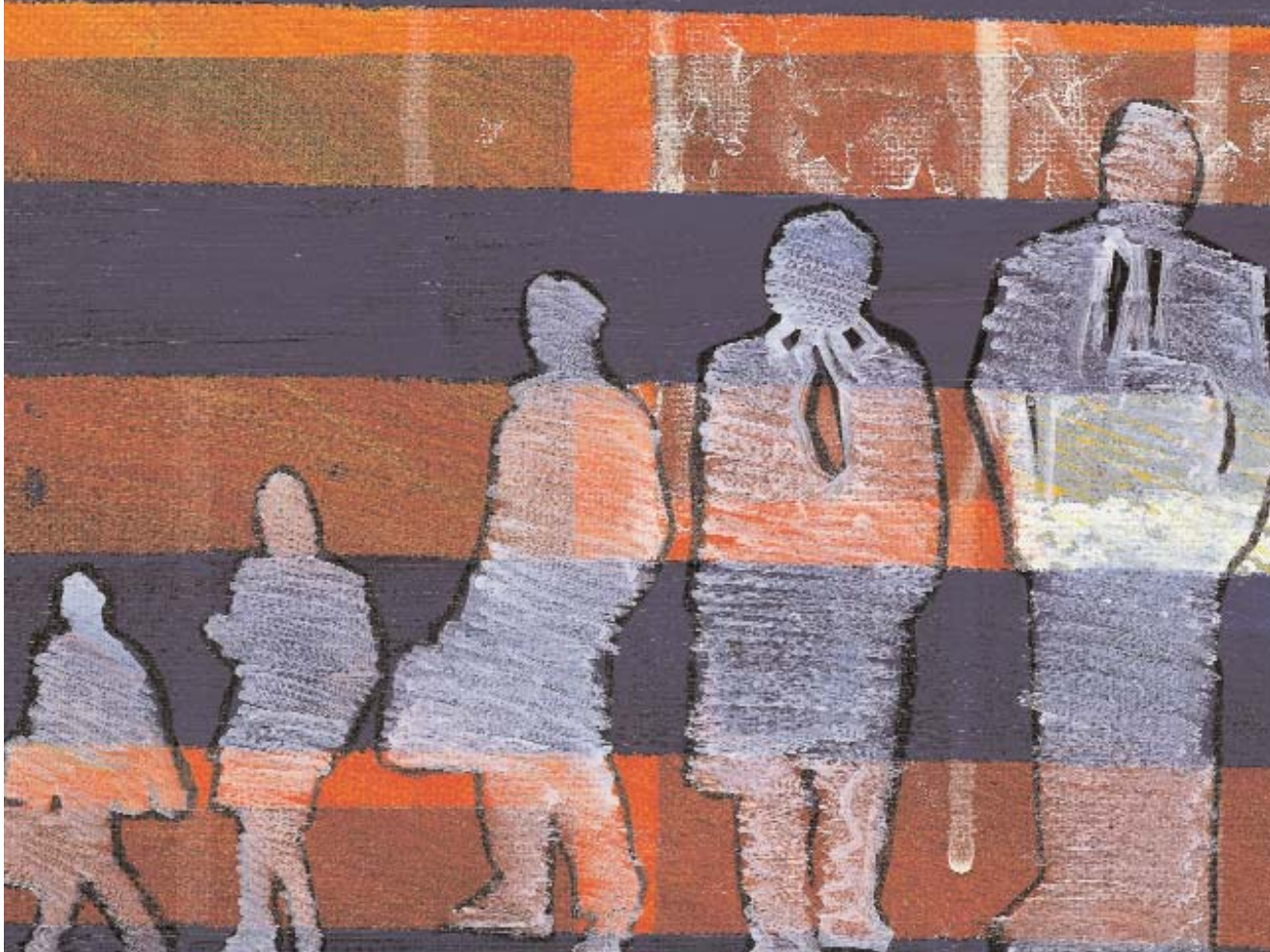


# Celebrating ten years of FIX: a panel discussion with its founders



*By Paul Taylor of the Financial Times*

**From the start, the Financial Information eXchange (FIX) Protocol has been about co-operation – co-operation between competing firms, co-operation between business and technology managers and co-operation between the four founders who had the vision and expertise to create an open standard ten years ago that is still gaining momentum today.**



Bob Lamoureux



Chris Morstatt



Jim Leman



Jaques Perold

In July, FIX Protocol Limited held a dinner in New York's Tribeca district to celebrate the ten year anniversary of the launch of the FIX Protocol and honour the four founding members of the first FIX Americas Committee – James Leman, Jacques Perold, Bob Lamoureux and Chris Morstatt.

