

Buy Side TECHNOLOGY WEEK

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IN BRIEF:

- ▶ *Thomson ESG files application with SEC to provide central matching services for depository-eligible securities settling in U.S.*
- ▶ *Dutch investment manager Robeco Group completes euro conversion*
- ▶ *Harrisburg, Pa., Blue Cross health care insurer licences PAM*
- ▶ *BankAmerica changes name of Chicago-based fund management arm*

With Sun in Place, NACM Gears Up For Global Re-Architecture Project

Having replaced its entire Silicon Graphics-supplied server infrastructure with a Sun Microsystems Enterprise-based platform during the latter part of last year, Nicholas-Applegate Capital Management is revving up for the next phase of its global implementation of a multi-tiered IT architecture.

Founded in 1984, San Diego-based Nicholas-Applegate Capital Management (NACM) manages over \$32 billion in U.S. equity and fixed income assets and in international equity assets for institutional, retail and private accounts, and mutual funds.

The Sun Microsystems deployment represents the lower database tier of NACM's strategy. Meanwhile, officials at the firm say one of the purposes of the multi-tiered architecture is not only improved performance and availability, but also the flexibility to change accounting systems and/or change databases, which the deployment allows.

"Basically we're talking about re-hosting the database," says NACM CIO George Kenney. "Our main database in Sybase used to be hosted on SGI boxes before we moved them over to

Continued on page 2

ECN Opens Up to Buy Side Order Flow

Brut, an electronic communications network (ECN) which has been open strictly to broker/dealers since its May 1998 launch, is now trying to supplement its sell-side volume with order flow from buy-side institutions.

Moreover, the ECN — which is majority-owned by Weehawken, N.J.-based

Automated Securities Clearance — is for the first time touting its previously silent minority ownership group. That group consists of Merrill Lynch, Goldman Sachs, Morgan Stanley and Knight Securities.

Brian Hyndman, president of Brut, says that the minority owners have supplied the con-

tinuous equity trade matching system with credibility and, most importantly, liquidity. Hyndman — who says that the minority partners collectively account for 21% of the trading volume on the Nasdaq Stock Market — declines to specify the exact percentage of Brut the foursome owns.

Continued on page 2

SPECIAL REPORT:

PM&A Product Release Update for 1999

Euro and Y2k compliant functionality dominated last year's product release schedule throughout the portfolio management and accounting system industry. With most client bases either in the process of, or already converted to compliant technology, vendors are now turning their attentions elsewhere. Buy

Side Technology Week has compiled a list of some of the features vendors are preparing to release this year.

For its flagship APL product, Jersey City, N.J.-based CheckFree Investment Services will be adding tax sensitivity to trade creation and deci-

Continued on page 3

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NACM

Continued from front page

Sun, so it was more of a physical re-architecting, than logical." SGI had a two-year run at Nicholas-Applegate before officials at the firm gave Sun the nod.

Regardless of which platform they eventually selected, IT officials at NACM were intent on speeding up settlement processing. "One of the major improvements that we've gotten out of this is the ability to run our night cycle faster," says Kenney.

SunGard Data Systems' subsidiary Shaw Data serves as NACM's portfolio accounting service bureau. "In the evening we send [Shaw Data] all the transactions from the day and at night they put those transactions into the portfolio accounting

database," says Kenney. "In the very early morning hours, essential holdings with corporate actions and prices are sent to our database and then that is used during the day for our trading systems, market data systems and pre-trade analytics."

The problem, however, has been that the turnaround has not been timely enough. "With the market opening at 9:30, or 6:30 our time [Pacific Time], we had very little time to get ready for trading," says Kenney. "Our portfolio managers are in here by 4:30, so they need their holdings and positions ready to go and priced."

Receiving transmissions from Shaw Data sometimes as late as 2:30 a.m. gives NACM a small window in which to process. In order to shorten that window,

officials at the firm decided they needed faster hardware. "We tried for two years with the SGI boxes, but now the Sun platform has brought us about a 50% improvement in the processing time," says Kenney. "So, essentially, implementing the Sun platform has bought precious minutes for us in the early morning."

While the Sun deployment may have speeded up processing, Shaw Data's incumbency at NACM is by no means assured.

"Every year we talk about the shortcomings of the service bureau accounting, and each year, including 1999, we will consider whether or not we want to bring the portfolio accounting in-house by buying a package or building our own," says Kenney. "I'm fundamentally opposed to

ECN

Continued from front page

However, a source close to Brut says that the minority equity investors have a combined 44% stake in the ECN.

Thus far, says Hyndman, Brut has snatched up 100 broker/dealer clients. All of those clients also use Brass, Automated Securities' flagship order management system. By interconnecting the ECN with the order management system, Hyndman says, Brut made it "easy" for Brass' clients — consisting of roughly 150 broker/dealers — to sign on to its system.

Because the ECN was initially targeting Brass' client base, Brut was hell-bent on making its system very broker/dealer friendly. In fact, for the first six months of its existence, Brut was offered exclusively to broker/dealers.

Now, Hyndman says, Brut is entering phase two of its plan — a phase that calls for the ECN to allow buy-side firms to put liquidity into, and take liquidity out of, the system. There is, however, one important caveat: a broker/dealer must sponsor any institution looking to tap into Brut.

