

Asia Pacific Pioneers of FIX

As the FIX protocol's tenth anniversary year continues the various regional committees are taking time to reflect on their founders, highlighting the contribution and commitment of those who have worked to ensure FIX's longevity. In this issue Asia Pacific's Chris Biscoe interviews one of it's pioneering members, Grace Lin, Director Asia Pacific Equity Electronic Trading, Citigroup Global Markets Asia Limited, who has been there from the start.



Interview by Chris Biscoe, Head of Electronic Trading, Asia Pacific, Credit Suisse First Boston and Co-chair of the Asia Pac FIX Steering Committee.

We are here with Grace Lin, one of the true pioneers of FIX in Asia, now working for Citigroup in electronic trading.



Chris Biscoe – So Grace, when did you first get involved in FIX & electronic trading in Asia?

Grace Lin – Well, I started in global equities order routing at UBS when I came back to Hong Kong in 1994! We used Lotus Notes as the core of our whole workflow, it was an IT role.

Chris Biscoe – So it was message routing to brokers ... or from brokers? How would it work?

Grace Lin – No, not client yet, it was an internal order routing platform. Basically, it aimed to provide communication between the different international desks. Because I was working in Hong Kong at the time, you're talking about consorting all the Asian flow through this Lotus Notes platform from all of sales offices in New York, San Francisco, London, Geneva and Zurich to Japan, Hong Kong, Korea and Singapore.

Chris Biscoe – So you would receive an order from a Hong Kong customer, for example, and then send it via Lotus Notes to New York or San Francisco?

Grace Lin – it's the other way around, NY, Zurich, etc. Asian Sales reps would receive the orders and then route them back to Hong Kong.

Chris Biscoe – is that through an order management system as well or would it have to be done manually?

Grace Lin – it was AMS2 in Hong Kong then so the orders have to be entered on the AMS/2 trading terminal and then re-input back onto the Lotus Notes platform.

Chris Biscoe – so did you develop that system or did you just support it?

Grace Lin – I developed it ... and then what happened? ... then I was out of the whole equities loop for a while and it was only later that I re-engaged in the equities technology world ... that must have been early 1999...

Chris Biscoe – And when was the kickoff of the Asian FIX Steering committee?

Hmm ... let me think. And then I went to Goldman Sachs late 2000 leaving tech and entering into Equities world. When Jim Leman, Mike O'Connor and Tim Wildenberg came out to discuss setting up the Asian Steering Committee ... that must have been early 2000 ...

Chris Biscoe – So did you know Jim Leman or Mike O'Connor at that time?

Grace Lin – Well I met Jim Leman when he was here some time in 1999 I think? It was probably six months before this conference that I started looking at FIX. This was because of the London connection, because I was doing UBS IT, FIX and connectivity was already happening in other parts of the world. UBS back then had several global clients using FIX, there were 5 or 6 clients that I remember at first was just a one-way reporting, whereby the order placement was made by phone and then the update was sent back by FIX with the order management system. At the time, only UBS had this nice feature within the OMS whereby a profile for every electronic trading customer was held. The profile maintained a field as to whether to mail back electronic execution reports and where. So every time an order came, whether it was via FIX or the phone, the execution was configured to go back automatically. I didn't get my first taste of two-way order routing until I got to Goldman's at the end of summer of 2000.

Chris Biscoe – When did the FIX Steering committee officially get started? I thought it was something like March 2000?

Grace Lin – possibly, it was even before Gavin Williamson arrived because Kyle Stewart I remember hosted the meeting. There was a video conference, bringing the Japanese FIX committee people in by tele-conference and Kyle was saying that he was facilitating the meeting and he

would be bringing another specialist in so next time he wouldn't be there! That person was Gavin. So I was definitely one of the very first participants.

Chris Biscoe – So who were the early participants?

Grace Lin – Kyle Stewart (host), myself, there we probably about 15-20 people

Chris Biscoe – Wow, that many! And what was the focus of the first meeting? Was it to try to have a community whereby you talk about issues around electronic trading?

Grace Lin – Oh no, the first meeting, if I remember correctly, was a tele-conference with someone from Japan because the Japanese FIX committee had started months earlier. (My Tokyo contact would know who that person was.) The first meeting was aimed at sharing the benefits of communication between the two regions, what the Japan committee's principal functions were, and how to start the Asia Pac committee. Dan Miller was there but he was with ING Asset Management on the buy-side at the time. Also, there was Mark Northwood, Brad Freer from Capital, Todd Prado, and Michael Brady. On the sell-side there was myself, Kyle Stewart, John Adair and Richard Stone.

I started in global equities order routing at UBS when I came back to Hong Kong in 1994! We used Lotus Notes as the core of our whole workflow, it was an IT role.

Chris Biscoe – OK, so that was the first meeting. What came out of that...and those early meetings? How did you end up becoming a non-Japan dependant steering committee and what was the intent of starting it? First off, who were the first co-chairs?

Grace Lin – I think by the second or third meeting that was Gavin and someone from the buy-side....

Chris Biscoe – Presumably that was Michael?

Grace Lin – Yes, I think so... hard to remember, it's been a while...

