

FINANCIAL NEWS

Turbulent year prompts product development

Financial News's fourth annual list of technology firms for the 21st century comes at the end of what has been one of the most turbulent 12-month periods in the market's history.

But the challenges posed over the past year have created opportunities for technology firms, some of which have responded to the new market reality by developing products.

The most profound change has been the disruption of the European equities marketplace. Brought about by the European Commission's Markets in financial instruments directive reforms two years ago, the fragmentation of liquidity has



engendered competition but it has also created challenges that only technology can answer.

The emergence of new trading platforms, such as Chi-X Europe, Bats Europe and Turquoise, have complicated the market and left traders unsure where to find liquidity in a stock.

This has led to the emergence of a new breed of

trading systems, such as 29West, Atrium Network, FlexTrade, List Group and TradingScreen, which have risen to the challenge by offering systems that seek to simplify the trader's view of liquidity.

Liquidity fragmentation and the trend among traders to break up orders into smaller increments have combined to cause an explosion in the

volumes of data to be collated.

This demand is similarly being met by a small group of innovative firms specialising in data management, such as Asset Control, Autonomy, Cadis, which appeals to the buy-side specifically, and GoldenSource.

On the fixed-income side, the great challenge, compounded by the collapse of Lehman Brothers and AIG, has been valuing complex and often illiquid assets. Numerix, Pricing Partners, Thunderhead and TriOptima are among the firms that have excelled in this market.

Reporting by Luke Jeffs, Tom Fairless and Tim Cave

Omgeo ProtoColl

Founded: 2009

Chief executive: Mark James

Ownership: 100% owned by Omgeo

Market: Collateral management

Omgeo, a post-trade processing venture between Thomson Reuters and US clearing house the Depository Trust & Clearing Corporation, is putting its weight behind its new collateral management tool ProtoColl. Consultants believe the system, which launched in February, is a strong contender to the more established collateral management vendors.

ProtoColl helps firms manage counterparty risk by consolidating trade positions and managing collateral exchanges. Its software monitors

firms' exposures to peers, generates margin calls and helps manage disputes.

It is a repackaged version of a product previously offered by London-based Allustra, which was acquired by Omgeo last year. In a parallel move, Omgeo also acquired a derivatives reconciliation system last year from US-based Global Electronic Markets. The twin deals enabled ProtoColl to combine collateral management with automatic reconciliation of firms' derivative positions.

ProtoColl differentiates itself by serving buy and sellside firms, while many of its rivals tend to focus largely on sellside clients. Amid heightened risk and more stringent regulatory requirements, Omgeo expects asset managers and hedge funds to consider investing in collateral management systems for the first time.

Muhittin Elvan, head of risk control at Mn Ser-

vices, said: "Omgeo ProtoColl's technology and functionality is the most comprehensive, and the product was designed specifically with investment management and hedge fund communities in mind. It not only identifies any collateral discrepancies, but also gives transparency into those exceptions to highlight which details need to be resolved between counterparties."

ProtoColl's sellside client base has also increased this year as many firms reviewed their existing collateral management platforms, said Omgeo. An upgraded version of ProtoColl, set for launch early next year, includes streamlined automation and new asset servicing and processing functions.

One London-based consultant said: "It is built by people who really know and understand collateral unencumbered by legacy technology."



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