

JP Morgan, the New York-based investment bank and securities house, has decided to develop its own systems to support its London-based swaps back-office operations. The bank had been evaluating systems marketed by several software vendors: chief among those competitors were Infinity Financial Technology and Summit Systems.

However, following an on-site test of Infinity's Montage data model (DE&T, November 13, 1995), officials scrapped the idea of incorporating a vendor-supplied system into the project.

At the time of the Infinity pilot, JP Morgan executive Mark Etherington confirmed that the bank was "looking at a number of packages" to support its swaps processing in London, Infinity's Montage being one of those systems.

California-based Infinity already had a leg up on the competition: the bank already uses Montage in its New York offices. However, JP Morgan officials maintained the New York deployment is a separate matter and would have no bearing on the tests.

While Etherington confirmed the bank was testing Infinity's software, he was quick to point out that the internal systems development option was also being actively considered.

Etherington did not return calls seeking comment by DE&T's press time. But a source close to the evaluations says JP Morgan officially rejected Infinity some time in late December.

Last year, Etherington said that even if Infinity had passed its evaluation tests, the software would only support part of JP Morgan's back office architecture. The source says the complexity of the project has driven JP Morgan to form four distinct development teams to work on the project.

The source adds that JP Morgan's complicated infrastructure is one reason why Infinity and Summit failed to land the bank's business. "It's like a civil service. JP Morgan has several layers and various structures to negotiate," says the source. "I think any vendor would have a real difficult time conforming to that," the source adds.

Although JP Morgan officials have decided they will not incorporate any vendor-supplied systems into the deployment, they are not adverse to asking others for advice. "JP Morgan is seeking outside consulting help," says the source. "They're using one or two people from IBM, and a handful of people from one or two other consultant firms."

## **FIVE OPTIONS EXCHANGES DELIST SERIES TO PREVENT DATA GLUT**

FIVE U.S.-based options exchanges have agreed to delist significant portions of their options series, in an effort to ease equity options message traffic. The exchanges have already eliminated between 5,000 and 9,000 of the more than 100,000 option series that exist in the U.S. The exchanges are also working on a more long-term plan to suspend quotes on inactive options during peak market periods.

At peak market periods, the Chicago Board of Options Exchange (CBOE), American Stock Exchange, Philadelphia Stock Exchange, Pacific Stock Exchange and New York Stock Exchange supply almost half the total market data messages coming into the vendors, says Leo McBlain, vice president at Automated Data Processing (ADP) and an official of the Financial Information Forum, a consortium of U.S. exchanges, members and vendors that was formed last year. However, options investors only account for 10 percent of the market, he adds.

Since 1987 options data traffic has jumped from under 50 messages per second to 261 messages per second, according to figures compiled by the Options Pricing and Reporting Authority (Opra). Options also dominate the symbol universe with 217,468 symbols, according to Telesphere figures.

### **Doubled Classes**

Chuck Henry, president of the CBOE, says that the number of options classes has doubled in the past few years because of the increased popularity of options trading. All five exchanges add around 25 new options classes every month, he adds.

In another effort to reduce options traffic, the five exchanges are working on a plan to allow market data vendors to provide quotes on active options, but not inactive ones, during peak market periods, says McBlain. Henry says this plan will eliminate up to 40 percent of message traffic for about 15 minutes at the market opening: "If we can do that, we could smooth out those peaks at the opening and get a great relief in terms of the vendors in their capacity requirements."

Options exchanges met with the Securities and Exchange Commission (SEC) late last year to discuss