Speakers during the event traced the community origins of the FIX Protocol and the challenges the founders faced, highlighted the tremendous achievements so far and the opportunities that lie ahead to fulfil the founders' vision.

They noted that the FIX Protocol has already expanded far beyond the founders' initial expectations and helped the financial market to respond to unprecedented changes.

The founders emphasised that the key to the continued growth of the FIX protocol is to ensure that it continues to meet business needs and is constantly adapted to the requirements of new environments.

Introducing the evening, which was attended by almost 100 securities industry professionals, Ross Hutcheon noted: 'Many people in this room were very instrumental promoting the protocol, developing it and championing it'.

'But without the vision and the energy of the four people we are here to celebrate tonight, we wouldn't have the widespread adoption that we do today. I think many people using FIX today are unaware that they are using it and I think that is a great testament to the success that we have had.'

Similarly, Bill Hebert noted that, 'Over the last ten years many people in this room have been trying to help the financial community understand that FIX was a lot bigger than a shrink-wrapped software package from Circuit City or

a 'black box' out in the mid-West somewhere that everyone connected into. It was really the beginning of a standard.'

'The reason we are here tonight is really to celebrate that this has been going on for ten years and reflect on it with some of the people who were here at the beginning,' he said.

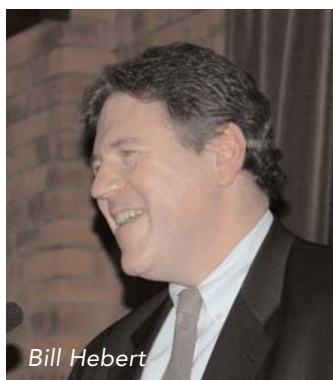
'FIX is a community thing, it started as a community thing – competing firms working together as a consortium – and the reason it has been successful as much as it has been, is that it has been a co-operative effort, both here in the states and at a global level.'

Bob Lamoureux, the first of the four founders to speak, agreed. 'The real testimony here is that we are celebrating ten years not really because of the four of us, but because of all of you,' he told his audience 'Nothing like this could take off without a concerted effort from a lot of people.'

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Chris Morstatt reminded the dinner guests that it was actually 12 years ago, while he was at Salomon Brothers, that the initial discussions over the need for a new electronic trading protocol had first been mooted.

'We were approached by the people at Fidelity,' he recalled, 'they came in with an idea of what they wanted to



Bill Hebert



Ross Hutcheon



The Founders

do and we were doing some stuff on our trading floor,' [the introduction of Salomon's Portfolio Trading and Management System], 'and we thought there was a way we could work together'.

'FIX was a project that was built for the best reasons – and that was out of necessity,' said Jacques Perold, who was at Fidelity at the time. 'More than anything, I think we were lucky because it was a time when certain things needed to be done and it was a time that certain technologies were possible. But it was really born out of some fundamental needs'.

'At Fidelity we were trying to revamp and transform some of our old mainframe systems at the time and move to the next generation. It was remarkable for those of us who had been in equity trading and had seen what had happened in 1987,' he noted.

**'FIX was a project that was built for the best reasons – and that was out of necessity,' said Jacques Perold.**

'You didn't really know what your positions were, you were seeing things like indications of interest fall on the floor and phone calls going to the wrong places – there were tremendous inefficiencies.'

While the FIX Protocol solves real business needs for the securities industry, the extraordinarily fast pace of adoption also owes much to the forward thinking of the founders.

FIX's founders realised early on that if the protocol was to be widely adopted it would need the support not just of Fidelity and Salomon, but also their Wall Street competitors.

'We realised we could probably spend ten years trying to get a proprietary protocol off the ground that would probably never really work,' said Mr Perold.

'I'm very glad looking back, that Fidelity and Salomon did have the vision at the time to put it in the public domain, recognising that solving business problems was really the key, not really building a business out of this per se....that was the starting point.'

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Jim Leman agreed. 'The whole premise was that we thought it was a really good idea, no one was trying to make money out of it,' he said. 'We were trying to become more efficient business-wise and I guess our timing was very good too because the markets took it up and really started paying attention to it.'

Nevertheless, the founders noted that they faced serious challenges at the time persuading not just rival firms but also traders in their own firms to adopt the protocol.

Bob Lamoureux recalled that when Fidelity initially introduced FIX, the greatest resistance came from the firm's own floor traders because they feared that it would put them out of a job. 'What people had to realise was this was bringing the game to a different level and that many would

be playing on a different plane where there was much more value to be done.'

