

Buy Side TECHNOLOGY WEEK

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MESSAGING PROTOCOLS

Patent Has FIX Committee Nervous; Industry Uproar Sure to Follow

A U.S. patent for a messaging protocol translation system issued to Belzberg Financial Markets & News International Inc. chief operating officer Donald Wilson has raised a lot of industry eyebrows.

"I have received a patent for a translation system that allows a computer system that uses one communication protocol to communicate with a computer system that uses an entirely different protocol," says Wilson. "We wanted to find a way of offering our customers a single execution point by providing a single screen that could

access any market just by choosing the market."

Belzberg Financial is a Canadian equity trading system vendor for both the buy side and sell side—with products ranging from order routing and order management systems, to front-end trading analytic tools and real-time inventory systems.

While Wilson explains that the patent does not make any claims with respect to the definition of any messaging protocols that may be communicating via the translator, the members

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MATCHING SERVICES

Brahman Replaces Merrin With SS&C's Antares 2000

Brahman Capital Corp. will soon bring SS&C Technologies Inc.'s Antares 2000 trade order management system into full production, replacing the Merrin Financial Trading Platform (MFTP). Mean-

while, later this year the New York-based hedge fund manager will also serve as a beta site for the upcoming release of Antares 2000 featuring electronic management of executions using the Financial Information

eXchange (FIX) trade messaging protocol.

The selection shouldn't come as that much of a surprise. After all, when Brahman Capital officials decided to oust the firm's

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TRADE ORDER MANAGEMENT

Fidelity Investments Uses DTC's TradeMatch

Fidelity Investments gave the go ahead for traders at the Boston-based buy-side powerhouse to begin using The Depository Trust Co.'s (DTC) TradeMatch service to match and process institutional trades for its U.S. trading operations.

Aside from confirming Fidelity's use of TradeMatch, officials at the firm decline to

comment on DTC's matching service. However, a spokesperson for the DTC says Fidelity provides the DTC with intra-day trade notifications that are compared with confirmations sent to DTC by brokers. If the data matches, matched affirmed confirmations are produced and dis-

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Brahman

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incumbent MFTP technology, SS&C already had a leg up on the competition. For portfolio management and accounting, Brahman Capital uses Total Return—a system originally developed and marketed by Shepro Braun, a vendor subsequently acquired by SS&C.

A source close to the decision says the seamless integration SS&C offered Brahman Capital between Total Return and Antares 2000 helped push SS&C over the top during evaluations. However, having Robert Shepro, Shepro Braun founder and now senior vice president of product strategy at SS&C, working the account helped move things along as well, says a source close to evaluations. Aside from confirming the selection, officials at Brahman Capital decline to comment.

“They’ve been a client of Total Return for a number of years, and they were recently looking to get improved processing through-put for executions,” says Shepro. “They do the bulk of their trades with Instinet [Corp.]. So with Antares on the front-end, they will get their trades through Instinet and use our FIX engine to bring the executions back electronically.”

Brahman Capital began running Antares 2000 parallel with MFTP midway through last month. SS&C configured Antares 2000 to receive FIX executions directly into Antares 2000 trade order management system after traders enter them as orders into an execution service.

To add FIX trading capabilities to Antares, SS&C inked a partnership with New York-based Javelin Technologies Inc. SS&C is not the only buy side vendor to license Javelin’s Coppelia FIX engine. Since signing on with San Francisco-based Advent Software Inc.,

Lyndhurst, N.J.-based middleware provider Vie Systems Inc. (BSTW, 12/14/98), Javelin has gone on to sign a number of other partnerships.

In the second quarter this year, SS&C will introduce Version 3.0 of Antares 2000, designed to provide traders with additional FIX functionality. The enhanced version will enable traders to access multiple sources of liquidity, receive indications of interest (IOI’s), and electronically route trade orders and receive execution reports using FIX.

Brahman Capital is a traditional investment partnership that invests its clients’ assets primarily in the domestic equity markets. Brahman Capital has been a market-neutral hedge fund manager—taking both long and short positions in the U.S. stock markets—since 1988. ●

Fidelity

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tributed to Fidelity’s brokers and custodians. Trades that go unmatched can be repaired or cancelled in real time from TradeSuite workstations.

The spokesperson adds that TradeMatch reduces the number of messages and steps in the trade cycle, eliminating the need for Fidelity to compare internal trade data with its brokers’ confirmations, and then affirm trades. By comparing trades earlier, exceptions can be identified and corrected sooner, preventing failed trades, says the spokesperson.

Eyeballing the increasing number of cross-border equity transactions, the DTC released TradeSuite last year—a line of systems designed to help fund managers, brokers and custodians connect with

Electronic Trade Confirmation (ETC) providers and other straight-through processing (STP) systems. The product line—dubbed TradeSuite—encompasses four components, called: TradeMessage, TradeMatch, TradeSettle and TradeHub.

TradeSuite incorporates the DTC’s flagship Institutional Delivery (ID) System, its Securities Instruction Database (SID) and DTC Hub for communications.

Fidelity offers investment management, retirement, brokerage and shareholder services directly to individuals and institutions, and through financial intermediaries. Fidelity had total managed assets of \$779.7 billion.

