FOW INTERNATIONAL AWARDS 2016

FOW International Awards 2016 Winners' Guide

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Perseus

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Cloud Margin

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Ancoa

TRADING SYSTEM OF THE YEAR • Buy-side
Horizon

TRADING SYSTEM OF THE YEAR • Sell-side
Fidessa

BEST INNOVATION BY AN ISV - REGULATORY CHANGE
Abide Financial

PROP TRADERS' ISV OF THE YEAR
Trading Technologies

LIFETIME ACHIEVEMENT AWARD — Michael Spencer, ICAP

ICAP group chief executive Michael Spencer is the recipient of this year's FOW Lifetime Achievement Award in recognition of his enormous contribution to the industry.

Mr Spencer founded Intercapital in 1986, which merged with Garban plc in 1999 and became ICAP in 2001.

Today he serves as group chief executive officer of the inter-dealer broker and technology giant.

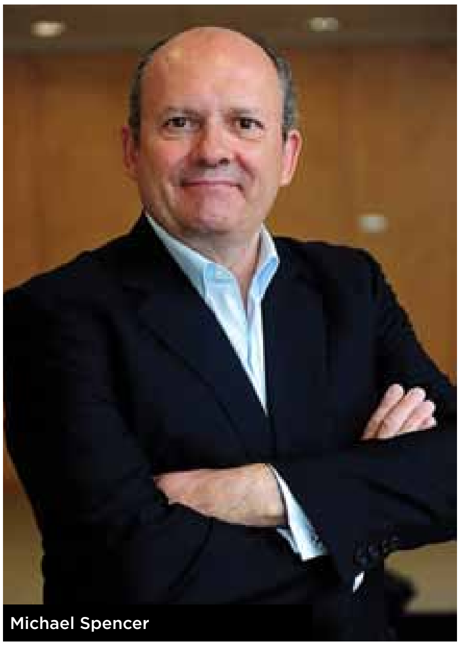
Under his stewardship, the firm has grown to become one of the biggest players in the global derivatives market with operations in broking, post trade and electronic execution.

Mr Spencer was instrumental in the foundation of ICAP's annual Charity Day in 1993, which has raised around £127m for charity since its foundation.

Michael Spencer began his career at Drexel Burnham having made £30,000 dealing in shares at university.

ICAP has long been a pioneer in the financial markets acquiring EBS in 2006 and spotting the trend towards greater investment in post-trade early with the acquisition of Traiana in 2007.

The company today is in the process of divesting its voice broking business and refashioning itself as a technology provider focused on post-trade and electronic trading solutions.


Michael Spencer

GLOBAL EXCHANGE OF THE YEAR AND EUROPEAN EXCHANGE OF THE YEAR

Eurex Exchange

Eurex takes home the award for European Exchange of the Year and Global Exchange of the Year. During the judging period the exchange grew volumes by 8% year-on-year despite the continued historic lows in European interest rates . Eurex's index products have experienced strong growth across its MSCI and Stoxx portfolios. The exchange offers the widest breadth of MSCI products and futures and options volume in these contracts grew by 75% during the judging period. It continued to build out its clearing business with the launch of ISA-Direct, an innovative direct clearing model and the expansion of Prisma, its portfolio margining service.

EXCHANGE OF THE YEAR • US and Canada

CME Group

Bucking international trends for established markets, volumes at CME grew by 4% during the judging period and posted a record ADV of 13.9 million contracts in 2015 with year-on-year growth across five of six product lines. During the judging period, the exchange launched its Ultra 10-year treasury contracts, one of the most successful contract launches in the past decade. Between their launch and the end of the judging period in June more than 5.3 million contracts had changed hands. In addition, the exchange launched the new Basis Trade at Index Close. The exchange won in two best new contract categories at this year's awards.

EXCHANGE OF THE YEAR • South America

BM&F Bovespa

Despite the ongoing challenges in the Brazilian economy, BM&F Bovespa has continued to innovate and pioneer the development of the Brazilian and South American capital markets. Over the past five years, BM&F Bovespa has invested in a new trading system and begun work to consolidate its clearinghouses as well as launching a new risk management system. During the judging period It also completed the migration of OTC derivatives to a new, modern and flexible platform as part of the iBalcão initiative. Finally the exchange announced plans to merge BM&F Bovespa with Cetip, the Brazilian settlement and depository giant further consolidating its domestic market.

OCC EMBRACES NEW ROLE AS INDUSTRY ADVOCATE

OCC (The Options Clearing Corporation) has long been the clearing house behind the US equity options market but 2016 saw the firm assume a new role as an advocate for the market it serves.

David Prosperi, head of communications at OCC, told FOW: "The success of OCC in 2016 is due primarily to the cultural transformation that is taking place at the firm since Craig Donohue took over as Executive Chairman at the start of 2014, which has seen OCC transform itself from a market utility to an industry influencer."

Prosperi added: "As well as all of the clearing, settlement and risk management services we provide, we have taken on the additional role of elevating our thought leadership with market influencers on behalf of the US listed options industry, and promoting industry growth by educating investors about how they can responsibly use equity options to manage their financial risk."

OCC started the year on the front foot, working on behalf of the US equity options industry by opposing a planned reform by the US Department of Labor to change the interpretation of "Fiduciary" and effectively stop some US pension holders from trading options.

This was potentially damaging for the US options market which estimated that as much as a quarter of volumes on US options exchanges is attributable to individual investors, of which about 15%, or 4% of the total US market, would be impacted by the rule change.

OCC, working with its main options exchange clients under the banner of the US Securities Markets Coalition, began by issuing a letter to the DoL in late July: "We recommend the definition of "asset" be revised in the final version of the "Best Interest Contract" exemption proposal to eliminate the inappropriate exclusion of exchange-traded options."

OCC then posted in September a notice on its website calling on individuals to comment on the proposed rule changes.

OCC said at the time: "Did you know the US Department of Labor (Department) has issued a proposed rule that would take away the current ability of individual investors to use listed options in their Individual Retirement Accounts?"

The Department then spent a few months considering its position and finally, in April 2016, backed down, and granted OCC and the Coalition the exemption they wanted.

Craig Donohue, Executive Chairman, OCC

Prosperi told FOW: "The Department of Labor issued its final rules in April 2016 and exempted options from the Fiduciary Rule. This was due largely due to the work of OCC and the US equity options industry through the US Securities Markets Coalition, which co-ordinated efforts with members of Congress and the Department of Labor to demonstrate that investors using options would have been negatively impacted by the proposed reforms."

More recently, OCC has called on European regulators to recognise the equivalence of US options clearing houses and avoid a potential $3 billion bill for European members in terms of increased capital charges if equivalency is not granted.

OCC published an open letter calling on the European Securities and Markets Authority to focus on equivalence between its regime and that of OCC's regulator, the Securities and Exchange Commission (SEC).

Donohue said in the letter: "Recognition of US central counterparties subject to the SEC's jurisdiction is important for OCC and market participants because it would allow European Union banks and their affiliates' exposure to those central counterparties to be subject to a lower risk weight in calculating their regulatory capital."

