



"BRYOK HAVE BEEN CRUCIAL TO OUR BUSINESS IN HELPING US ESTABLISH APPROPRIATE SURVEILLANCE STRATEGIES AND THEN TRANSLATING THEM INTO EFFICIENT AND EFFECTIVE SOFTWARE IMPLEMENTATIONS."

Christoph Limena, SWX SMARTS Knowledge Centre Manager

How the Swiss Exchange implemented one of the world's most sophisticated market Supervisory and Surveillance solutions, integrating SMARTS with the OMX X-Stream trading platform.

New Trading Environment

At the end of 2005 the Swiss Exchange (SWX) completed the implementation of a new trading platform project, codenamed Quotematch and based upon OMX's X-Stream. This environment enabled high-volume quoting capabilities for market makers in the SWX and more recently also quote-driven markets, primarily in warrants, bonds and exchange traded funds. Within a year trading volumes were up over 75% and the number of listed products up almost 50%. The project was a huge success. SWX is currently expanding the trading platform to include other asset classes and to support SWX Europe (formally virt-x); a process that still involves the original suppliers.

Post Implementation Review

Having helped the Swiss Exchange with the procurement and basic implementation of the new trading environment, Bryok consultants were asked to help re-define the business vision and requirements for a more sophisticated solution in the area of supervision and surveillance. Although SMARTS was included in the new trading environment solution, it was felt necessary to review what was being done

and why. Furthermore, it was hoped that such a review would help improve the relationship between SWX managers and the suppliers of the software, ensuring it becomes strategic and sustainable for the longer-term.

Post Quotematch implementation, Bryok consultants undertook a review of the SMARTS implementation by running a series of structured interviews with a cross-section of stakeholders. They concluded that, despite the project's successful implementation, the business had not fully embraced SMARTS as it either did not meet expectations or just didn't work properly. This had resulted in users reverting to the old in-house written supervision and surveillance systems.

Sharing a Vision

Bryok consultants then worked with the same stakeholders to get a "buy-in" to a shared vision which would allow the SMARTS implementation to be re-visited positively. "It was not so much about processes, it was about establishing or re-establishing a shared vision of why we purchased the product and what we are trying to do with it," says Lee Hodgkinson, CEO SWX Europe. "That was step one."

The second step was about bringing some new disciplines to supplier management and the delivery of the newly established vision. "It was not just about whether the software was OK, but how we could optimise our working practices to best maintain a long-term relationship," says Chris Landis, Head of the Information Technology Division of SWX. "This was particularly important for us as we were not very experienced with this kind of third-party vendor relationship."

Benefits:

- Well architected and sustainable OMX X-Stream / SMARTS trading solution;
- Sophisticated Supervisory and Surveillance Algorithms that "do what they're supposed to do";
- Shared vision of business objectives across all key stakeholders.

bryok[♦]
FINESSE

Strategy, Design & Implementation

The key to getting the Supervisory and Surveillance Team's confidence was to spend time understanding and agreeing the various strategies to be deployed in the pursuit of the main supervisory and surveillance objectives. Whether that be agreeing what needs to be monitored in real time and what is best monitored at T+1, or agreeing the best strategy to combat market abuses.

Once this is agreed the strategies can be designed into a number of algorithms and encapsulated in SMARTS ALICE code. In total, Bryok have been responsible for the design and implementation of some 60 algorithms for monitoring market operations (e.g. late trade reporting), MiFID compliance (e.g. best execution) and market manipulation (e.g. front running).

As well as designing and implementing SMARTS ALICE code, Bryok consultants have also been closely involved with the overall architectural design, in particular, the Gateway between the OMX X-Stream trading environment and SMARTS itself.

In order to pass on Bryok's surveillance knowledge to SWX's SMARTS Knowledge Centre, Bryok designed and ran a number of Knowledge Transfer seminars to key SWX personnel thus making the organisation more self-sufficient.

"Bryok have been crucial to our business in helping us establish appropriate surveillance strategies and then translating them into efficient and effective software implementations," says Christoph Limena, SWX SMARTS Knowledge Centre Manager.

Why Bryok?

The board was reticent to appoint one of the large IT consultancies to the project for fear that the specialist attention that SWX required would be lost in a large consultant's desire for multi-million dollar contracts, leaving SWX with a big 'beast' to feed. "I have found big consultancies to be quite challenging," says Hodgkinson "Getting them to fully engage on a smaller task is difficult unless you can offer a subsequent multi-million dollar IT project."

Instead, SWX felt more comfortable appointing Bryok consultants for this operation, says Hodgkinson. "Bryok's consultants clearly have a lot of expertise and experience operating at the highest level. Its business model is not predicated on having to do a piece of work that is subsequently filled with 70 or 80 IT people. That is very, very appealing to me. We already have a world class IT capability at SWX, but Bryok's people added value through considered thought-leadership, an inclusive style and their ability to apply their credentials demonstratively. We would happily use Bryok again."



ABOUT BRYOK | FINESSE

We are trusted advisors and practitioners who make sure your business is supported by effective IT. We view issues from a business and people perspective, not just a technical one. And we do not just help you to identify problems - we roll up our sleeves and help you solve them.

FINESSE is the umbrella name for our FINancial Electronic Surveillance SErVICES. Focused upon European Capital Markets Surveillance and Supervision, we are able to offer consultancy services in the following areas:

- Surveillance Review & Strategy;
- Systems Requirements & Procurement;
- Algorithm Design & Implementation;
- Knowledge Transfer & Training;
- Technical Architecture.

FURTHER INFORMATION

Simon Bates
Bryok Systems Limited
Central Court
25 Southampton Buildings
London
WC2A 1AL

T +44 79 7345 2583
E simon.bates@bryok.com
W www.bryok.com