"Brut's [now] open to everyone, but if you're a buy-side institution, you have to go through a broker/dealer," says Hyndman. "We'll still charge an institution [our standard] fee, and if a broker/dealer wants to charge a fee above and beyond that, they can."

As an alternative to charging additional access fees, broker/dealer clients of Brut can also form soft-dollar agreements with institutions. Moreover, if that incentive is not enough, Brut is offering a rebate to customers who place orders in the ECN. Customers who post orders on Brut receive a rebate of 10 cents per 100 shares executed, up to a maximum of 1,000 shares, says Hyndman.

Unlike the majority of its ECN competitors, he says, Brut only charges customers who remove liquidity from the system, either by hitting a bid or taking an offer. "Most other ECNs charge you to both put orders in and take orders out," says Hyndman.

Through November 1998, Brut accounted for roughly 3.25% of the total ECN volume, according to a Brut spokesperson. At that time, Brut ranked 6th among all ECNs in terms of volume,

trailing the likes of Reuters' Instinet, Datek Securities' Island and Bloomberg's Tradebook. — Robert Sales

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building our own, so the only alternatives we are considering is either other service bureaus or buying the software and running it in-house."

Meanwhile, not only has the Sun platform boosted overnight processing speed, but it has bolstered other applications as well. "During the day, the trading system as well as the trading analytics applications bang against the database," says Kenney. "We have a lot of users that ask more and more sophisticated problems and want answers in near real-time." He explains that the faster Sun platform has helped reduce the processing time of many applications, some running in nearly half the time.

After some time last year, it became apparent to officials at NACM that they

needed to replace the SGI platform. Then the problem became not would they do it, but could they do it.

"We were in sort of a black hole and could not escape with SGI," says Kenney. "There was a big debate on actually whether we could do it," adds Kenney, who challenged NACM vice president of Global Software Development Kary Clements to figure out how to pull off the migration.

Clements says his group spent nearly four months alone trying to figure out how to move all the data over a period of a day and a half.

"You have to finish the domestic processing Saturday morning from the Friday close, and you also have to get the international folks up on Sunday," he says. "There's a short window in which to do it,

so you had this script how you were going to carry off the play."

Meanwhile, they not only had to move the data, but also convert it from one Sybase binary form to another. "We couldn't do a straight dump and load of data, which is probably the fastest way of moving data around," says Clements. "So we worked with Sun and Sybase and arrived at a system which was to dump and load from one platform and then load it onto the other platform using some idiosyncrasies that would put it in the right form."

Clements says that the only problem with this process was that they then had to verify all of the floating point data and make sure all calculations and all raw data were correct — a process that took an additional three months. ●

PM&A

Continued from front page

sion-support tools. CheckFree will also enhance its tax sensitivity performance modules, and enhance functionality in the Mutual Fund Wrap area. The vendor will also issue the second release of the APL Plus Client Server application this year.

During the second quarter this year, déca-log will release multi-site management functionality for its IDEE product line. Also this year, the vendor also plans to release a number of portfolio management asset-allocation methodology changes, an interface to Global Oasys and some FIX connectivity.

Van Nuys, Calif.-based Financial Information Network is planning a new Windows NT release for its FIN portfolio management and accounting system during the first quarter. Also during the first half of 1999, FIN will complete final development on multi-currency, additional interfaces with data services and custodians and expanded asset allocation and what-if functionality. Enhanced performance measurement functionality is due out later this year.

In addition to two scheduled upgrades

this year for its full product suite, New York-based Financial Models Co. will be launching an entirely reengineered trading system.

Integrated Decision Systems in Los Angeles is slated to unveil tax aware and tax efficient hypothetical trading support enhancements for its Global Investment Manager II this year, as well as after-tax reporting capabilities.

Wellesley, Mass.-based ITS Associates plans to develop Internet-based reporting features this year for its PMIS system. Other features due out this year from ITS include added analytics for PMIS using the vendor's Query2 system, expanded reporting (tabular and graphic) in concert with data warehousing and integrated back- and front-office systems, and added client/server functionality (more client systems and upgraded server systems).

Atlanta-based Phoenix Systems is considering adding a performance attribution module to its product suite.

Princeton Financial Systems from Princeton, N.J., will release a trade order management module using n-tier technologies and written in Java. Princeton is also planning a new set of OLAP portfolio

manager data views, enhancements for compliance and performance measurement capabilities, some straight-through processing enhancements, a new PAM for Real Estate product, and a new system performance monitoring tool suite called PAMScope.

Windsor, Conn.-based SS&C Technologies is currently evaluating a number of initiatives for 1999. They include releasing a browser-based trading facility, releasing a portfolio information center as either a browser or thin-client application, and real-time messaging between the vendor's trade order management and portfolio management systems.

Located in Malvern, Pa., SunGard Trust & Custody Group (formerly SunGard Asset Management, and SunGard Trust Systems) will be working on Internet/Intranet related functionality, workflow automation, mutual fund processing, a new Master Securities Lending service — a turnkey securities lending service and Expediter — and a mutual fund trading interface.

Thomson Investment Software in Boston tentatively scheduled a 1st quarter release for Dynamic Query capabilities for the vendor's Portia. ●