Prosperi said: "If there is no equivalence agreement between Europe and the US, there could be significantly higher capital charges on European banks and their affiliates who participate in the US equity options market, which currently accounts for about a quarter of OCC's cleared contract volume."

OCC has in the past year opened up on a new front and it is so far working well on behalf of the industry it clears and the market participants it serves.

"We are continually looking for ways to diversify our business and create more innovative opportunities for market participants. We are focused particularly at ways to increase capital efficiencies for the benefit of our exchanges, clearing firms, and market participants," said Prosperi. ■

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EXCHANGE OF THE YEAR • Asia-Pacific

Singapore Exchange

During the judging period, total futures and options volume on SGX reached a record 177.5 million contracts, a 23.7% increase year-on year. Monthly open interest and market share records were set across the portfolio, including FTSE China A50 futures, INR/USD, iron ore, FFAs and SICOM rubber futures. SGX also announced the launch of 20 new products. It continued to lead energy risk management in Asia together with the Energy Market Company with the launch in October 2015 of SLInG, an Asian LNG price index uniquely positioned to meet the market's growing needs for a regional benchmark.

EXCHANGE OF THE YEAR • Middle East and Africa

Dubai Gold and Commodities Exchange

The Dubai Gold and Commodities Exchange continues to break volume records with a record year in 2015 and 2016 volumes surpassing the previous year with a full quarter to go. Open interest is also building steadily in the market as more longer-term investors realise the opportunities on this fast growing exchange. During the judging period the exchange continued to bring on new members and earn its reputation for innovation and aggressive contract launches with new products including a number of quanto futures contracts, a mini-WTI contract and a suite of single stock futures contracts.

BEST TECHNOLOGY INNOVATION BY AN EXCHANGE

Eurex Clearing – ISA Direct

Eurex's ISA Direct was hailed by judges as an "innovative solution to a new problem". The buyside has traditionally been wary of direct clearing citing the costs associated with it and the default risk that these firms have to carry as members of the default funds. Eurex Clearing, in response, launched ISA Direct, a clearing service aimed at pension funds, insurance firms and investment funds. The new membership type allows buy-side participants to have a direct contractual relationship with the clearinghouse facilitated by a clearing agent. Another judge said, "if buyside firms are going to establish direct memberships, this is the model for them".

US OPTIONS EXCHANGE OF THE YEAR

Bats/EDGX

In the ever-more crowded US options market, new launches often struggle to make an impact but Bats successfully launched EDGX, its second US options market, in November 2015 complementing the recent growth on its existing market. EDGX Options is based on a customer priority/pro rata allocation model. The launch enabled Bats to grow its combined market share to a record 11.7% at the end of the judging period, up from 9.7% previously, no mean feat in the fiercely competitive US options market. The exchange group also finally erased its failed IPO in 2012 from history with a successful floatation in April 2016.

MOST INNOVATIVE NEW CONTRACT • Equities and equity indexes

CME Group – BTIC suite

CME Group's BTIC functionality allows traders to capture the certainty of the close by enabling market participants to execute a basis trade relative to official close for the underlying index. Before, the convoluted process to achieve the index close in futures format involved traders converting their cash positions through exchange-for-physical trades that extended settlement times and increased costs. BTIC contracts are seeing tight bid/ask spread throughout the day, and customers no longer need to compile orders to trade at certain points in the day.

MOST INNOVATIVE NEW CONTRACT • Interest rates and currency

CME Group – Ultra 10 year treasury notes

During Q1 2015, US Treasury Bond futures transitioned from tracking a bond with about 15 years remaining term to maturity, to one with more than 20 years remaining. The Treasury Bond futures change produced a larger gap in the Treasury futures term structure. Meanwhile, demand grew for off-balance sheet 10-Year Treasury rate exposure. In response CME Group launched the Ultra 10-Year U.S. Treasury Note futures and options. The contract is fulfilled with the physical delivery of 10-year Treasury notes of a maturity between nine years, five months and 10 years and traded.

PROP TRADERS' SUPPLIERS OF THE YEAR - VOTED FOR BY PROPRIETARY TRADING

Exchange of the Year: Eurex Exchange

ISV of the Year: Trading Technologies

Clearer of the Year: ABN Amro Clearing Bank

LCH SEES ASIAN PLAN COMING TOGETHER

LCH The Markets' Partner

LCH has emerged in recent years as the one of the brightest assets in the London Stock Exchange Group and in 2016 it saw its Asian business pick up dramatically as it was recognised in some of the region's key markets.

Daniel Maguire, global head of rates and foreign exchange derivatives at LCH, told FOW the firm is now truly global, in part due to its regional base in Sydney, which effectively opens the LCH trading day and manages its business in the region.

He said: "We have expanded our Australian Dollar offering and started clearing Australian Dollar OIS in January. As a result we've seen a very steep incline in volumes. We've also seen a positive response to Australian Dollar Single Period Swaps, which offer the same risk exposure as Forward Rate Agreements (FRAs), but settle on a set date in the future. The SPS is an example of our innovation in trying to bring more products into clearing without compromising our risk standards."

And this regional base has allowed LCH to branch out in the region.

Maguire said: "In April, we were the first overseas clearing house to be licensed to clear non-Yen interest rate derivatives in Japan for locally domiciled entities. We are now also recognised as a clearing house in Singapore and, most recently, we secured regulatory approval in Hong Kong."

The clearing house's swaps clearing business has also grown rapidly in the region over the past year, said Maguire.

"We have seen extraordinary volume growth in the five Asia Pacific currencies we clear – Japanese Yen, Singapore, Hong Kong, New Zealand and Australian Dollar. The average monthly cleared value of swaps in those five currencies has doubled year-on-year while the notional outstanding has increased by almost a third. This is down to our existing members and clients clearing more with us as well as new members and clients coming on board."

Maguire, the former global head of SwapClear and Listed Rates at LCH who was promoted in April to assume responsibility also for the FX business, said rates and FX are truly global markets, which presents unique challenges: "Our strategy is to provide access to these global liquidity pools to market participants, irrespective of their location."

He added: "More than 95% of emerging markets Non-Deliverable Forwards (NDFs) are eligible for clearing in ForexClear and seven of the 12 NDFs eligible for clearing in ForexClear are denominated in Asia Pacific currencies. In recent months we've seen exponential growth here also."

LCH's FX business benefited in September from the introduction in the US, Japan and Canada of rules mandating the allocation of margin for uncleared derivatives.

Daniel Maguire, global head of rates and foreign exchange derivatives at LCH

Maguire said: "In the first half of this year, we were typically handling \$3-4bn of emerging markets NDFs every day comprising 500 trades whereas now we are handling a daily average of \$35bn on 5,000 trades. This represents a tenfold increase in the cleared volume of these contracts since September, when the uncleared margin rules took effect."

LCH's head of FX is also bullish about the prospects of compression, which has proved popular among swaps firms in recent years.

