them to another platform?

"Venues are also increasingly going direct to the buy-side. That has ramifications for their relationship with the ISVs. The fact is that we live in a world where everybody, wherever you are in the chain, is trying to disintermediate one another. You want people to come to your venue or network, but you also want to protect your space. We need to find a good balance."

Despite the lack of regulatory clarity and other industry challenges – not least, lower volumes and ongoing cost pressures – Grob remains optimistic. "Our role in all of this is to provide scalable technology that leverages Fidessa's resilience and performance, but in such a way that our customers can easily deliver their own unique value-added services." ■

MORE MOVING PARTS – BUT MORE OPPORTUNITY

AN INTERVIEW WITH BRENDAN BRADLEY, CHIEF INNOVATION OFFICER, EUREX

It would be easy, in today's current environment, to allow the joint pressures of regulatory change and economic climate to bear down on the industry and leave only a sense of gloom. But, as Brendan Bradley, chief innovation officer at Eurex, suggests, amidst all this pressure are many areas of opportunity. And for the listed derivatives industry, it is important to learn the lessons seen in other asset classes.

We are familiar with the fragmentation of the cash equity market which came about as a result of MiFID I, and the ensuing impact on liquidity. "The general remit (of MiFID) was to give the buy side more competition," says Bradley. "But the buy side has probably been the least happy with the result."

The development of the SEF market structure in the US is another example of a change resulting in less liquidity in the market. "What are we trying to achieve?" questions Bradley. "It should be about efficiencies and best execution for the greatest number of players and a focus on the buy side."

So, with the fixed income and FX markets equally fragmented, and leading to a growing need for aggregation, where is the market going? "This is why the market needs innovation," he says. Regulatory change is leading to multiple platforms with their own ecosystems built around them. "There is an increasing cost to being able to support all of those infrastructures at one time when resources and money are tight." And, more importantly, they don't necessarily bring greater liquidity. The market needs structures and services to overcome these issues to achieve the transparency and best execution required.

"New platforms like OTFs will lead to new order types and algorithms," says Bradley. Some of these have already emerged in the cash equity space and can now be applied to the listed derivatives business. One example of such a service is transaction cost analysis, which is already prevalent in cash equities and FX. "But how do you get that in a fragmented and aggregated world," asks Bradley.

Changing roles

The sell side has all of the above pressures to contend with, plus the Basel capital adequacy rules, Volcker rule and a whole host of other regulations. The knock-on effect on brokers is that they will get less volume from the sell side and therefore play less of a role in the market than they used to.

"IDBs used to be an incubator for innovation and a distribution channel for new products and services," suggests Bradley. Going forward, they will move more and more into the buy side.

There has also been a change in the relationship between the sell side and liquidity providers – the sell side used to trade in the OTC market and lay off the risk in the ETD market. But, as OTC clearing of interest rate swaps (IRS) products grows, with 80 per cent available to be cleared, the time may be ripe for listed IRS futures contracts to pick up the risk from sell side trades in the remaining 20 per cent that is uncleared.

Bradley also predicts the rise in prominence of the buy side. Buy-side clients will have a more direct relationship with the market, but will also have to find new mechanisms to manage multiple relationships that emerge from that.

The role of the exchange will not necessarily change, but market participants themselves will decide whether they want more direct relationships with platforms. The growth in direct market access (DMA) means direct trading membership is not required but some buy side firms may look more seriously at clearing membership of some of the major clearing houses given the cross margin benefits available. Such a trend has

"It should be about efficiencies and best execution for the greatest number of players and a focus on the buy side."

led to developments such as the 'registered customer' approach, providing segregation for positions and collateral, which Eurex Clearing offers.

To summarise: the IRS market is morphing into a listed market. The advantage of going through OTC clearing may be high enough to outweigh the basis risk of using the listed market. This should lead to more innovation, Bradley predicts, as changes to market structure naturally lead to new technology solutions being developed. He foresees a continued 'arms race' with respect to high frequency trading and algos, for example, given the growth in aggregation platforms. Latency will still be something people will look at.

