

# Growing FIX within the region



By Srinivas Padmasola, Merrill Lynch

**This article was first published in the *FIXASIAN* journal in September 2003. It simply provided an overview of electronic trading at a few firms in Asia Pac at the time. Although much has changed, many of the challenges facing firms today are the same as those of 18 months ago!**

FIX was first introduced to Asia at a General FIX conference held in Hong Kong in March, 2000. It was clear from the participation at the recent Asian FIX conference in March, 2003 that there is great deal of awareness and interest in FIX among regional institutions in Asia.

How many regional institutions have implemented FIX? Do you need a large IT dept. to implement FIX? Are vendor systems suitable for every institution?

To answer some of the above questions and find out more about how regional institutions have implemented FIX

using vendor solutions, we spoke to some buy and sell-side firms from Hong Kong and Singapore.

Chi Lam at DnB Asset Management has been using FIX since 2000 and is one of the first users of Bloomberg's Equity Order Routing solution in Asia.

With the number of brokers implementing FIX growing in the recent years, Chi does most of his dealing over FIX.

"To have real-time fills and to be able to monitor the executions cuts down the time usually spent on

administration, so you can really get down to business and add value" adds Chi.

On IOIs, Chi finds them useful but also adds "it only works if you have participation from the whole market, otherwise they give a rather distorted view of what is going on".

DnB's fund managers use an in-house portfolio management system and any changes to the portfolio are forwarded to the dealing desk in a spreadsheet, which Chi uploads into his Bloomberg List Manager.

Lack of awareness of FIX message flows on the sell-side and system availability are some of the issues that give Chi reason to complain, but with the growing use of FIX in Asia, these issues are bound to disappear.

Post-trade, break down of allocations are sent to brokers in an e-mail. "So it is not entirely a fluent process" adds Chi. Thereafter trades are booked and sent to their back-office system for matching with broker confirmations that are received over Oasys.

Execution analysis is an integral part of a dealer's role, So how does Chi analyse broker executions? Chi says "I look at the intraday candle graph a lot and a mapping of the same graph for the execution onto the market graph would indicate those broker executions are good and know how they are doing".

Marie Lim manages the central dealing desk at NTUC Income Investment in Singapore. Marie has been using electronic order routing since 2000 and recently joined NTUC to set-up their central dealing desk.

NTUC has a very IT savvy environment with ISO standards. NTUC's management recognised the importance of implementing electronic order routing and chose Bloomberg's Portfolio Order Management System (POMS) to manage their investment portfolio.

Marie manually enters and routes orders while they migrate their in-house portfolio system to Bloomberg POMS. Once complete, orders can be routed without the need for manual entry.

Marie occasionally glances at IOIs and comments "Maybe it is the Asian culture that stops institutions from fully divulging their order flows".

Post-trade allocations and trade details are manually entered into their back office system. To achieve straight through processing, NTUC is working on automating the flow between POMS and their back office system.

Charts are useful daily tools for analysing executions but Marie is also working on mapping executions in POMS to analyse broker-dealer performances over long periods.

Asked to comment on awareness of FIX and electronic order routing in Asia, Marie says "Investment firms do not want to incur fixed costs to attain operational efficiency until they attain critical mass and make returns on investment"

Kevin Tai is Director of Operations at SHK Securities. He is also tasked to migrate their trading platform from a mainframe to a client-server environment.

SHK's institutional client flow accounts for almost 15 to 20 % of their business.

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To streamline institutional client order flow, SHK installed trading terminals at client locations. Clients use these terminals to enter orders and view execution updates.

Their current technology requires use of leased lines and network equipment at client premises and is also not practical for clients based outside of Hong Kong.

To better serve clients, SHK is implementing FIX by integrating their in-house Order Management system with a FIX engine from Cameron Systems.

Ease of implementation was one of the key reasons SHK chose to buy a FIX engine instead of building FIX capability into their in-house trading system. It took them just about a month to integrate FIX into their trading system.

Kevin says "Just like online stock trading is a prerequisite to serve retail customers, FIX is key to serve institutional clients"

The post-trade allocations and confirmation process is done by phone or fax.

As SHK's front and back office functions are integrated on a single platform, they are very keen to maximise the use of FIX by automating pre and post trade order flows. "After rolling out FIX in the pre-trade area, we would like to implement FIX for post-trade allocations and confirmations" adds Kevin.

Peering into his crystal ball to know the future of FIX in Asia, Kevin sees execution services and third party clearing as some of the business areas that will open up for FIX enabled brokerages.

Venkat Boppana at E\*TRADE Securities in Hong Kong has been using an electronic order management system (OMS) for over 18 months. With emphasis on electronic trading, coupled with interest from clients, E\*TRADE needed to rollout an OMS as a corner stone to its electronic strategy. This enabled E\*TRADE to provide an electronic offering to its clients dealing in the Hong Kong market. As Venkat explains "The next step was to get clients connected to us electronically. Given the spectrum of systems our clients use, we decided to use FIX as the common protocol to interface with them. And since we had been using FIX in North America and Europe, it was logical to extend it to our Asian clients".

Most of E\*TRADE's clients in Asia are using Bloomberg. Given demand from them and time to market constraints, E\*TRADE decided to leverage their FIX gateway which was already built to service other markets, to first interface with Asian clients first. This helped E\*TRADE connect 80% of their electronic client base. With the remaining clients they are planning to have a point-to-point FIX connection.

At the same time, E\*TRADE decided to broaden their utilisation of FIX in a more global capacity. To accomplish this they are expanding their reach into markets in which they are currently not exchange members. In this capacity, FIX is being used to connect with other service providers who can provide E\*TRADE with direct market access.

Venkat goes on to mention, "providing our clients with the ability to trade electronically in all markets is the end goal. We already have direct access to over 30 markets globally and we are continuing work on direct market access to additional destinations."

Whilst these are a very small cross-section of institutions using FIX in the region, it is pretty evident that there is a great deal of interest in switching to electronic trading over FIX.

Changing people's work practices is not an easy task. Implementation of FIX is further complicated by the number of impacted parties ranging from dealers, fund managers, operations staff on the buy-side to sales traders, dealers and back-office staff on the sell-side.

Lack of solutions from regional system vendors and inability of global vendors to quickly address needs of regional customers also hampers growth of FIX amongst regional institutions. The time is ripe for regional vendors to offer order routing solutions based on FIX and help their existing clients automate their operations.

Hong Kong, Korea and Singapore have some of the highest market penetration rates in the world for mobile phones and internet broadband. It won't be long before FIX joins the list. **FIX**

### **Any thoughts on this or other articles?**

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