"Firms certainly have compression in their sights for NDFs but there has not yet been the same pressure to compress NDFs as there is for interest rate swaps. However that is changing with evermore focus on capital and bank resource optimisation in the FX market and solutions such as clearing and compressing FX portfolios are coming to the fore," said Maguire.

Inflation swaps clearing in Europe and the US is also growing, according to Maguire, who said its volumes have increased tenfold since the introduction of the uncleared margin rules in September.

"Not all jurisdictions have uncleared margin mandates but firms of all types are starting to clear because, not for the first time, there is an emergence of differential execution pricing between cleared and uncleared."

LCH finds itself at the forefront of the global clearing revolution and in 2016, made major strides to ensure it retains that position for many years to come. ■

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NASDAQ FUTURES EMERGES TO RIVAL ENERGY GIANTS

In July 2015, Nasdaq launched Nasdaq Futures (NFX), a U.S.-based futures exchange, to combat the duopoly, opaque rules, and over-charging that it says energy traders faced with the incumbent exchanges.

NFX has been one of the most successful futures exchange launches in the past decade posting monthly trading volumes of over 2 million in recent months and fast growing open interest.

Nasdaq had a strong heritage in commodities with its longstanding ownership of the Nordic exchange group OMX and the acquisition of the Nordic Power Exchange in 2008 and freight clearing firm NOS Clearing in 2012.

NFX was launched offering trading in futures and options in 26 products on key energy benchmarks, including oil, natural gas and U.S. power.

The contracts were lookalikes of those traded predominantly on the two U.S. exchange giants CME and ICE.

At launch, some questioned the need for a third U.S. player in the energy market. However, according to Magnus Haglind, head of commodities at Nasdaq, there was a strong requirement for competition in the markets.

"We started with the fact that it costs 18 cents to trade an Apple option on Nasdaq but $2.50 to trade a WTI option with the incumbent," he says.

"Pricing in the U.S. energy market was stuck in the days of open outcry when people would pay a premium to access liquidity. Put simply, the efficiencies of an electronic market had not been passed on to the end user."

The plan was simple but daunting nonetheless – build a new liquidity pool, product by product across the energy sector, and establish a new, more efficient, venue for trading of energy futures and options.

NFX offered a transparent, flat fee structure with fees less than half of what the incumbents were charging and a model that leveraged the OCC's utility clearing model to pass on reduced costs to customers.

Haglind says he has been surprised by the early success of the market. "We wanted to demonstrate in the early months that we could operate an efficient and well-functioning market.

"We did not expect such a rapid expansion, building up a 15% market share in gasoil within 12 months for example."

During its first year of operation NFX hit a 5% market share in oil, natural gas, and U.S. power derivatives, boasted a consistent market share of more than 15% in gasoil and natural gas options and brought more than 100 firms to transact on the platform.

But for CEO Rick Beaman, it is the savings that NFX has brought to the market that is most important. "We don't see it as NFX's market share or trading volumes. We see it is as the market's volumes against the incumbents, it is our clients who are building market share, not us. The better we do, the better the market does."

He cites the recent rise in open interest as a key milestone in the growth of the market. "We are bringing more types of participant into the market and that is a key sign of the faith that firms have in what we are doing," he says.

Currently trading on NFX is concentrated in Brent, low sulphur gasoil and Henry Hub natural gas and core to the ongoing strategy is to build liquidity in the other contracts.


Rick Beaman, CEO, NFX

The exchange will then look to develop into other asset classes, with partnership and consultation with the market at the heart of any future development.

Haglind says: "Our first task is to build strong, well-functioning and liquid market in the products we have launched. When we have broader buy-in for the whole concept, we will look at other asset classes.

"Our early success has been predicated on building a platform in close competition with market participants and we need to have their support for any new launch." ■

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LME BREAKS NEW GROUND WITH SCRAP STEEL

LME
An HKEX Company

The London Metal Exchange takes home the award for most innovative new contract launch by an exchange – Commodities and Energy for its LME Steel Scrap futures contract.

Matthew Chamberlain, head of business development at the LME

Launched on November 23 2015, the LME Steel Scrap contract, along with LME Steel Rebar, is part of the LME's ferrous contract suite, providing hedging and trading solutions for the steel industry.

"We are pleased to have seen LME steel scrap and rebar volumes thrive in their first year of trading, which we view as representative of the growing support from our members and from the industry more widely, with participants able to benefit from an increasingly tight tradeable forward curve out to January 2018," said Matthew Chamberlain, head of business development at the LME.

The introduction of these contracts represents a significant innovation for the steel industry. Tradeable prices for both the LME's steel scrap and rebar contracts have been displayed on screen and over the telephone since day one. The two contracts have provided the global steel industry with a 12-month tradeable forward curve for these products for the first time ever.

In an industry which is relatively fragmented and dominated by strong regional markets, it was very difficult for the steel industry to find a global reference price for steel scrap, prior to the launch of the LME's contract.

The LME ferrous contracts are global in nature, with significant participation from Europe, North America and Asia. Around a third of trading in the steel scrap contract comes from North American participants, another third from South East Asian market and the rest from European players. The LME is now attracting participants from the rest of the world.

The increasing acceptance of the contracts as a risk management tool is testament to the LME's close collaboration with the steel industry. The two contracts have combined traded volumes of more than 500,000 tonnes. The exchange recorded the highest volumes in October on the steel scrap contract with nearly 150,000 tonnes traded in that month overall. A record trading day happened in October that saw 38,000 tonnes of LME scrap traded – the equivalent of a full deep-sea cargo – demonstrating both the liquidity of the contract and also its usefulness to the physical scrap market.

Open interest (OI) continues to grow on both the rebar and scrap contracts, with OI for the scrap contract being around 40,000 tonnes at the beginning of November.

The LME believes in incremental expansion, in launches driven by demand from the underlying physical market.

Before launching both contracts, the exchange spoke with numerous participants in the global steel market along the value chain from recycling companies, distributors, stockists, demolition companies and steel mills, to gather views about the need in the market and suitable contracts to meet those needs.

According to the LME, the involvement of introducing brokers has been an important part of both contracts' development, as they are bringing in liquidity from other markets like iron ore, coking coal and Hot Rolled Coil steel. Additionally, the contracts show more depth in the order book and tighter spreads due to the enhanced market-maker programme for the contracts.

After winning this award, the exchange is exploring a range of opportunities in the ferrous market and has been in talks about expanding the ferrous suite with further steel related risk management tools. ■

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EXCHANGE DEAL OF THE YEAR

London Stock Exchange disposal of Russell Investments

In a category normally dominated by acquisitions, judges awarded the win to a disposal citing the price reached as the main factor for their decision. In October 2015, the London Stock Exchange completed the sale of the Frank Russell asset management business, Russell Investments, to private equity firms, TA Associates and Reverence Capital, in a deal worth $1.15 billion. The deal followed a six month sale process and recouped almost half of the $2.7 billion the LSE spent on its acquisition of the Frank Russell Company. The deal quickly and cleanly left LSE with the index business while regaining a large proportion of the sale price.