Bradley suggests there will be a reassessment of what is core and what is 'satellite' in terms of what technology that firms choose to build or buy. He sees more 'outsourcing' of some 'core' services which will be provided by entities with real strength and expertise in certain areas – such as those firms providing execution platforms with strong distribution networks that allow firms to access multiple venues efficiently. These are service providers with economies of scale. Some banks are reassessing their use of proprietary systems and opting instead for off-the-shelf services. Some exchanges have made a success of extending their offerings for others to use, such as NASDAQ OMX, LSE's Millennium technology and more recently Eurex's T7 platform.

Sitting on top of these 'core' services are what Bradley describes as the 'satellite' pieces, which are developed by vendors able to take advantage of common APIs and other standards, like FIX, in developing more niche services and solutions. These are resulting in an 'app store' approach for non-core services – "a cottage industry of satellites", as Bradley puts it.

Bringing these thoughts back to the three major topics of incubation, product and technology covered at the latest FIA Infonet event, how are they shaping the future structure of markets? For example, if IDBs are no longer there to provide new products, where are new products going to come from? Incubating new technology could be undertaken by investment banks, but the current climate does not really allow them to do so.

Deutsche Börse Group's solution has been to establish Open Innovation, a community that helps foster, accelerate and incubate ideas ranging from products to technology. "If there are ideas out there without a home, we can incubate ourselves, or point them in the right direction," explains Bradley. This can include support in parallel markets, such as crowdfunding and peer to peer lending.

The exchange group has also supported innovation through other projects, such as its investment in GMEX, (Global Markets Exchange) which allows Deutsche Börse to incubate a new swap futures contract, and allows GMEX to 'host' products from other markets.

There are other examples of the exchange's support of innovative technology. "We recognised early the shift to the RFQ approach, and through our support of RFQ-hub we gained a better understanding of the buy-side flow," says Bradley. In return, Eurex's support for RFQ-hub gave reassurance to buy-side users. (Eurex has subsequently sold its stake to ITG, which now owns 100 per cent of the platform.)

In a similar vein, Eurex recently introduced connectivity of Trade Capture Platforms (TCPs) via its Multilateral Trade Registration (MTR) service. The service is designed to increase the efficiency of block trade execution and processing for Eurex listed derivatives via an automated straight-through process and allows platforms such as BrokerHub, ITG's RFQ-hub and Vectalis to establish direct connectivity to Eurex Trade Entry Services.

Such developments do throw up questions about the future of the market structure. For example, should some of these platforms be regulated as exchanges are? What role do major distributors play, particularly with regard to market data? Who will provide the tools to address the growing need for portfolio management given the increasing number of platforms?

"The greater the implications of related regulation, the more likelihood there will be more moving parts, more pain, but also more opportunity for those who look for it," Bradley concludes.

TT - MAKING PROGRESS THROUGH PARTNERSHIP

AN INTERVIEW WITH RICK LANE, CEO, TRADING TECHNOLOGIES (TT)

The vendor/client relationship in the derivatives technology sector has changed dramatically over the past few years, according to Rick Lane, CEO of Trading Technologies (TT). "There was a feeling that technology vendors were becoming a commodity in our sector," he says. "But rather than use the dreaded 'vendor' word we'd much rather think of ourselves as a partner of our FCMs and market user firms. In many senses we are also a utility and that isn't always a bad thing. We need to keep the lights on and the plumbing working, and as a utility, TT strives to be invisible or as thin as we can be between our users and the markets."

The next stage in that partnership approach is the launch of TT's new platform which will simply be know as "TT." "The aim is to help our customers not have to worry about the technology, the infrastructure and the global network," he says. "They can concentrate on what they do best while we do the heavy lifting."

