



By **Serkan Aran**, Manager, Is Investment

## Implementing electronic trading opportunities in Turkey

# First Mover Advantage

The history of electronic trading in Turkey started with the launch of ATMs in the late 1980s. Isbank played a pioneering role in Turkey's financial industry, launching the first ATM in 1987. Back then, banks were only providing basic transactions, but in the years following, the types of services increased and today it is possible to electronically execute all services obtainable by phone.

Customer demand also played a major role in shaping the future of the industry. From the providers' point of view, some of the major reasons for supporting this trend included attracting remote customers and cutting operational costs. Customers showed an appetite for electronic trading because of its anonymity, low cost and use of technology to beat the markets, which only recently became an issue.

Isbank executed its first Direct Market Access (DMA) transaction for local investors in 1990, with foreign interest arriving later. The initial enquiries from international institutions for DMA to Turkish exchanges came in 2004. We immediately formed a team to provide DMA to clients outside Turkey. Isbank's experience in electronic trading helped, but we soon realised there were infrastructural issues - like

the technology that the ISE (Istanbul Stock Exchange) was using - and latency problems due to the quality of the connectivity between Turkey and the outside world. To solve this difficult task, we had to find the perfect partners to deliver perfect service.

It makes me smile now to remember the conversations about latency in Turkey back in 2004. I asked our head of IT how long it would take to send an order to the ISE, to which he replied around 10 seconds, unaware that I was expecting milliseconds, not seconds.

The Istanbul Stock Exchange, however, was aware of the direction the industry was going and showed extensive commitment and cooperation in taking this path. Recently, the ISE further reduced latency by extending their order capacity from 1,800/sec to 3,000/sec, but there is still some way to go. I believe the ISE will continue to support positive development, and if the industry continues to move into the fast lane, 6,000 orders per second will be the target.

Along the way, Is Bank also cooperated with Turk-Telecom, BT Radianz and others. For instance, GL Trade had a 'base camp' set up in our IT room for weeks, to deal with infrastructural issues. Since then, Is Investment has

worked hard to pave the way for other players in Turkey. After dealing with infrastructural issues, we started attending international events like GL Forum, TradeTech and those organized by FIX Protocol. After each event we made new partnership agreements on both the business and technology sides, including relationships with GL Trade (now Sungard), Bloomberg, MPN, Fidessa, Pat Systems and CQG.

Eventually, we signed up with Tradeweb to share our expertise. Working together with Tradeweb to provide our clients with DMA to Turkey has been a great experience for us. Between 2004-2008, DMA counted as less than 10% of Is Investment's volume, but it is now around 20%, and we believe this ratio will go higher in the coming years. Regulatory requirements like the Markets in Financial Instruments Directive (MiFID) will only increase the demand for DMA.

DMA services had been offered only for equity trading until Isbank launched DMA for the Turkish Derivatives Exchange (TurkDex) in 2009. Is Investment also offers value-added services like algorithmic trading along with DMA to create differentiation. Algorithmic trading has rapidly become an important tool for electronic trading, and we receive a lot of demand for algorithmic strategies. We have developed tailor-made solutions for our clients because there is no order cancellation on the ISE and some order types do not specifically exist in Turkish equity markets.

We continue to work to provide more algorithmic strategies to our clients. At every opportunity we underline that we provide DMA to Turkey for both equities and derivatives. Is Investment currently handles 70,000+ DMA orders everyday from local and international clients, with plans in the near future, to provide Turkey and a selection of other countries in the region as a "regional basket" for the clients.

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