BANK OF THE YEAR

Societe Generale

Societe Generale has remained committed to its derivatives business and restructured its operations to offer a cross asset offering. Well known for its offering to hedge funds and prop groups, SG has also expanded its corporate coverage with notable deals during the year including the FX hedge of a $13.4bn Air Liquide deal. The bank's prime business grew by 26% in 2015 and continued its double digit growth into 2016. In addition SG streamlined its multiple electronic trading and order management systems into a single platform and invested in building a robust, state-of-the-art OTC clearing infrastructure.

IDB OF THE YEAR

BGC Partners

When BGC acquired the GFI Group in last year's FOW Deal of the Year, the Fenics FX platform was little more than a footnote in a deal dominated by the rivalry between BGC and GFI Group. However, Fenics has become the cornerstone of BGC's build out a a hybrid voice and electronic trading business and been behind the growth of electronic trading at the firm. BGC also hired aggressively during the year with a number of notable appointments as well as continuing its expansion through acquisition with the purchase of equities market leading broker Sunrise Brokers and completing the disposal of Trayport to ICE for $650 million.

CLIENT CLEARING FIRM OF THE YEAR

Citi

Last year's Bank of the Year Citi returns to the winner podium with the award of Client Clearing Firm of the Year. 2016 was a year of significant, strategic client acquisition for Citi in its client clearing business. Globally, revenues grew by approximately 21% year over year. Segregated funds grew by 28%, sequestered funds grew by 54%, and cleared swaps volumes grew by 58% year over year. The bank launched Fusion Clear, a proprietary, innovative, real time, post-trade matching and allocation engine. Citi established itself as the only global bank capable of providing scalable interest rate swap clearing on the JSCC.

MARKET MAKER OF THE YEAR

Citadel Securities

Citadel Securities has revolutionized how swaps are traded in the US and takes home the award of Market Maker of the Year. The firm boasts a top 3 market share in USD swaps traded on Bloomberg SEF. In addition it has a top 5 ranking on CME for S&P 500 e-mini, U.S. 10yr note, and U.S. 30yr bond futures and a top 3 ranking in US Treasuries on eSpeed/Brokertec. The firm launched its swaps market making business in November 2014 and was the first non-bank market maker to trade swaps. It has taken the swaps world by storm by providing 100% firm pricing in the market and a response to RFQs in less than a second.

BEST NEW TECHNOLOGY PRODUCT • Trade reconciliation

Duco

Duco is awarded as best new product in the reconciliation category for the third consecutive year following a number of enhancements and a significant contract win during the judging period. A landmark deal with CME enables CME members to use Duco Cube to ensure their back-office systems are in-line with the CME Group's exchange fee pricing components. During the judging period Duco completely transformed its workflow functionality, from a case-by-case approach to an exceptions-based model. This means exceptions can be created from breaks automatically and then assigned to individuals or groups for resolution.

BEST NEW TECHNOLOGY PRODUCT • Blockchain

SETL

2016 was the year that blockchain reached the mainstream but while for most it remained a theoretical concept, Peter Randall's SETL has developed a highly optimised blockchain engine capable of processing billions of transactions per day across nodes in multiple locations. Assets recorded on one ledger can be transferred to another SETL subject to the permissions of the ledger operators. This allows co-operative but private configurations to be maintained - such as a sub-registry held by a custodian against a nominee holding at a CSD.

DTCC LOOKS TO TAKE REPORTING TO NEXT LEVEL

DTCC
Securing Today. Shaping Tomorrow.®

The Depository Trust & Clearing Corporation (DTCC)'s Global Trade Repository (GTR) has emerged in recent years as the industry's preferred reporting engine.

GTR currently helps over 6,000 clients manage their reports on behalf of 45 regulators in more than 40 countries worldwide. Andrew Douglas, CEO at DTCC's European Trade Repository, is the first to admit that the market has come a long way in a relatively short space of time.

Less than three years ago, the European Market Infrastructure Regulation introduced in February 2014 its reporting rules and the European industry woke up to a new reporting regime.

The initial experience was not ideal with some repositories, clearing brokers and clients reporting a backlog of clients. The Financial Conduct Authority took a pragmatic approach and the industry sorted itself out and fell into line.

"With the evolution of derivatives trade reporting, it is amazing to think that the established trade repositories are just three years old. We are providing a level of transparency that didn't exist back then. While there is still more work to do around data quality and timelines, we've come a long way," said Douglas.

Douglas, also the Managing Director of Government Relations for DTCC in Europe and Asia, stresses there is still work to be done however and his firm remains vigilant.

"DTCC continues to make advances to improve the quality of data stored in GTR, a key focus for clients, regulators and other trade repository providers alike. As an industry we are all committed to ensuring the data ultimately becomes the best quality that it can be."

The success of DTCC's GTR can be partly traced to a collective understanding among regulators that trade reporting should be standardized where possible and this benefits the industry at large.

Douglas told FOW: "We are seeing increasing recognition of the importance of global standards in the reporting framework. European regulations are adopting the ISO 20022 standard, and FpML and ISO are working together which will be beneficial to the industry."

Andrew Douglas, CEO at DTCC's European Trade Repository

The industry-owned and governed utility has been instrumental in promoting that understanding, which has made life significantly easier for firms which operate in more than one jurisdiction.

"DTCC has worked to promote co-operation and collaboration between firms in order to drive the standardization of global trade reporting processes," said Douglas.

The implementation of reporting rules tends to see banks and brokers doing the heavy lifting on behalf of clients in the early days with the clients taking more interest over time as they get used to the practices.

Douglas said: "It is true that sell-side firms were the principal drivers of reporting - they led the data reporting charge. However, recently, we have seen interest from more and more buy-side firms who are keen to take greater responsibility for their reporting."

This trend is partly down to the fact that some large banks and brokers have pulled back from futures brokerage services over recent years but it also about end clients taking more responsibility for their key functions, which now include trade reporting.

Douglas added: "We are also seeing more third-party providers coming into the market, providing harmonised interfaces on behalf of their clients. These intermediaries are becoming an increasingly important part of the market and their importance will continue to grow."

The big regulatory black cloud in Europe is Mifid II of course and Douglas sees more opportunities for the DTCC here also.

"The directive spans both asset classes so it will pose the question of whether firms will look to take their existing Mifid securities reporting regime and extend it to derivatives or look at their Emir reporting and extend that to Mifir," he said.

"Ultimately, I believe it is inevitable that firms will look to centralize their reporting with a single provider, effectively establishing a single reporting hub for multiple jurisdictions and asset classes, and we are well-placed to be that global reporting hub," Douglas concluded. ■

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RJO SETS SIGHTS GLOBALLY ON MID-TIER

RJ O'Brien & Associates has come a long way since it was founded as John V McCarthy & Co. on October 17 1914 as a Chicago-based butter and egg trading firm.

The brokerage, which celebrated the 100th anniversary of its founding two years ago, is now the oldest founding member of the CME and the industry's largest non-bank brokerage with offices in Chicago, New York, Houston, Toronto, London, Beijing, Hong Kong and Seoul.

