

# FINANCIAL TIMES

TUESDAY AUGUST 17 2010

---

FT Trading Room

---

## FTEN wins patent for real-time risk management

By Jeremy Grant in London

FTEN, a privately held risk management company, on Tuesday said it had been awarded a patent for technology that would allow market participants and regulators a way to monitor risk in “real-time”, across market platforms.

The move is a sign of how the provision of real-time risk management in the trading and clearing business is increasing in importance as regulators respond to the perceived risks associated with high-frequency trading.

In addition fragmentation of trading across about 40 venues in the US has made it much harder for trading firms such as hedge funds to stay on top of their positions in multiple asset classes and across a wide range of venues.

FTEN said: “Significant debate surrounds the benefits and concerns associated with high-speed electronic trading which has nearly replaced traditional floor-and telephone-based trading.

“In light of the 2008 financial crisis, regulators worldwide are evaluating more timely ways of assessing systemic risk to better manage the benefits of increased liquidity and price discovery resulting from high-speed electronic trading.”

FTEN said its technology gathered key data – such as orders – from each exchange or other type of trading platform, and aggregated these so-called “real time drop copies” in one place.

The data is then standardised and analysed, with the whole process taking milliseconds, as

opposed to hourly in the case of traders using multiple single connections to exchanges and trading platforms.

The development comes as the Securities and Exchange Commission wants to develop an electronic “audit trail” that would track trades as close to real time as possible.

Under a proposal unveiled in May, exchanges would be required to collect and provide detailed information regarding each quote and order for stocks and listed equity options, before sending that data to a newly created central repository.

Ted Myerson, FTEN’s chief executive, said: “It is our hope that regulators will also consider similar secure data cloud approaches to achieve broader systemic risk management objectives of increased transparency, accountability and control.”

FTEN is in discussion with regulators about its technology. “I think we could do much better both on time and money,” Gary LaFever, chief corporate development officer at FTEN, told FT Trading Room.

FTEN claims that the technology it has developed and which has been patented has allowed it become “the largest processor of real-time securities risk management in the world”.

Started in 2001, FTEN is majority owned by Outfitter Ventures, a Silicon Valley-based private equity firm; FTEN management and employees; and Merrill Lynch, Goldman Sachs, JPMorgan, and Credit Suisse, with collectively less than 25 per cent.