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## Technology firms

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### TradingScreen

#### The best plumbing for the buy side

Philippe Buhannic took a big gamble when he left CSFB in the summer of 2000. He'd had a successful career running the firm's futures business, and had recently built PrimeTrade, the bank's proprietary trading vehicle for futures, options and foreign exchange. But so many of his clients kept asking him whether they could see other brokers' prices that he became intrigued by the idea of creating a similar, multi-institution system.

So he quit. But he didn't take the route that so many others did, which was to try to persuade a number of banks to support and fund his idea. Instead Buhannic chose to leave and do the whole project without direct help from banks that might then want to control what he was doing.

He set up shop in a graffiti-riddled building in New York's East Village, not the place you'd expect to find a former banker running a trading technology company.

From the start his aim in creating TradingScreen was to offer the buy side everything they would require to manage all their trading needs, regardless of product and region of the world. "We're a unifying factor. The buy side has multi-product order management systems but has to cope with multiple brokers, in multiple products and in multiple regions. That can mean needing 150 different connections, or more. So they come to us."

Whether it's foreign exchange, bonds, futures, or equities trading, Buhannic wanted to offer everything. The only thing he didn't want to be was a broker dealer. He was simply offering the best plumbing to make trading easier and more efficient. "The banks are channels, software," he says. "But some of them still think they're the screen. They ought to concentrate on delivering banking products. They should leave the rest to us: we're like the water, electricity or the cable companies. We want to be friends with everyone."

Some investment banks saw him as a threat, others wanted to buy him, but there were some that decided to work closely with him as he developed his business. "The crucial step was to create a minimum bedrock of support on the buy and sell sides," says Buhannic. "BNP, Deutsche Bank and Lehman Brothers have been very good in that regard. But that doesn't come cheap. It takes years of experience and relationship building."

Buhannic never underestimated the amount of time, effort and knowledge needed to get his business off the ground. He scoffs at the time to market many of his fellow start-ups were predicting when they first launched. "Six months? Come on! I estimated that you have to set this kind of business up two years before the market is ready. It certainly takes two years to build anything."

That requires having two years of cash funding behind you, or being able to pick it up along the way.



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Being careful both with expenses and revenues was crucial. Buhannic says: "Never give anything away free for a year. It immediately creates a negative cashflow. And that makes it even more difficult to get either investment or bank financing. It's not a question of profits, but cashflow. Very few built their platforms that way."

What's more, he says, you need to develop a business plan that can bring in stable cashflow before you even start thinking about trading revenues: "You have to build on layers. So you need rock-solid content, then you need a viable product, which in our case are the screens. And then you add on the transaction-based product. It's great to have a platform whose sensitivity to trading volume is zero."

There are some natural competitors to TradingScreen, but usually only in one area. Five brokers did try to establish a rival in 2001, called [orderrouting.net](#), a system that Buhannic admits "did worry me initially". But it lasted about eight months, long enough for the initial \$300,000 investment each broker contributed to be spent. Banks were no longer willing continuously to put their hands in their pockets to fund a project where a cheaper rival already existed.

TradingScreen operates in three related spaces. First, is its role as a trading platform. It carries this out as an ASP, not a broker dealer, so isn't competing with the core business of the major investment banks. Whether a client uses Fix protocol, buoy, Java, it doesn't make a difference; TradingScreen can connect to them all. "We are global, across all products. And we can go live right away. It takes 10 minutes to plug us in to the system, and then you're up and running." This became a particular benefit earlier this year in Asia as the Sars epidemic hit. With so many traders working from home, TradingScreen's technology became a must-have product for some.

Second, the firm offers network solutions. "Most systems used to be proprietary networks, such as Bloomberg, or PrimeTrade at CSFB," says Buhannic. "We've invented the concept of the completely open network. Usually people on Fix will push direct market access and that's it. We can combine Fix, discretionary orders, indications of interest, and more, and do so across all instruments. And we can offer the full chain, totally automated, from the decision to trade to the allocations in the books."

Now, says Buhannic, 350 brokers are connected to his system, with over 3,000 destinations ranging from foreign-exchange platforms to brokers on both cash and derivatives exchanges. The limitations, he says, are rarely to do with his system. "Once you move out of the equities trading arena brokers are not always that good on connectivity. What's more, some brokers feel they should be competing with us, even though we're a technology solution, not a platform."

The third area the firm operates in is prime brokerage, offering a straight-through processing solution for administration and settlement brokers. "So a firm such as Lehman, for example, can connect to Europe cheaply rather than spending several tens of million dollars doing it themselves."

There have been some hiccups along the way: at least one buy-side firm pulled out from using TradingScreen at the last minute, after much of the work had already been done at an expense of several hundred thousand dollars. That's a significant amount of cash for a small firm.

What Buhannic thinks has helped keep the company going at time like these, though, are his staff. He has known many of them for years, and worked with some of them at CSFB. "Some other platforms had staff turnover of 150%. A large part of the problem was a lack of culture. We were lucky, we imported the culture."