But the company is unusual for a firm of that size because it continues to be owned by the original O'Brien founding family and it retains many of the values that make RJO a unique place to work, according to RJ O'Brien & Associates chairman and chief executive Gerry Corcoran.

He told FOW: "As a family-owned business, we have the advantage of being able to think about the business over a larger timeframe rather than on a quarter-by-quarter basis."

This has helped the Chicago-based firm slowly build over the past decade an international platform with bases in North America, Asia and Europe.

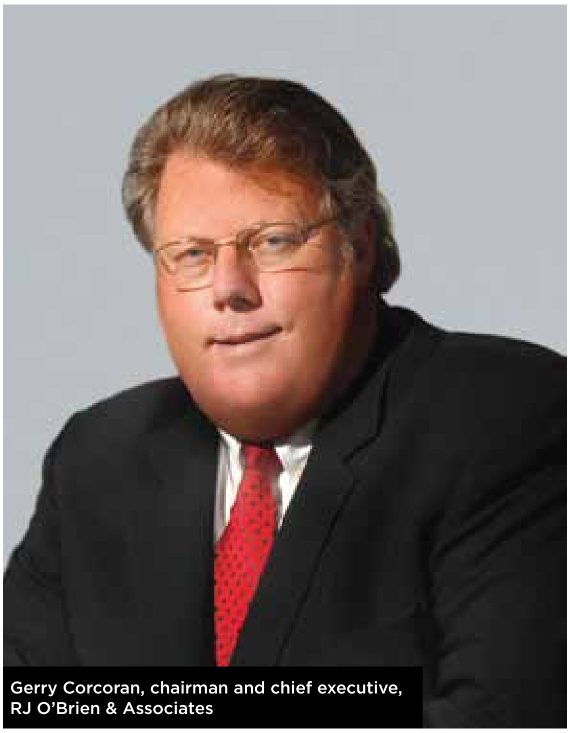
Corcoran told FOW: "The challenge has been establishing a beach-head which has involved recruiting the right people, investing in the right technology and promoting the brand."

This steady expansion has seen the RJO business diversify significantly in the past five years so now about a third of the firm's staff and revenue are outside of its home market.

The chief executive said: "We started out in Europe with a front office effort and then the opportunity to acquire Kyte presented itself, which we completed in March 2015."

Corcoran said of the Kyte deal: "The world changed for us in Europe, in a good way. Kyte was a fully integrated futures commission merchant with significant European infrastructure comprising the middle and back office functions such as compliance and risk management."

RJO also hired in mid-October Daniel Staniford, a former managing director at Citigroup Global Markets, as its New York-based executive director responsible for institutional business development.



Gerry Corcoran, chairman and chief executive, RJ O'Brien & Associates

Staniford, who reports to Corcoran, operates out of RJ O'Brien's New York office and travels regularly to the UK, to expand the firm's sales capabilities in those financial centres.

Corcoran said: "We are moving in the right direction in London and are infusing the RJO culture into the operation there. We also plan to move into a combined office in late 2017 or early 2018."

He added: "Asia is strong for RJO. We have a solid presence in Beijing, Hong Kong and Seoul. We also bought a small business in Hong Kong and have feet on the ground in all three of those key regions."

Corcoran's expansion plan is based on his belief there is a big opportunity for a global brokerage business for mid-tier clients, a nascent opportunity linked to the wholesale withdrawal by some global investment banks from futures brokerage over recent years.

"I am convinced there is a vast middle market that is currently being underserved by global firms and we see this as a crucial opportunity for RJO," said Corcoran, who cites as an example of this opportunity RJO's 30% increase in global client assets in 2015 despite virtually no growth in the total size of the US market in the past eight to ten years.

He added: "We are seeing a realignment of customer interests between the big banks and the rest of the market. We are seeing more customers who feel they are not getting the service they want from the big banks anymore, and some of the global banks have pulled out. We have a structural advantage as a non-bank Futures Commission Merchant (FCM) because we are not bound by Dodd-Frank or the Basel leverage ratio, and a competitive advantage because of our vast experience serving middle market clients."

The RJ O'Brien chairman and chief executive admitted his firm is not alone in chasing this opportunity but insists his firm is in good shape to grow for many more years to come.

"Others see the landscape the same way, but I don't see anyone working with the same vigour as RJO. What we're doing is unique; we are ensuring we have a great position in the global marketplace," Corcoran concluded. ■

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ABN AMRO CLEARING WINS PROP TRADERS' CLEARER AGAIN

ABN·AMRO

Dutch bank ABN AMRO Clearing has won the proprietary traders award for clearing firm of the year for the fourth time in as many years. The firm is particularly proud to have been given this accolade by their clients.

"We are very pleased to have been voted "proprietary traders' clearing firm of the year" for the fourth time running," Martin Frewer, global director of PTG told FOW. "It is a testament to the dedication and professionalism of our staff."

The scale of business is also beneficial for clients. ABN AMRO Clearing can pass on economies and operate a business model of being a client centric general clearing member, with no in-house principal trading and therefore no client conflicts. "A lot of our clients have global operations and we provide a cross-asset class service," Frewer added. "Our unrivalled real-time risk management system is based on the correlations between positions in multiple asset classes and therefore creates important risk offsets."

The firm has expanded its offering during this year following client demand. ABN AMRO Clearing has been able to increase its breadth of exchanges, this included becoming the first non-Polish general clearing member on the Warsaw Stock Exchange and also a special clearing member on the Dubai Gold and Commodities exchange. This comes in addition to the firm facilitating client trading in all asset classes on the Brazilian BM&F Bovespa exchange with a team locally on the ground and also increasing their clearing product scope in the European energy and power markets.

As a Dutch firm, ABN AMRO Clearing is uniquely and ideally placed to offer clients continuity in the current climate of uncertainty following the Brexit vote. The branch located in London is regulated by the Financial Conduct Authority and the Amsterdam corporate headquarters are under jurisdiction of the Dutch regulator. With its 11 global offices and 800 professional employees ABN AMRO Clearing has an increasing market share in all major global exchanges, which is testament to its success.

