



## **Four Wall Street Giants Invest in FTEN's Risk Technology to Expand Turnkey Solution to Hedge Funds in Europe and Asia**

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Four of the largest global financial institutions, Merrill Lynch, Goldman Sachs, J.P. Morgan and Credit Suisse made a minority equity investment in FTEN, a provider of advanced risk-management technology to hedge funds. The amount of the investment was not disclosed.

The investment will accelerate FTEN's global expansion and offerings beyond the United States to Europe and Asia. The application service provider (ASP) is seeking to expand its risk management, compliance, high-frequency trading gateway and market data for multi-asset trading and multi-prime broker sponsored access in Europe and Asia, according to today's announcement.

The investment in FTEN is occurring at a time when hedge funds are moving away from a single prime brokerage model, and realizing the importance of having multiple prime brokers so they are not linked to the fortunes of one firm. At the same time, prime brokers that are providing their balance sheets and electronic execution solutions to hedge funds need to gain more control over intra-day risk management.

"Prime brokers will always be interested in having a real-time global view of what their risk exposure is to their clients, especially among high-frequency statistical arbitrage customers who typically leverage the prime broker's financing product and trade using automated black-box models," comments Antonio Reyes Miras, Head of Electronic Client Solutions for Cash Equities and Futures & Options at J.P. Morgan in London, who responded to questions submitted via email.

"One of the key products that FTEN brings to the table is its RX risk exposure suite, which provides the prime broker with a global view of everything that is going to a specific venue or destination in the name of a particular client, irrespective of who the executing broker is," explained Reyes Miras.

Several of the global prime brokers making the investment are already clients of FTEN. "We are in production with our clients today," noted Reyes Miras. J.P. Morgan inherited the FTEN relationship as part of the merger with Bear Stearns, and is now working closely with FTEN and aims to offer this product in Europe before the end of the year.

As for why J.P. Morgan is making an investment in FTEN, according to Reyes Miras, "J.P. Morgan is constantly looking at investment opportunities in the industry — in addition to the obvious expected return on these type of investments, this type of activity brings us closer to our key partners and gives the firm the opportunity to take an active role in the shaping of the future of the industry."

The FTEN investment is expected to help J.P. Morgan provide a turnkey solution to low-latency statistical arbitrage hedge funds. J.P. Morgan uses a variety of distribution channels through its Electronic Client Solutions (ECS) group to provide electronic execution services to its clients. "This includes deploying our own execution management system (Neovest) globally to the hedge fund community which up until now was only deployed in the United States, and building a global electronic execution and financing product," continued Reyes Miras. "The market-leading technology solution FTEN is providing, couple with J.P.

Morgan's prime brokerage product, will provide our clients with a turnkey execution and financing solution to access global markets," said Reyes Miras.

Each investment bank is taking a minority stake in the service provider, which will maintain its independence and neutrality so it can work with each partner, said the release. The Series B Preferred Stock funding will help FTEN continue to establish international relationships as it extends its global footprint for multi asset class and multi-prime broker offerings. The firms' existing strength is in U.S. and European equities, options and futures markets. Currently FTEN's technology processes 20 percent of the U.S. daily equities volume and risk management calculations, said the release.