



Advances in the technology of derivatives trading and clearing

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REAL-TIME ANALYTICS

France's AMF Taps Big Data Technology to Improve Market Surveillance

The Autorité des Marchés Financiers, France's market regulator, announced in January that it is launching an effort to modernize its system for monitoring market activity and enhance its ability to detect, analyze and investigate suspicious activity.

The new monitoring system, called ICY, will be based on "big data" technologies that will allow the AMF to quickly screen large amounts of data, the regulator said. This type of technology is needed due to the rise of algorithmic trading, which has contributed to higher message traffic and trading volume for exchange-traded products. The new system also will position AMF to receive and process new streams of data that will become available from

January 2018 onwards, when the MiFID reporting requirements take effect.

The new system, which is being developed by Neuronex, a consulting and IT services company based in Paris, will be gradually rolled out during the second half of 2017. Once the process is completed, the AMF said it will have significantly greater capacity to archive data and perform multi-variate analysis. The regulator explained this will reinforce its ability to examine transactions in real time and improve the detection of market abuses through the use of artificial intelligence tools such as machine learning.

"Financial markets are increasingly automated and fragmented. In this environment, detecting insider trading and market manipulation requires sophisticated, innovative tools able to decrypt complex, unstructured data," noted Alexandra Givry, head of the

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regulator's market surveillance department. "ICY will enable the AMF to exploit the large amounts of available data and thus better execute its market surveillance and investigation activities. It will also strengthen its capacity to analyze market trends and the impact of regulation."

MARKET SURVEILLANCE

U.S. Equity Markets Pick Tech Firm to Build Consolidated Audit Trail

The U.S. equity markets have moved a step closer to establishing a consolidated audit trail for equities and equity options that will track all orders throughout their lifecycle, addressing a major weakness in the ability of regulators to monitor these markets.

On Jan. 17, the consortium of market regulators that is overseeing the project announced the selection of Thesys Technologies, a trading technology firm based in New Jersey, to build the new system. The consortium includes the regulatory arms of exchanges such as Bats, CBOE, Nasdaq and NYSE.

Thesys provides trade surveillance tools, low latency trading platforms, and big data analytical tools. It currently provides the technology underpinning the Midas market surveillance tool used by the Securities and Exchange Commission. For the audit trail project, Thesys will serve as the prime contractor, with IBM, Rosenblatt Securities and Latham & Watkins serving as partners.

The CAT is intended to allow regulators track trading activity across all U.S. markets. When complete, it will be the world's largest data repository for securities transactions, tracking approximately 58 billion records of orders, executions and quote life-cycles for equities and options markets on a daily basis.

STARTUP SUCCESS

Distributed Ledger Developer Axoni Raises \$18 Million in Capital

Axoni, a developer of distributed ledger technology for the financial services industry, raised \$18 million in capital in December in its first big round of funding from banks and venture capital investors.

The \$18 million capital raise was led by Euclid Opportunities, the fintech investment

arm of NEX, and Wells Fargo. Other participating investors included two other banks—Goldman Sachs and J.P. Morgan—as well as Andreessen Horowitz, FinTech Collective, F-Prime Capital Partners, Digital Currency Group, and Thomson Reuters.

Axoni is among a host of startups seeking to provide blockchain services to the financial services industry. Founded in March 2013 by the founders of TradeBlock, a bitcoin services company, Axoni has focused on post-trade data management for credit default swaps, equity swaps and foreign exchange derivatives. The company officially launched in March 2016 and it has partnered with more than a dozen banks and financial infrastructure providers.

"Axoni has developed proprietary smart contract technology and has successfully validated this technology in a variety of capital markets use cases," said C. Thomas Richardson, head of market structure and electronic trading services at Wells Fargo Securities. "We have been impressed by the high-caliber team, their deep domain knowledge, and disciplined approach to product development."

BLOCKCHAIN GANG

DTCC Hires Three Vendors to Build Distributed Ledger for CDS

The Depository Trust and Clearing Corporation in January selected IBM, Axoni, and R3 to build a distributed ledger to handle certain post-trade processing functions for credit derivatives.

The new system will eventually serve as an engine for the DTCC's Trade Information Warehouse, the system that handles the record keeping, lifecycle events, and payment management for more than \$11 trillion of cleared and bilateral credit derivatives. Under the agreement, IBM will serve as the lead contractor, Axoni will supply the distributed ledger infrastructure and smart contract applications, and R3 will act as an advisor. The solution is expected to go live in January 2018.

Executives said the new system will streamline processing for credit derivatives by creating a distributed ledger network with peer nodes at participating firms. The network will be governed by DTCC and

managed by IBM. A variety of stakeholders were consulted on the architecture of the new system, including Barclays, Citi, Credit Suisse, Deutsche Bank, J.P. Morgan, UBS, Wells Fargo, IHS Markit and Intercontinental Exchange,

"Distributed ledger technology is a natural fit for derivatives processing. By recording and automatically managing shared records of financial agreements in the cloud without error, it can minimize the steps required for post-trade processing and free up middle and back office staff from the onerous task of reconciliation," said David Rutter, CEO of R3.

The agreement follows a successful pilot project that handled post-trade processing of single-name credit default swaps on a distributed ledger. DTCC, Axoni, IHS Markit, and several market participants took part.

TRADING TECHNOLOGY

Fidessa Partners with ChartIQ

In February, Fidessa announced that its front-end trading system will incorporate innovative charting services provided by ChartIQ, a fintech startup that offers HTML5 data visualization. ChartIQ is now part of Fidessa's partnership program, designed to allow the trading community to access the latest third-party tools and technologies.

The partnership will embed context sensitive charting directly within the Fidessa trading workflow. For example, Fidessa users will be able to overlay order information directly onto a stock chart so that they can see the interaction between its price and the actions and events within the trading system. ChartIQ is expected to be available in Fidessa's platform later this year.

"The relationship between Fidessa and ChartIQ highlights an important trend in the financial technology market," said Dan Schleifer, CEO of ChartIQ. "Capital market leaders like Fidessa are partnering with innovative and fast-moving companies like ChartIQ to bring new solutions to market. Our partnership is not just about two technology companies working together to integrate. We share the vision of the institutional desktop's future—a future that will enhance the trader's user experience and "workflow all around." ■