"We look forward to continuing to make our Principal Trading Group clients globally competitive and expanding our service in the corporate and prime sectors," Frewer concluded. ■

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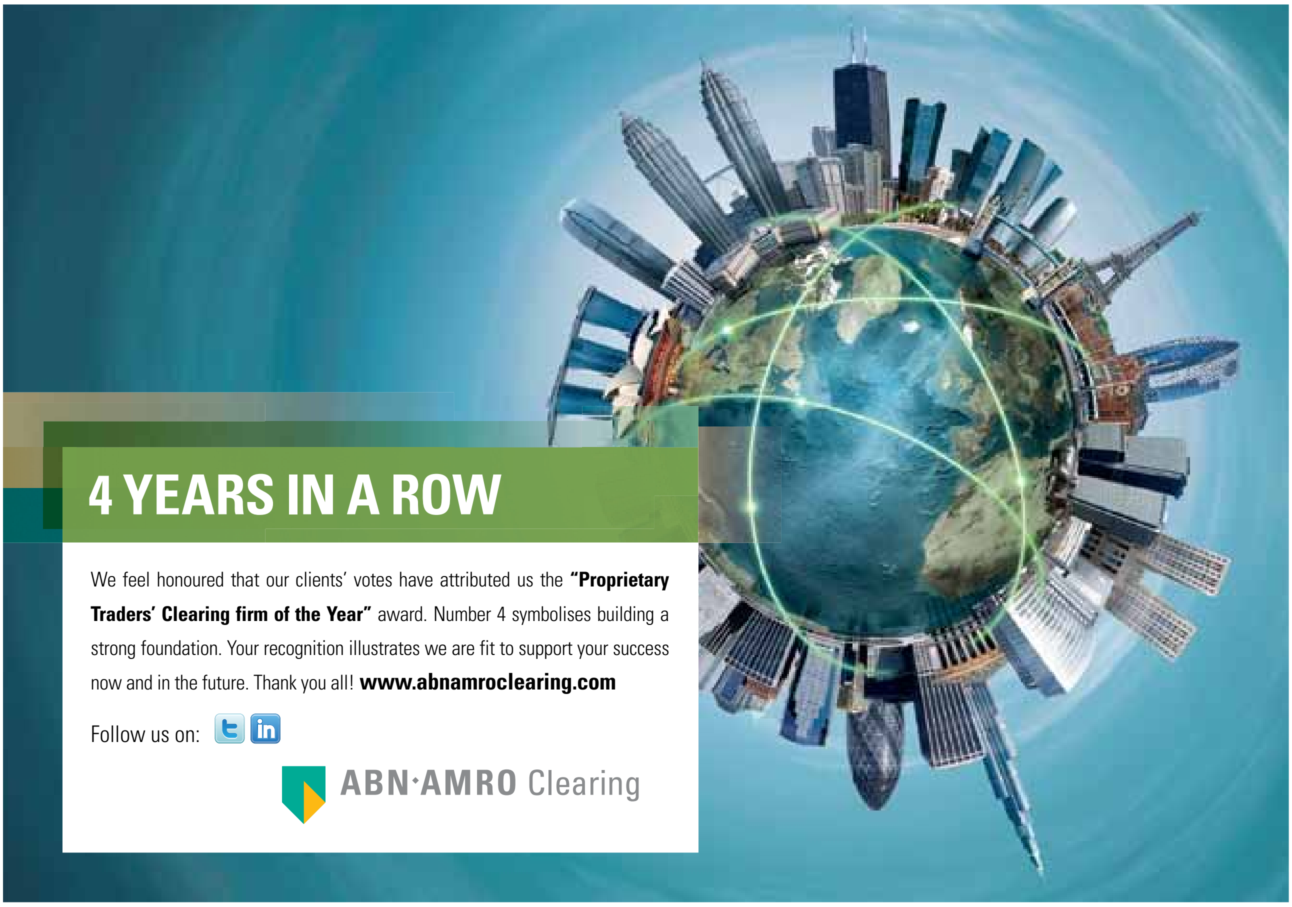

BEST NEW TECHNOLOGY PRODUCT • Regulatory reporting and BEST INNOVATION BY AN ISV - Regulatory change

Abide

Abide Financial is a double winner this year in the regulatory reporting best new product category and for best innovation by an ISV – regulatory change. The company is at the forefront of regulatory reporting innovation, currently responsible for over 24% of all Mifid reported trades. In 2015 Abide Financial deployed an enhanced Mifid/Mifir transaction reporting system. The product delivers a 100% STP rate across all Mifid transaction reports to the FCA. A segregated GUI component allows clients of users of the software to access and interrogate, in real time, data that has been reported on their behalf.

BEST NEW TECHNOLOGY PRODUCT • Trading and execution

Dash360

Out of a shortlist of over 10 firms, Dash360 topped the vote with every judge that reviewed the category – a remarkable feat. Dash Financial was launched in 2011 with a platform that was built from scratch. In late 2015, the firm unveiled Dash360. The real-time, web-delivered platform provides a first-of-its kind order visualiser displaying a graphic play-by-play of each order, enabling users to pause and replay the liquidity capture performance for complete analysis of execution performance. It also allows complete historical analysis capabilities, allowing users to look at all previous orders, including a recreation of the order book at the time of execution.

BEST NEW TECHNOLOGY PRODUCT • Connectivity

Perseus

Perseus has built a platform on the philosophy of "Uberisation" of connectivity. The Perseus "Southern Route" is one of the company's latest innovations. Wireless networks are often seen as cost prohibitive and exclusive, but the Perseus Southern Route between CME and Nasdaq is faster than fiber, as well as more secure and significantly less expensive compared many of its competitors. During the judging period, Perseus improved latency on the Southern Route from 8.735ms to 8.591ms (RTD), an improvement of 144 μs through a new microwave link on part of the route.

BEST NEW TECHNOLOGY PRODUCT • Collateral management

CloudMargin

CloudMargin were the winners of this award in 2015 having delivered an end-to-end collateral management workflow tool. Judges repeated their endoursement of the firm this year following its move to create a global collateral hub linking all parties in the collateral cycle. As a result of the progress it has made in 2016, its service can now be delivered to CCPs, clearing brokers and directly to all categories of end users. Through cloud delivery it was able to build a community of users and deliver unprecedented levels of flexibility. During the judging period, it also signed a deal with the CME Group to use its platform to distribute margin calls.

BEST NEW TECHNOLOGY PRODUCT • Market surveillance

Ancoa

The introduction of the Market Abuse Regulation in July meant that this category was one of the most competitive of all this year. Ancoa fought off its rivals to take home the award for its work in the fixed income, commodity and currency market. Unlike listed instruments, many FICC instruments are traded through RFQ rather than CLOB and as a result are very different to surveil. Ancoa built up an extensive portfolio of 25 FICC-based alert. Through a process of calibrating and recalibrating these standard alerts, as few as perhaps 10 to 25 alerts per day are produced, in stark contrast to incumbent surveillance systems that can generate thousands of alerts per day.

TRADING SYSTEM OF THE YEAR • Buy-side

Horizon

The Horizon Platform for Automated Trading is a high-frequency trading platform, designed to minimise strategy workflow latency, which enables users to develop and deploy proprietary algorithmic trading strategies within their EMS. The flexibility of HPAT results in an almost infinite number of possibilities, from sending orders to building highly-sophisticated trading strategies. Clients can design, test and implement algorithms in a fraction of the time that would be required using competitors' solutions. One judge said: "In the current environment, speed to market is almost as important as the innovation itself and the platform is easy to master and adapt for trading strategies."

MA SOLVES OTC DATA CHALLENGE

Message Automation (MA) has built its business around addressing the fragmentation of data and data standards and its ClearVelocity platform is aimed at addressing the acute problem in OTC clearing data.

As the number of cleared trades grows following mandatory OTC clearing regulations, timely and accurate collection of incoming post-trade data from CCPs, exchanges and brokers, combined with effective and efficient distribution to internal consumers is a challenge that has become hugely complex and expensive.