"Our original platform has set the standard in the industry for over 20 years and while stable, reliable, and the best in the sector, the technology and platform of the last two decades is not the platform of the next 20 years," he continues. "The new platform gives us a technological foundation on which we can iterate very quickly and will make us very nimble and responsive to user feedback."

TT expects to further deepen buy-side and sell-side firm participation through the platform, which will offer multi-broker order routing to every user through a hosted global trading network. It will offer all of the best features of the current X_TRADER platform, but on a much faster and more scalable architecture. Another bonus is that the next-gen platform will enable the use of mobile devices so that clients will be able to monitor markets and to manage orders and automated trading strategies 'on the run'. The company will continue to provide support for the existing platform as users migrate to the new product over time.

A major advantage is that the new open architecture will significantly reduce the software development timeline going forward. Lane says, "This will help us to innovate quickly and deliver new market and product support faster than ever before."

TT is rolling out the product on a staged basis over the rest of the year. "We have been using it internally, there are a few US-based prop firms testing it and further alpha testers have been going live over the summer," confirms Lane. "There should be a commercial launch before the end of the year. It will be a fairly targeted and 'feature-lite' version. For example, the first launch will have just a subset of our normal market connectivity, perhaps a half dozen or so exchanges at first, but we'll ramp that up throughout 2015."

Another major aspect of TT's strategy, the MultiBroker ASP service, which allows users to enter and route orders through its direct market access network to participating brokers, has exceeded expectations since its July 2013 launch, according to Lane. In June the company announced that it had expanded the service to more than 25 sell-side firms with demand being driven by their buy-side customers. "Clearly our customers see value in the service which is unique in that it never routes orders to third-party networks," he says. "It helps buy-side firms effectively manage risk by providing access to multiple brokers from a single interface and achieve best execution while providing sell-side firms with the opportunity to reduce their infrastructure spend and total cost of ownership."

TT aims not only to be a partner for its customers, but also sees great value in working closely with third-party software developers wishing to produce commercial applications that integrate with its trading platform. Its "Connected Partner Program" aims to deliver components at various stages of the transaction lifecycle, including user administration, strategy development, order management, trade execution and risk management.

"We take the partner programme very seriously," says Lane. "Our new platform, TT, is built on an à la carte menu of APIs, which will make it a much lower barrier for software firms to work with us. It will be interesting to see how that plays out over the next 12 months."

One area where there seems to be some tension in the partnership principle is in the relationship between trading venues and the ISVs, with some commentators believing that some exchanges are becoming overprotective of their APIs.

"Generally speaking, the trend is that they are becoming more protective," says Lane. "Some are moving to protect their prize assets. They say that they want to ensure that they are not exposing themselves to 'fly by night' participants and I believe that is valid. There has to be some kind of vetting process in place but some are pushing things a little too far.

"However, not all of them are offering their own front ends and not all are so vertically integrated. There will continue to be an important role for the independent platform and technology suppliers. We do hear from people who are frustrated in that they can only access some products via the exchange's own front end, but they are not beating down our doors. People are just a little bit uneasy about where that trend is going."

TT is not yet seeing great demand for OTC cleared products on its platform. "It seems that everybody is in wait-and-see mode on those," says Lane. "People are waiting to see where the centre of gravity will end up. But we continue to add new markets. We connected to several new markets last year including Eris, NASDAQ OMX NLX and LSE Group. Hong Kong Futures Exchange, NASDAQ OMX eSpeed and TAIEX derivatives have been added in 2014."

In a quite different, yet clearly forward thinking, form of partnership, TT has been investing heavily in the future with its University Program over the past few years. "We now have X_TRADER software installed at more than 60 universities around the world," says Lane. "This includes academic institutions in North America, Europe, the Middle East and Asia. We believe that it's important to partner with respected institutions to prepare and encourage the next generation of futures and finance industry professionals."