The world’s largest securities depository, the DTC is a national clearinghouse for the settlement of securities trades and performs securities custody-related services for its participating banks and broker-dealers. ●

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VENDOR STRATEGIES

SunGard Maintains Hold Over Shaw Clients

SunGard Portfolio Solutions recently converted several clients to the Y2k-based version of its Port portfolio management and accounting system—clients that originally signed on with Shaw Data Systems years ago, before the vendor was acquired by SunGard Data Systems Inc. The companies include Dallas, Texas-based Penn, Davis McFarland Inc.; Albriond Capital Management, LLC in New York; and The Capital Management Corp. in Richmond, Va.

The firms are small to mid-sized asset managers, a traditionally neglected market segment Shaw Data originally targeted with its Micro-Shaw portfolio management and accounting system. SunGard Data subsequently bought Shaw Data in 1992 and for a while operated the vendor as a separate business unit. Not offering Y2k-compliance, SunGard Portfolio is essentially abandoning the Micro-Shaw product.

Port was originally developed by National Investor Data Services, which was acquired by Premier Solution in late 1995. Premier was then acquired in by SunGard Data in the Spring of 1997, which shaved off a few losing product lines, but kept the Port system.

Clients coming to grips with the realization that they needed to

find a replacement for their portfolio management and accounting system turned to a marketplace that offered very few options.

“There really is not much choice out there,” says Ailene McGee, secretary treasurer at Penn Davis, which will use Port to support some \$140 million in managed assets. “There’s really only two systems, this one and Advent [Software Inc.], so you pick one or the other.”

“The market is very limited, and your choices are few,” agrees Susan Kidd from Capital Management, which will use Port to support about \$200 million in assets. “For a long time, I know the SunGard people were trying to develop their own, and it just wasn’t going well. This system became available, and they jumped on it.”

“For one thing, Port was a bit cheaper,” says McGee. “And, not only could it be done with less money, we had been using the Micro-Shaw system for about 10 years, had been happy with it, and just decided to stay in that family.” “Advent was certainly more expensive,” says Kidd. “I was familiar with the people in the Shaw Data and the SunGard group, so that’s the way we went.” Both firms have brought Port in full production. ●

Patent

Continued from front page

of the Financial Information eXchange (FIX) Committee are nevertheless taking the matter seriously.

“I need to spread the word far and wide so that all of us can give this matter immediate attention,” Bob Lamoureux of Bridge Information Systems Inc. recently posted on the FIX Committee’s Internet message board. “It appears that this patent covers all forms of translations between the FIX protocol and just about any other protocol. I fear this may have dire consequences for anyone who currently accepts FIX messages and translates them into another format, even internal usage.”

Meanwhile, Lamoureux advises FIX members to download a copy of the patent and have their respective attorneys review it. Wilson insists, however, that once FIX members, and their lawyers, review the

patent, they should feel less threatened.

“I think that once they have done this and have read the text of the patent carefully, they will conclude that it does not directly affect any of their work on the FIX protocol, Wilson says.” Meanwhile, Dushyant Shahrawat, an analyst who tracks FIX-related issues for The Tower Group, expects further industry backlash.

“The FIX Committee is going to take very decisive action for, or against this, but now they’re probably still trying to find out what the underpinnings are,” says Shahrawat. “I think more than the institutions, there’s going to be a lot of furor from the middleware vendors because it directly threatens their business.”

It’s uncertain how much of an impact the patent will have on middleware vendors, or if they’re even aware of it at this point. Arron Dack, president of Braid Inc., a middleware provider with significant market share, says he’s never even heard of

Belzberg Financial Markets, let alone Donald Wilson and his patent.

“This patent is definitely a surprise, and it begs the question what kind of review process was conducted by the patent committee,” says Shahrawat. “If they understood the business, then they would definitely have opened this issue for comment, or taken input from the FIX Committee and some of the vendors. Frankly, I’m personally surprised this patent was issued.”

Wilson, though, says he’s been working on this technology for years. “When someone applies for a patent, it takes years for the patent office to grant the patent.” “For example, our gateway product that uses this technology went into production on July 2nd, 1996, and has been used by brokerage firms in the U.S.A. and Canada from that day up to the present. This time lag is why the issuance of a patent can come as a surprise to some people, especially if they have duplicated the invention in the meantime.” ●

In Brief

FORTE SOFTWARE, INC. AND NEW ERA OF NETWORKS, INC. (NEON) have inked a joint development and marketing deal. NEON and Forte will resell each other's products and NEON will use Forte's development environment and Forte Conductor to extend its integration products.

THOMSON INVESTMENT SOFTWARE has signed a third-party agreement with Softek, a Latin American software provider. Under the agreement, Softek will be available to provide TIS clients with consulting, software services and support throughout Latin America.

THE DEPOSITORY TRUST CO. AND GLOBAL INVESTMENT SYSTEMS have entered into a partnership that integrates DTC's TradeSuite workstation software with GIS's Impact portfolio management and accounting system. The arrangement allows Impact customers to integrate the communication, confirmation, and central match features to TradeSuite's workstation with Impact.

MICRO MODELING ASSOCIATES, a technology solutions and consulting service provider, recently closed \$35 million in private financing—\$20 million of equity from TA Associates, a Boston-based investment firm, and a \$15 million line of credit from Fleet Bank, Boston.

SS&C TECHNOLOGIES INC'S FINESSE 2000 analytic system will now incorporate A.M. Best Co. data, including Annual Statement File and Schedule P data, for analyzing the property/casualty and reinsurance industries.

JEFFERIES & CO., the principal operating subsidiary of Jefferies Group, has appointed Steven Black as director of equity research. Black will report to Robert Colgan, executive vice president, equity capital markets director, and will be based in New York.

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