MA chief executive Hugh Daly says that the heart of the problem is that there is no global standard for the format in which clearing venues disseminate data to their members.

"This has long been the case but it has come to the fore not only with the increased volumes resulting from the OTC clearing mandates but also from the increased data requirement stemming from segregated accounts.

"Banks would traditionally get two reports from CCPs, one for their house business and one for their aggregated client business. Today they can receive more than 200 reports. Manual processes no longer cut the mustard."

As well as providing a single view of positions and margin held at CCPs, the ClearVelocity platform allows users to calculate exposure to CCP risk, which is something that is shooting up the agenda of market participants.

In addition, Daly says that effective data management is instrumental in the drive for collateral efficiency.

"All that everyone wants to do with collateral right now such as optimisation and selecting the cheapest-to-deliver as margin only works if the data is in a single source and the client has a view on what is eligible at different CCPs and at what cost in terms of haircut," he says.

ClearVelocity harmonises the many diverse formats of information into a single data model enabling banks to have timely access to information that they need for key business decisions and compliance while reducing costs and operational risk.

It provides a consolidated source of data from all external clearing counterparties, accessible via a user-friendly dashboard with clear audit trails of data sources and timings. All the information is accessible to end user departments or systems in a controlled, audited fashion through dashboard access, automated interfaces, or reports.

Clients are able to streamline their data aggregation and reduce the cost of collecting, analysing and sharing the data while at the same time being able to consolidate numerous internal interfaces.

Banks have traditionally run organisational silos for different parts of the business with listed derivatives, OTC and repo, for example, operating across different technologies with separate data sets.


Hugh Daly, chief executive, Message Automation

ClearVelocity allows them to harmonise the data across these silos addressing the fragmentation and providing a harmonised layer of data, says Daly.

He adds that increasingly banks are looking to build the functionality into their client portals to provide a transparent view of client positions.

While the major banks have been the early adopters of ClearVelocity and the wider MA offering, Daly says that the product is relevant to smaller clearing brokers.

"The bigger you are the more clearing relationships you have so the bigger the problem you have with the disparity of data. However, even for firms with a small number of clearing relationships the product is relevant and provides significant efficiencies," he says.

MA also has expertise in reporting software and 2017 looks set to be another busy year for the firm with Mifid II reporting rules coming into force and the SFTR rules for securities financing coming into scope.

"We have a healthy pipeline of business and a range of new regulations coming into force that are driving all aspects of our business," he says. ■

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RIVAL RISK OPENS NEW FRONT FOR START-UP

Rival Systems has moved quickly in its first year of operation, accumulating prop trading clients for its trading and enterprise risk management systems, and extending its reach to more exchanges in the US and Europe.

The firm that emerged out of US prop firm Ronin Capital said its Rival Risk product, which came to market slightly after its execution system, has been designed to work equally well alongside or independently of Rival Trader.

Rob D'Arco, chief executive of Rival Systems, told FOW: "We launched Rival Trader and Rival API in September 2015 and followed up with the launch of Rival Risk in November that year. In our first year we've built a strong client base, most of which leverage our entire product suite but some clients use Rival Risk on its own."

Regardless of which front-end system or clearing broker you use, Rival Risk has been designed to work in any trading environment, according to D'Arco.

"Risk has proved particularly relevant for principal trading firms, allowing them to aggregate data across diverse trading desks and proprietary systems, and providing a consolidated view of the firm's risk exposure across its entire business."

The Rival chief said his Risk product has specialised algos that calculate real-time synthetic prices for assets not linked to a quoted market, allowing users to see accurate P&L across all assets without any manual intervention.

Risk is also a fully-hosted solution built on a custom HTML5 engine so it can be easily accessed from any Chrome browser or configured to run like a native desktop application.

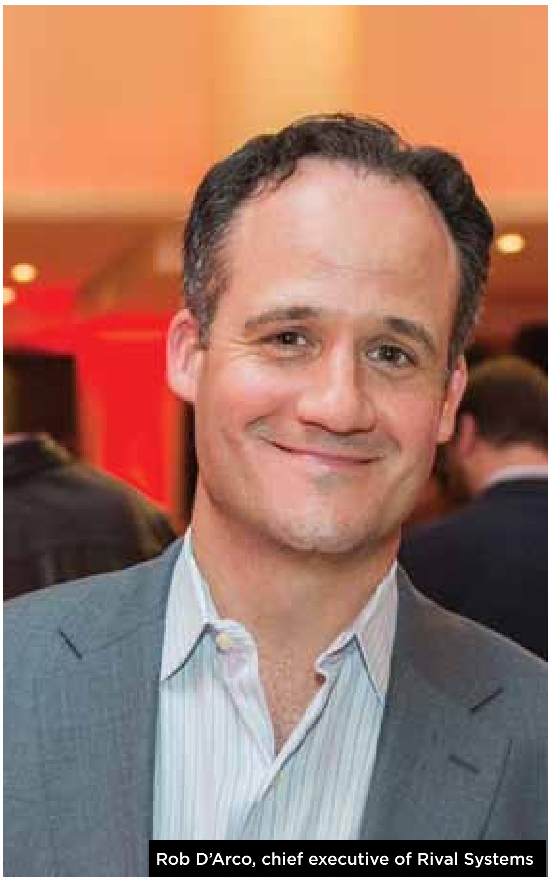
D'Arco added: "In early 2017 we will release a new version of Risk designed specifically for mobile phones, which will allow executives to view their firm's real-time total risk exposure from anywhere at any time."

Strategically, Rival Risk creates an opportunity for the company to expand its offerings into other functional areas, including compliance and back office, according to the chief executive.

"The combination of our centralised trades database and interoperable architecture allows us to quickly add new enterprise level services to meet our client's needs."

D'Arco did not offer any detail on what other functionalities are in the pipeline, but more products from Rival look likely in 2017.

The Chicago-based firm has so far achieved success with US prop firms such as Ronin Capital, the prop firm from which Rival emerged, and Chicago's Gator Trading, which signed for Risk in late September, but the risk system has the potential to open up new markets.



Rob D'Arco, chief executive of Rival Systems

"In our first year we largely focused on principal trading firms with Rival Risk but we are starting to meet with hedge funds and asset managers, as well as commodity producers who hedge their physical inventory with futures and options," said D'Arco.

As well as expanding its client base – the firm also signed Bracken LLC in June to trade equity options on CBOE, and Budo Group in August for agricultural options – Rival has also been extending its product coverage.

It launched with CME and CBOE in September 2015, and followed these with Eurex in January, ICE in February and, most recently, Nasdaq Futures in October 2016.

D'Arco said: "Eurex was the third exchange we wrote to, helping launch our effort to build out a presence in Europe. We'll be adding support for additional European exchanges in 2017, and then focus on expansion into the Asian markets."

The tech firm also reduced in March its trading latency by a quarter by employing "software optimisation to achieve the reduction in median "tick-to-trade" latency for clients".