The universities incorporate TT's software and APIs, at no cost to the institution, into courses allowing students to experience trading and risk management in a simulated environment using the same tools and market data as professionals.

TT and Lane are confident that their investment in commercial partnerships for the present, the medium-term and the future will further spur the company's success after an exciting first 20 years. ■

FIA EUROPE NEWS

RESPONSES TO REGULATORY PAPERS AND POSITION PAPERS / RESPONSES TO CONSULTATIONS

August 2014	FIA Europe filed its responses to the MiFID II/R Discussion Paper and Consultation Paper with ESMA
Regulatory guidance	
May -June 2014	FIA/FIA Europe publish summaries of ESMA's MiFID II Consultation Papers
Position papers	
September 2014	Joint FIA Europe & ISDA Response to ACER's Public Consultation on the draft TRUM
July 2014	Joint Trade Association Letter to David Wright IOSCO on UTIs
June 2014	Joint FIA Europe, GFMA and ISDA letter to the European Commission on REMIT Reporting

NEWS

June 2014	Concerns regarding REMIT reporting regime
May 2014	CBRF issues paper on Key Issues and Challenges Relevant to the Regulation of Cross-Border Business in Financial Services
May 2014	The Impact of the European Elections

NEW MEMBERS

We are pleased to welcome the following new members:

- Mariana Capital Markets
- Slaughter & May

FIA EUROPE EVENTS CALENDAR

FIA EUROPE'S CLEARING IN A DAY – AN INTRODUCTION TO DERIVATIVES CLEARING

TUESDAY 30 SEPTEMBER
MERCHANT TAYLORS HALL, LONDON EC2R

This inaugural one-day conference will provide delegates with an understating of the role of clearing in the transaction chain.

Core topics will include:

- An introduction to listed derivatives execution and clearing; OTC clearing; commodities clearing.
- EMIR and the new requirements for segregation and portability.
- MiFID II/MiFIR and new obligations for clearing.
- Capital, client money and other related issues.

FIA EUROPE'S ANNUAL POWER TRADING DINNER 2014

THURSDAY 16 OCTOBER
THE SAVOY, LONDON

Now in its 12th year, this black-tie dinner provides a valuable networking opportunity for members of the power and energy trading community.

FIA EUROPE'S CLEARING & TECHNOLOGY GALA DINNER

WEDNESDAY 3 DECEMBER
ARTILLERY GARDENS AT THE HAC, LONDON

Futures for Kids

Following the success of the inaugural dinner in 2013, the dinner provides a networking opportunity for the futures industry's clearing, operations and technologies communities.

The evening will, additionally, provide a forum to raise funds for Futures for Kids, the industry's charity.

2014 COMPLIANCE FORUMS

THURSDAY 25 SEPTEMBER
– J.P. MORGAN

THURSDAY 27 NOVEMBER
– NORTON ROSE FULBRIGHT

Topics to be confirmed

UPCOMING INFONET EVENTS

OPERATIONAL ISSUES IN DERIVATIVES - ENSURING COMPLIANCE AND MAXIMISING EFFICIENCIES IN THE PRE- AND POST-TRADE AREAS

22 OCTOBER 2014 - GROCERS HALL, LONDON EC2

Risk management, IT, compliance and operations specialists discuss what keeps them awake at night. Further information available shortly.

THE COMMERCIAL OUTLOOK FOR ETD BUSINESS

15 JANUARY 2015 – GROCERS HALL, LONDON EC2

Senior management from FCMs, exchanges, clearing houses, proprietary trading firms, vendors and end-users discuss their latest issues. Further information available shortly. This event will be an enhanced InfoNet session including a full afternoon and evening programme and additional networking opportunities.

Who can attend?

InfoNet is open to executives at FIA Europe member firms and to specially invited guests of FIA Europe and InfoNet Sponsors.

For more information on all events, including sponsorship opportunities, please contact Bernadette Connolly on bconnolly@fia-europe.org or +44 20 7090 1334.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