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Alum Finds Opportunity in Wall Street's Rough Ride

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With much of the financial services industry hunkered down in survival mode, Ted Myerson is taking his company, FTEN, Inc., in a decidedly different direction. With financial backing from four of Wall Street's largest bulge-bracket banks, Myerson is leading the trade-execution and risk-management software firm he founded in 2001 on a global expansion push.

Credit Suisse, Goldman Sachs, JP Morgan Chase & Co. and Merrill Lynch (now owned by Bank of America) have all made undisclosed but sizeable investments in FTEN, and the new capital is being used mainly to expand the company's overseas infrastructure. Much of it will be used for new collocation facilities, an important element in increasing the speed and enhancing the performance of FTEN's high-volume, high-frequency trading programs.

"We provide access, speed and control to the global financial markets. Our trading engine is the fastest in the world," Myerson, the company's founder and president, explains. Differences of milliseconds in trade execution matter in FTEN's world, which is unlike the retail market for securities. FTEN's clients, which include hedge funds, multinational banks, huge broker/dealers and the like, engage in high-volume trading, executing 10,000 to 20,000 trades per second. Collocation — having FTEN's equipment in or very near the bourses and exchanges where its clients trade — sharpens the company's competitive edge.

"Having a Ferrari engine is just half the equation," Myerson says. "When you're moving at that speed, you also need reliable brakes, and that's the pre-trade risk-management aspect of our software."

FTEN's programs protect institutional traders from what are known as "fat finger" mistakes, the occasional tendency of highly stressed traders working in a frenzied environment to hit the wrong key and potentially cost their employers millions. The archetypical incident occurred in December 2005, when an unidentified trader on the Tokyo Stock Exchange mistakenly sold 610,000 shares of a company at 1 yen — less than a penny — instead of the single share at 610,000 yen he intended. It cost his company, Mizuho Securities, about \$225 million.

FTEN (named for the infrequently used "macro" key on computer keyboards) processes millions of global securities transactions every day, including about 20 percent of daily volume in U.S. equities. The firm's business is inherently agnostic to market direction, since its clients execute high-volume trades whether it's going up or down. All that changes from FTEN's perspective is whether those trades are buys or sells. "In a financial tsunami like we're currently experiencing, the magnitude of trading actually increases, which helps our business," Myerson says.

Clearly, FTEN's new big-bank investors are sold on the firm's long-term viability. "They see what we're doing not just as a good opportunity for themselves, but for the overall market," Myerson says. "They're investing in FTEN and not even sitting on our board, which is unusual in this industry."

Profitable, cash-flow-positive and debt-free, FTEN is growing, hiring new employees and investing in infrastructure at a time when many financial services companies are scaling back. It already has facilities in London and Frankfurt and plans to launch in Tokyo early next year, and it's on the lookout for additional expansion opportunities, especially in Asia. — *Michael J. McDermott*



Ted Myerson, founder and president of FTEN, Inc.