

Richard Burdge: Keeping up With Global STP at Reuters

BY CRAIG MCGUIRE

Counting on the potential of its extensive back-office client base, Reuters is outfitting a London-based operation to make a run at the burgeoning global straight-through processing (STP) market. Through acquisition and reassignment, Reuters believes it now has the firepower to emerge from the pack of order management end-to-end service providers. Reuters based the project in London as part of the Trading Systems Division under David Ure, striking the Securities Trading Systems group moniker and renaming it the Order Handling Group. Wall Street & Technology recently sat down with Richard Burdge, Director of Business Development for the group, and discussed Reuters' strategy.

WALL STREET & TECHNOLOGY: What prompted Reuters management to take a closer look at STP?

RICHARD BURDGE: Building upon our strengths in the securities market in terms of information products and our systems products . . . we noticed the world was changing. To respond to that we developed a strategy built around the area of global straight-through processing.

WST: Could you outline the finer points of this strategy?

BURDGE: Obviously the natural place for us to work is in the front office, but I think we recognize these days to be successful you have to look at the whole business of securities transactions. From the point of initiation with the asset manager, through the marketplace to execution, on to settlements and back to the portfolio — it's becoming a seamless electronic process. We believe we have a major part to play as a

provider of parts and services.

WST: What was the next step?

BURDGE: We formed the Order Handling Group. Then we needed to acquire some relationships and capabilities. The first one of those was the acquisition in a stake in G-L Trade, a leading provider of stock exchange interfaces on behalf of member firms. That included a marketing arrangement where G-L Trade and Reuters will work to expand our collaborative business globally. They are currently extremely strong in Europe and interface to 25 exchanges around the world, and obviously want to develop their business outside Europe.

WST: What role does Liberty play in this strategy?

BURDGE: The second stage was the complete acquisition of Liberty from the Cedel Group. Liberty has developed a successful, globally scaleable wide-area order management and order routing business and has important links with straight-through processing, custody and clearing organizations. That gives us a platform to build with Reuters customers to offer global connectivity for order management and order processing.

WST: Specifically, which systems and services have been folded into the new group?

BURDGE: Currently, it's the Liberty Inter-trade Direct and Direct Route products, as well as the GL market gateways. However, these will be developed with enriched order management and straight-through processing capabilities.

WST: Will Instinet be involved?

BURDGE: No. Instinet is a customer, and as much a customer as Merrill Lynch or Goldman Sachs. It's very important to make that clear.

WST: What about electronic trade confirmation services?

BURDGE: There we need to link to other pieces of the transaction process to achieve STP, and we will seek to do that for our customers.

WST: Does Reuters have all of these pieces in place?

BURDGE: As we take the business forward and further develop it, we shall obviously look at all opportunities that are presented for us at any time.

WST: Yes, but are there any impending acquisitions on your plate now?

BURDGE: As I said, opportunities come and go. It is very difficult to predict when the next one will jump up, but we are very happy with what we've got at the moment to take things forward.

WST: How does the FIX (Financial Information Exchange) messaging protocol fit into your strategy?

BURDGE: FIX is becoming well established as a market standard for point-to-point messaging protocol — sponsored well by the industry. We recognize its value. We have in place FIX capability, and if customers chose to use FIX-based messages through the Liberty service then they can do that today.

WST: What is the sentiment of your client base regarding FIX?

BURDGE: One of the key things that customers want — and we see this as a