Chris Biscoe – So was the intent to try and build a community and a vehicle for discussion between buy- and

sell-side or were there real practical concerns you were trying to address?

Grace Lin – I think at the infancy stage what we were trying to do was to put some structure around IOIs. The early discussions were always about how to use IOIs and how to implement the CD instruction. These were pretty much the only 2 topics, i.e. How do we denote a CD (careful discretion)?

People would argue and argue about the implementation of IOIs and what all these things meant, which ultimately is why there was an IOI working group because there were different views on how to use IOIs – some buy-side didn't even believe in IOIs...etc.

So there was the IOI WG and the Education & Marketing WG which aimed to educate the financial industry, or at least Equities, on how good FIX was, and then there was the Technical WG.

Chris Biscoe – And you became the chair of the Technical Working Group?

Grace Lin - Yes, I became the co-chair with Mark, because I came from the technical side.

Chris Biscoe – So what were the technical issues you were trying to deal with? Was the focus around IOIs, or how to describe CD or were you trying to look at investor ID?

Grace Lin – Definitely the investor ID was a key topic. The first rounds were focused on CDs – I remember spending 2 1/2 hrs at one technical WG meeting repeating everything that had been argued regarding what CD meant and how it should be implemented, which was the same discussion that we had had at one of the IOI meetings. So we spent at least 6-8 hours on the various interpretations of CD. To complicate things, there were different interpretations between traders who had worked in the European market to those who worked in the US. For example, market held vs market not held vs trade along vs over the day and how that is viewed in US compared to Europe...

Chris Biscoe – So what did you end up with?

Grace Lin – I think it was market over the day – but not very many people really use that

Chris Biscoe – So then you started looking at investor IDs and how did you deal with the different Asian existences? If

I remember correctly we had quite a few arguments about how the Investor ID should be implemented.

Grace Lin – We had Taiwan, Korea, Malaysia and India.

Chris Biscoe – So the solution for that was party-roll and party-id and hopefully that made life a lot easier for people, although I suspect people were still using a lot of account....

Grace Lin – That's right. It was the easiest way to distinguish a completely unique requirement while still offering flexibility and relevance for markets outside of Asia.

Chris Biscoe – So what do you think have been the biggest successes/accomplishments of the FIX steering committee and for the appointment of electronic trading?

Certainly the single most important accomplishment of the FIX Steering Committee was to engage the financial industry and to create a community that met and discussed the hows, whats and whys of electronic trading. When you get like minded people in the same room and try to at least come to some kind of agreement as to what they all mean. The understanding, whether explicit or implicit that comes out of this leads to a greater confluence of efforts and clearly with the rapid expansion of DMA and algorithmic trading it's the long-term fruits of your efforts building a community of electronic trading in Asia.

Of course, *FIXAsian* seems to have been the standard bearer for how to communicate to those within and outside of that community. We also had a few good, fun, engaging conferences that helped to draw attention to electronic trading.

Of course, you could make the argument that even without the FIX steering committee, things would have been pressured into the same shape it is now, but I am not sure that I would completely agree. Perhaps unfortunately, discussions around FIX and electronic trading have tended to be driven by the global firms. We talk about the "small players" but the hurdles are much higher for a smaller organization, and the appreciable benefits are sometimes less obvious.

Chris Biscoe – What do you think we need to do going forward?

Grace Lin – That's an open question ... multiple asset class is what the industry needs; we have almost exhausted, the existing regulatory constraints, all means of innovation. I

think the next wave would have to be integrating different asset classes, obviously from the automation from FIX protocol support point of view, that is why in the US and rest of the world people have started to implement FIX for Fixed income and FX. But I think tying back to the previous question, how people are pressured into using FIX by commercial purposes, by adding in other asset classes will also have a commercial value proposition, which I think the financial world can look at. We can say cost reduction is a good thing, but if we add revenue on the sell-side or if the buy-side can see savings in terms of having a package deal using multiple asset classes that is where we should spend time going forward.

Chris Biscoe – We are seeing a lot of changes taking place due to the tight integration of technology and business needs, and ideally there will continue to be a role for the committee to help manage these changes successfully. Ultimately, it seems that there is a value in creating a source of information that helps people to understand the implications of electronic trading and harness its power without fearing it. It still seems to me that there is a lot of education to be done around what electronic trading ultimately means. In addition, there is a whole lot of business functionality within the equities world that still needs to be captured within the protocol.

Grace Lin – I agree the protocol is there but helping people see the value-add of using FIX is very important to get people really implementing FIX.

Chris Biscoe – Hasn't it become so integral that those not using it means to face possible extinction? Small, medium or large firms that refuse to adopt electronic trading, do you think they can survive?

Grace Lin – In this part of the world, probably for a while. I think the community could and should do, and we have been I think, is really to go to the Exchanges and Regulatory Authorities, i.e. for the Taiwan foreign broker committee to get them to really document clear guidelines what can and cannot be done in terms of Direct Market Access and electronic trading - to try to help remove any grey areas. Most importantly, though is to convince the Exchange that electronic trading and the changes in the industry are good for them. I think the Exchange needs to maintain its competitiveness, and hopefully the exchanges will see electronic trading as an important way to maintain that competitiveness. **FIX**