



## FIX has the answers

*Kevin Lee, Sales Director, SolutionForge and Nick North, IT Director, Orbis Investment Advisory*



**Since its inception in 1992, FIX has rapidly become an integral part of order management and trade systems. Today, it is by far the most dominant messaging protocol used for both pre-trade and trade communication between buy-side and sell-side institutions. Despite being one of the market's leading communication protocols, it is still hard to determine exactly how many people are using FIX.**

What is known is that it has been more widely adopted by sell-side institutions than those on the buy-side. However, there is no doubt that FIX brings with it many advantages. This case study looks at the benefits that FIX has brought Orbis Investment Advisory, providing an insight into IT Director Nick North's 'FIX joys' and addressing some of his concerns for the future.

### **Introducing Orbis**

Orbis Investment Management (Orbis) has been running a collection of offshore investments comprising of equity and hedge funds since January 1990. All of IT for Orbis is

directed from Orbis Investment Advisory. Orbis manages total funds in excess of \$5 billion from its head office in Bermuda. The company employs around 80 people across its offices in Bermuda, London and Sydney.

Up until late 2001, Orbis was a predominantly manual operation. This changed with Orbis' adoption of SolutionForge's FIX.NET Server FIX Engine. By using the FIX Protocol, Orbis has been able to automate communication with its broking counterparts. As an early adopter of FIX, Orbis implemented version 4.0 of the protocol in order to achieve the broadest broker

connectivity. Prior to this, orders were transmitted to brokers over the phone and confirmations received via fax. This long and arduous process often resulted in errors and delays, exposing the organisation to high levels of risk. As the number of funds under management grew and trading volumes increased, it became apparent that Orbis needed to automate this highly manual process.

### Why FIX?

The main driver behind Orbis' adoption of FIX was a need to increase trading volumes.

"When we were a smaller operation doing ten to twenty trades a day there just wasn't the impetus to go electronic. However, when the number of daily trades started reaching the hundreds, it became apparent that we would have to automate," comments North.

### Finding the right approach

Orbis' first step in getting up and running on FIX was to find an appropriate vendor solution.

"Initially, we went through a buy/build decision. At the time that we were looking for a solution, the trend seemed to be to buy order management systems (OMS) with built-in FIX engines. After some consideration, we decided to build our own OMS internally and to purchase a stand-alone FIX engine to interface with it," says North.

As a Microsoft shop, Orbis wanted a FIX Engine that was Windows-based and could run on a Windows platform. Orbis opted for SolutionForge's FIX.NET Server. A native Windows-based solution, it was easily integrated with Orbis' existing IT environment and software.

### The situation today

Today Orbis communicates with over ten different brokers via FIX. The number of FIX connections the company maintains is higher still, as separate connections are needed for equities and futures, as well as to different global locations within the same broking firm.

By embracing FIX, Orbis has achieved its goal of increasing trading volumes and subsequently business. "Now we are automated we have been able to increase our trading volumes by a factor of twenty, enabling us to route hundreds of futures and equity trades a day. This would

have been impossible if we had remained manual. Also, we now have the scalability to further increase this by a factor of ten if it is required in the future," North reports.

### Faster trades

Aside from the ability to drastically increase volumes, another major benefit derived from automation has been the improved ability to manage risk due to the immediacy of trading over FIX. Orbis' traders are now able to watch a trade as it is being filled on screen, giving a real-time view of trading.

Kevin Lee, Sales Director, SolutionForge, comments on the importance of understanding the benefits of FIX. "It's not just about taking current manual processes and making them electronic - it's about taking advantage of new opportunities to automate and streamline the trading process, driving out costs whilst improving aspects of the business, such as risk management".

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### Accessing additional liquidity pools

Using FIX also enables Orbis to access more sources of liquidity, such as electronic communication networks (ECNs), giving the fund manager the potential to achieve lower trading costs. North notes, "With the introduction of electronic trading we now have the potential to access ECNs and other non-conventional sources of liquidity without a wholesale re-write of our systems - often it's just a matter of configuring a new counterparty within FIX.NET Server".

### Looking to the future

Looking to the future Orbis has set itself many goals for its trading infrastructure, and embracing new technologies

such as Microsoft's .NET Framework and later versions of FIX are bringing those goals within reach.

Orbis' short term goal is to trade more products over FIX. "We are looking to extend the range of contracts and instrument types we trade over FIX, in particular, forward currency contracts and basket trades. Forward contracts tend to operate through different institutions and some of the big counterparties are now gearing themselves up for FIX. Placing basket trades electronically will really increase our efficiency. Currently the fund managers have to send lists by fax or telephone, which is time consuming and error prone," observes North.

The release of FIX 4.4 with its support for a wider range of asset classes is expected to help this process in due course. In fact, Orbis has already seen benefits through its relatively recent implementation of FIX 4.2; this later version defines interaction between trading counterparties more precisely than FIX 4.0, leaving less room for misinterpretation of the specification thereby reducing opportunity for incompatibilities between buy-side and sell-side.

Although the adoption of FIX 4.4 can only be beneficial once there is a critical mass of support amongst FIX users, the value of moving to electronic trading even for their currently supported versions is clear to the business. "Since implementing FIX, we have established a strong preference for counterparties who also use FIX, in part not to waste our investment, but also as it's just easier to trade. We are currently pushing several brokers to implement it," says North.

Orbis' longer term goals involve extending the range of counterparties they trade with and developing better access to new sources of liquidity. Access to brokers' algorithmic trading engines is seen as especially valuable to Orbis' fund managers, although North sees the lack of standardisation between brokers as a real hurdle to implementation. "If the industry is to really reap the benefits the protocol can afford, the adoption of common standards across the industry is imperative," states North.

### **FIX: The opportunities**

Despite the benefits that FIX has brought to Orbis' operations, North feels there is still more to come from the protocol. "FIX has made a huge difference but I think there

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He would ideally like to see FIX being used for an increasing range of operations. "FIX is currently being used for very basic functions, i.e. sending orders, cancelling and replacing them, it is just not being used to trade more exotic instruments or to send confirmations. If brokers were sending confirms via FIX and we could get them into our system automatically, that would have a hugely positive impact on our business," concludes North.

Lee, SolutionForge, supports what North says but feels Orbis' speed in realising the potential of FIX may have been a double-edged sword. He notes, "Orbis was an early adopter of FIX and have had to adapt to early versions of it. They have made progress in implementing 4.2 for a number of projects, but 4.0 remains predominant in the marketplace. Making the leap to 4.4 will be extremely beneficial as and when the market embraces it as it brings significant advantages over previous versions, including better support of other asset classes plus richer allocation and confirmation capabilities. All in all it provides extra functionality that will help Orbis realise the goals it has set itself. We believe that FIX is ready to address Orbis' future trading needs." **FIX**

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