



An overview of the Asia Pacific Electronic Trading Summit 2006

By Endre Markos, Head of Asia Pacific Execution Management, Bloomberg LP

With the proliferation of conferences and commercialization of many of their topics, it is easy to understand why 350 leading professionals in the industry considered the 4th Asia Pacific Electronic Trading Summit on May 10th in Hong Kong a breath of fresh air.



Far beyond the impressive list of speakers and panelists, the topics discussed energized the crowd throughout the one day event. The greatest external contribution to the high quality of content came from the intermittent interactive voting on topical questions. The attendees had a chance to steer the energetic panel discussions with ample time to draw further conclusions during the breaks and the pool-side barbeque that followed. The recipe and all the ingredients were there for a great meal. So let's take a peek into what came out of the oven?

There is value in the trading process

Loaded with empirical support the presentation by Mat Gulley, global head of trading at Franklin Templeton Investments, illustrated just how sophisticated the buy-side

is today in looking for ways to add more value via more efficient trading processes. In this quest for improving returns in our very competitive global environment the adoption of FIX is deemed essential. Compared to five years ago the number of firms using FIX has increased tremendously and the interactive vote at the event suggested that over 65% of the attendees intend to expand their product coverage via FIX. In addition, "Asset classes are coming closer together." said Chris Biscoe, and as such the need for handling multiple asset classes is quickly emerging. The best tools and methods for transaction cost analysis remain highly debated and access to liquidity continues to be a challenge in Asia. Capturing alpha is viewed by the sell-side as the common area of focus for their customers.



Mat Gulley, Franklin Templeton Investments

It is nice to have algorithms and DMA

"Could I get through the day without having them (algorithms)? Absolutely!" commented Jonathan Evans, head of dealing at JP Morgan Fleming Japan, but there was a general consensus on the panel that while use of algorithms in Asia Pacific is significantly lower than in the US or Europe, it is growing fast. An often overlooked benefit of algorithms is the reduced cost of trading and equally seldom realized is that most of the buy-side is already using



Srinivas Padmasola (Merrill Lynch) introduces an interactive voting session.

advanced trading tools as the brokers execute their orders with the help of them. Active Asia wide deployment of algorithms by the buy-side can only come after basic electronic trading infrastructure is in place. Asia is very different from the well understood markets overseas with regulatory issues often being the biggest obstacle to access true DMA and therefore algorithms.

Executions in China

No reference here to capital punishment. Nearly a third of the people voted China as the country where they would like to access advanced trading tools. There are several key



The Exchange Panel - from left to right - Lawrence Shan, Taiwan Stock Exchange; Ron Newell, Singapore Stock Exchange; David Li, Shanghai Futures Exchange; Greg Yanco, Australian Stock Exchange; Brook Teeter (Moderator), Credit Suisse

differences between China and the rest of the global financial theatres. "Execution services are just simply not understood as a necessary and important part of the execution process." noted Peter MacDonald, chief



Peter B. MacDonald, Beijing Goa Hua Securities Company Limited

operating officer at Beijing Gao Hua Securities Co. His insight into how the fastest growing major economy is tackling the growing pains associated with catching up and integrating with the global financial markets, answered many of the questions people need to understand as they form strategies for entering the Chinese market. While the world has been adopting FIX, with slight country modifications, China has been developing its own version which is said to be dramatically different.

More education is needed

Providers of broker neutral electronic trading platforms have to do more to educate and consult. "Vendors need to be a little bit more active in showing their wares."

suggested Gavin Williamson of HSBC Holdings Plc's execution trading division. This of course implies the need to constantly push the limits of technology, to pick up speed and to integrate multiple asset classes into tools they



One of the Exhibition Halls

provide. A few large, global and standardized platforms that are comprehensive, easy to use and integrate across all information areas of research, pre-trade, trade, TCA and clearing would certainly be easier to learn than many small local solutions. Trusted by both sides, the advertisement-free education would probably be most welcomed from independent third party providers who have recognized and embraced FIX from its very early stages.

FPL has to be active

Almost half of the delegates thought the FPL's role in Asia should be that of an active industry body addressing electronic trading issues. As the organizer of the conference the FPL is already acting on this mandate. The colorful panel of the Shanghai Futures Exchange, Australian Stock Exchange, Taiwan Stock Exchange and Singapore Stock Exchange gave insight into their developments in the areas of deregulation, their ambitions to merge with other exchanges and their opinion of the work done by the FPL. Encouraging



Cocktail Reception

is that most have recently joined as FPL members or plan to join. Clearly the organization has grown to be a respected platform for resolving issues and educating the industry. The Taiwan Stock Exchange confirmed that pre-funding is not required by the exchange, and George Molina, director of Asian trading at Franklin Templeton, highlighted the need to continue discussions with the custodians, who are the guardians of this legacy procedure. This is a very good example where the FPL as an industry body can add value.

In the days following the conference the feedback received by the organizing members and the FPL indicate that the conference became a true benchmark for all others to follow. High standards of content, organization and professionalism remain the means to impress people and help the market overall. Liquidity? Well, let it flow... **FIX**

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