D'Arco concluded: "The priorities for Rival have been adding new features, expanding into new markets, and continuously working to maintain the highest level of performance."

After a strong first year, Rival looks well set for further growth in 2017. ■

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FIDESSA CONTINUES SELL-SIDE EXPANSION

Fidessa
Trade / Invest / Inform

Fidessa takes home the award for Sell-side Trading System of the Year for an unprecedented fifth consecutive year in a market segment it has come to dominate.

According to a recent Tabb Group report, almost half of US FCMs use Fidessa's system for their electronic execution, a remarkable statistic for a firm that has been in the derivatives market for less than a decade.

According to Fidessa's global head of derivatives Justin Llewellyn-Jones, Fidessa has succeeded with the sell-side by providing a solution to the challenges that are facing the major, global banks and brokers today.

"The F&O space has changed dramatically over the past decade. It has become increasingly complex and that complexity has driven up costs. Increased regulation has combined with a negative macro-economic climate resulting in a number of major FCMs pulling away from the market," he says.

"But while the number of FCMs has fallen dramatically, volumes have remained constant so effectively the customer flow has consolidated into a smaller number of counterparties. Those FCMs that are in the market today therefore need a cost effective, automated system with global scale."

Fidessa boasts 12 of the top 25 global FCMs as clients and has continued to expand its market share during the judging period with the addition of 11 new derivatives clients signed, including BNP Paribas and Barclays.

Over 73m lots are traded each month by Fidessa's F&O clients, up 26% on the previous year. It offers a global connectivity network of 730 brokers, 5,300 buy-sides and more than 60 derivatives markets, including new additions NFX, CurveGlobal and the Dalian Commodity Exchange.

Futures brokers of all sizes use Fidessa's fully automated workflow for trading futures, options, exchange-traded strategies and US Treasuries, with a platform that scales to support single user execution through to fully-integrated global order management.


Justin Llewellyn-Jones, global head of derivatives, Fidessa

A unique distributed architecture enables global FCMs to best route orders, regardless of the client's location, and benefit from extensive order management and execution tools, middle office and post-trade capabilities.

'Follow the sun' global order management allows an order from anywhere in the world to be put through the same workflow technology, maximising STP and efficiency whilst minimising risk.

Specialised derivatives algorithms are supported, including benchmark algos and advanced synthetic order types. Fidessa has augmented its suite of advanced trading tools adding order stitching and bulking/compositing capabilities to better manage inbound electronic order flows.

One of the key reasons for Fidessa's success with the sell-side is that they built the platform at a time when banks were reviewing the viability of their inhouse software.

"When we started out in derivatives we realised that no one had really been engaging properly with the tier 1 banks. The incumbents were offering legacy platforms that had not been built in partnership with the larger firms in the market," says Llewellyn-Jones.

"We were able to go in and sit down with the banks and ask them what they wanted us to build and how we could develop a system that could replace their inhouse technology."

"Crucially we understood that we had to stitch together the execution management system with the order management system to compete effectively with internal builds."

The company continues to expand its client base across the buy-side as well as targeting tier 2 banks and non-bank FCMs. It signed a deal with a large global commodities trading firm during the year, the latest firm in that space to recognise the value of Fidessa's workflow capabilities. ■

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SWAPS TRADING IN A POST-MIFID II WORLD – LESSONS LEARNED FROM DODD-FRANK

Right around the summer of 2013, just as the final rules for swap execution facilities (SEFs) were being entered into the Federal Register, many industry-watchers were forecasting the impending death of the U.S. swaps market. Critics warned that the new rules would cause everything from fragmentation of liquidity and low-latency arbitrage to an outright exodus of OTC derivatives trading from the U.S.

In fact, the transition to mandatory electronic trading of swaps in the U.S. caused none of this. Quite the opposite. Immediately following the mandate, an August 2013 report from Aite Group showed that U.S. derivatives market participants absorbed Dodd-Frank trading requirements in stride, with cleared IRS and CDS trading volume surging in the weeks following new clearing mandates and the final SEF rules. Now, over three years after the mandate was published, Clarus Financial Technology reports that the total volume of USD interest rate swaps trading taking place on SEF platforms is continuing to thrive, with over $1.3 trillion in notional trading in December 2016 alone.

With less than a year until MiFID II comes into force, bringing with it several similar regulatory hurdles for swaps market participants to overcome, many of the same fears are starting to emerge in Europe. Naturally, the U.S. experience has emerged as a benchmark for what to expect and how to prepare. While there are many similarities between the two reforms, there are also many details unique to each that could complicate things for firms that don't take a rigorous, but flexible approach to MiFID II preparation.

Let's start with the similarities. The big fear with both mandates is that these severe changes to the trading workflow – movement of trades onto electronic platforms, mandatory clearing, automated trade reporting – could adversely affect market structure.

What U.S. market participants quickly found in the Dodd-Frank experience was that flexibility and efficiency were the keys to liquidity and profitability. By moving IRS and CDS swaps trading onto electronic trading platforms, market participants are able to realise enormous gains in efficiency that offset the challenges presented by new trading requirements. It is therefore critical that MiFID II preparations centre on trading efficiency as a primary goal.

In order to achieve that ultra-efficient, integrated workflow, firms need to be able to connect internal risk, compliance, accounting, collateral and order management systems (OMS) with external trade execution and processing functions, such as clearinghouses. It also makes sense to work with firms who have been through this exercise and are familiar with the various technical and logistical challenges that can cripple the best-intentioned transitions to regulated, electronic trading.

When it comes to navigating the differences between the two regulations, one of the biggest issues market participants will need to contend with is the inherent fragmentation that will exist between the two sets of laws. While regulators on both sides of the Atlantic have repeatedly stressed their intention to harmonise their rules to avoid this fragmentation, the very real potential exists for MiFID II to create distinct silos in the swaps market, with U.S. firms trading primarily with other U.S. firms and European firms trading primarily with other European firms, and so on around the globe.

In addition, fragmentation could lead to inefficiency and increased costs for market participants and end investors alike. To maintain well-functioning global markets, regulators need to establish clear and workable cross-border rules using regulatory tools, such as substituted compliance, exemptive relief and equivalence. Following the financial crisis in 2008, regulatory reform has been driven by the same objectives of reducing systemic risk, increasing transparency, and improving market efficiency. Reaching an agreement should, therefore, be achievable and a desired outcome for all parties concerned.

However, with many of the details of cross-border equivalence still unknown, market participants need to be ready for a number of different potential outcomes. Just as we saw with Dodd-Frank, as fears mounted that U.S. traders would simply pick up and move their operations to less restrictive regimes, the power of efficient, transparent trading on electronic platforms kept them engaged. Ultimately, we expect the same outcome with MiFID II, though to get there, trading firms will need to make sure their technology platforms are both flexible enough to incorporate incremental workflow changes and global in reach to allow for seamless trading between regimes that each play by slightly different sets of rules. ■

> "Naturally, the U.S. experience has emerged as a benchmark for what to expect and how to prepare"