Like other technology changes, the panellists agreed with Mr Lamoureux, when he said that FIX 'changes the game. If you are not chameleon-like and able to change yourself, then yes, you are at risk. That is a fact of life in any industry not just ours.'

More generally he suggested protocols and other measures that improve market efficiencies, provide longer-term benefits for all market participants – even though that might mean some traditional roles have to change.

'In the real world this stuff can not be stopped,' added Jim Leman. 'There is an inevitability to it. People who don't think they have to change, have a bigger problem than they realize because this thing is not going to slow down and it is not going to wait for them....it is going to come and move right by them so they have to learn new skills.'

'From the beginning' he said, 'one of the objectives for FIX was that everyone who traded electronically should be using the FIX protocol whether they realised it or not.'

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'Despite some disagreement within the industry over the role of vendors in the process', Mr Leman added, 'I think one of the great things that the vendor community does is help reduce the price point of entry for smaller and other sized firms in different parts of the world'.

'There are trade-offs,' he acknowledged, 'but at the same time if the real purpose is to accelerate business, the exchange of ideas and the exchange of transaction activity, it is probably just another step along the road.'

Looking ahead, Mr Lamoureux suggested that standards like the FIX Protocol could help firms respond to market

pressures. 'It is really interesting to see how FIX has evolved,' he said. 'I think there is a lot of pressure in the marketplace for regulatory reasons, that really require standards like FIX to help us do things on a more even plane.'

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Mr Perold agreed. 'A technology like FIX essentially allows interaction and is a real-time mechanism between traders and a marketplace that allows much more data to be collected'.

'I think can be very, very useful for firms to do their jobs and I think over the next ten years we will see that data is put to work better, faster and in ever more creative ways,' he said. 'I think the protocol itself will probably change radically. I'm not sure FIX stays as a mandate – I think technologies may supersede that, but that is for time to tell,' he said.

As the self proclaimed 'egghead' of the group of four founders, Mr Lamoureux said what he would most like to see in ten years would be an end to the debate over which protocol should be used and the emergence of truly global standards.

'The world around us in lots of other industries is evolving and the platforms are much more global,' he noted. 'If you look at Web services and the other standards that are around, those really should be the wind behind our backs to go to the next level where you do not have those questions anymore.'

Mr Leman noted that over time FIX Protocol Limited has itself evolved from its original committee structure to having business practices committees. As the standard evolves' he said, it will be important to, 'gather the ideas of people in the business about what new problems they may want to solve.'

'In some instances, customers and brokers think they have solved most of their problems and are happy with where FIX is right now and are going forward in their space, but others are considering whether there are new problems they want to address.'

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**Michael O'Conor**

He suggested that one of the interesting questions facing FIX in the future will be whether participants continue to evolve the protocol 'for the good of the industry as we go forward,' or pursue special interests.

Joining the after-dinner discussion, Michael O'Conor emphasised that business needs – not technology – should drive the future development of the FIX Protocol. 'We are only as big as the business wants us to be,' he said. 'We have had a lot of success in the last ten years, but we can not bank on that success to get us through the next ten years.'

Jim Leman agreed that the future growth and success of the protocol will depend on how it is adapted to meet changing business needs and is extended through industry co-operation from equities trading to handle other securities. 'If we can get like-minded people to decide how we are going to handle EFTs, or how we are going to handle the emergence of hedge funds for example, then I think the protocol can evolve.'

Conversely, he warned that unless the FIX membership adopts a proactive stance and makes changes, 'the future may well happen around us.' He suggested that through the business practices committees, 'we have a way to mould the future.'

Similarly, Chris Morstatt suggested the future of FIX would depend on how well it adapts to and meets business requirements. 'The only reason the FIX protocol is this right

now is that there was a business need at that time which was not being filled and we had to do something to fill it. We looked at SWIFT, we looked at CMS and decided there was nothing out there so we built our own,' he said.

In terms of the founders' vision 12 years ago when they first began to discuss the need for an open protocol, all four panellists agreed that the growth and development of FIX had exceeded their expectations, but perhaps not yet fulfilled all their dreams.

'I think the story is yet untold but it's a great story up to this point ... we started a ball rolling downhill and it has gotten pretty darned big, but I think it has room to grow ... hopefully it will become an even bigger story in the next ten years,' said Jim Leman.

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'I look at FIX today but I really don't think that the vision has been fulfilled yet,' said Mr Morstatt.

'It has gone far beyond what we expected – I don't think I expected the markets to adopt FIX the way they did and to accept it as they have done,' added Bob Lamoureux. 'But on another level, I agree with Chris, we still haven't seen some of the things we dreamed of come to fruition.' **FIX**