



series module for the CQF. Despite some of the market hiccups that hit all companies pre Christmas last year, Xenomorph is going forward full force, crisis or no crisis. Eileen Lee speaks to Xenomorph's CEO Brian Sentance to understand more about what the company has been up to and what its future projects are.

Tell us what's new with the company this year.

Obviously with all of the issues in the market at the end of last year, a lot of the projects were put on hold; this seems to have changed a little this year. People realized that there is budget, although it may be smaller. In particular, people understandably seem to be spending a lot of time and money on risk management projects.

In the 'data management for risk' area, we've secured some significant deals with some German and French institutions, which we will be announcing shortly. Risk management is an area where people are still spending and the regulators are putting a lot of pressure on asset data and data management, with additional focus on the latter increasingly becoming part of the risk management process, as well as the convergence between reference data management and market data management. Given all of the third party exposures that have been experienced, there is also a lot of emphasis on counterparty data and an increased focus on product valu-

ation. That's an area where we've been doing quite a bit of work, in terms of integrating with other people's pricing models.

There are also new regulations coming on the scene, such as liquidity risk management requirements, where regulators are expecting liquidity risk management systems to be implemented by October to provide liquidity risk reports. That is creating a bit of a stir in the market as it is forcing everyone to bring together all the data from the different trading units and consolidate them in different ways.

There is also a lot of emphasis from regulators on scenario management as some of the weaknesses in VaR become more apparent. This is similar to what Paul Wilmott has said with regards to crash metrics: you evaluate what happens if the markets do move and do not necessarily worry about the probability of that movement occurring. Paul has also put it another way, what the regulators have called "reverse scenarios", which is imagining a risk manager who walks into the CEO's office at the bank and tries to work backwards from the consequences to explain how they could have lost \$50 billion. Management and the consistent application of scenarios to the various risk systems in a bank will I believe be a growing area, particularly if the regulators become more prescriptive over the scenarios that have to be applied.

Another area of focus with the banks is on cost reduction, particularly on market data. They are trying to reduce the duplication of market data spending across institutions, where perhaps more than one department is paying

for the same data or possibly other sources of data are just as sufficient. Partnerships with consultancy firms have brought good opportunities to us in this area, in part because the larger consultancies have greater ongoing involvement with clients than many software vendors. Working with consultancies such as the financial markets arm of CSC has proved very productive for all parties involved, and is something that we wish to foster and develop further.

On the institutional asset management side of things, I recently attended an event on asset management and derivatives. Surprisingly, the sentiment on the asset management area of the business was that there is still a lot of growth over the next few years in terms of the usage of OTC derivatives. It is still a very "young" area for derivatives usage and has the potential for growth and opportunity, if only this part of the industry can resolve its desire to use derivatives with the costs involved in doing so effectively.

With regards to the area of hedge funds — which is more for us about analytics rather than just data management — we've been dealing with about one new client per month in New York and we have more in the pipeline. As much as funds are suffering from redemptions and many are closing, there are also many new funds setting up, in particular in the USA. At least, this is our experience in New York. It represents new opportunities for us, with our TimeScape software being used in backtesting and decision-support analysis on market data.

We are also doing some academic work with Brunel University, looking at intraday volatility as well as news data, which is an interesting area.

As we move towards the middle of 2009, the data and analytics management solutions provider is finding more opportunities globally, and particularly in New York, where they've been focusing this year.

Some new exciting developments include some significant new deals in Germany and France in the field of data management for risk, hedge fund sales in New York, as well as academic partner work on tick data with Brunel University in London and putting together a time

We are basically taking new releases and trying to turn them into market sentiment, using news alongside of market data to look at how the market behaves. Given what has been going on in the market, I think this opens up opportunities for more analysis in behavioral finance – after all, most of the problems we are facing are people problems and people’s behavior has proven very difficult to model reliably.

The Time Series module for the CQF is something that will be taking up some time this summer, but should prove interesting as we try to put a more practical slant on market data analysis than is often seen in such courses. In general, we’re doing a little bit more business in academia with people wanting to do a lot more analysis, which fits into what we’re doing with Brunel. We’ve found other institutions interested in that as well.

Why the sudden increased focus on the academic side of things?

Intraday data is something which certainly in the USA seems to be a particular focus and we are trying to build upon some of the opportunities we are getting. We are working with Ravenpack, a data partner who is also doing some work with Brunel to provide digitalized news data or analytical news data. It is an interesting area and we believe it will offer good opportunities. It has also been driven by client interest and we hope to get more clients involved in the crossover to academics and what we are doing with the product.

In Europe, the focus tends to be more about data management projects and OTC derivatives involving a large amount of data and more complex data. The focus in the USA is greater volume, but less complex

data. Certainly, there is a great interest over the analysis of larger volumes of data, back testing and those kinds of areas.

There was a recent survey that indicated that over half of the respondents may want to change their data providers due to budget issues; what’s your take on that?

Many financial professionals are now reexamining the way they are using the market data: do all professionals within the institution need to have a Bloomberg or a Reuters terminal? Or there are other ways of internally delivering that data, maybe some of the back office data that they’re already delivering? Trying to reduce the number of terminals and the cost of market data from terminals are things that people are looking at, as well as ensuring that institutions are not paying for the same data twice. That might sound very simple. However, with many of the data vendors charging the data on a per-field basis at a few cents per field, with the millions of securities in the market, it amounts to a big cost. Especially, if you find several departments in the banks or institutions paying for the same feed or using different feeds, but requesting it more than once. Hence, they end up paying the charges two or three times over. We do indeed notice a lot of interest from our clients on data duplication and ensuring it does not occur. Anything to do with cost control is obviously key for them at the moment.

With regard to data providers themselves, these times are an opportunity for the more specialized data providers, for example, Tenfore, who provide a kind of utility service with market data that you might otherwise get from the likes of Thomson

Reuters. I believe there are opportunities for them if they can pull off the lower cost and, given the pressure on budget, people would certainly be more open to looking at alternative suppliers. Smaller and niche suppliers have now the possibility to get their product into institutions that previously were not accessible.

On the data management system side of things, obviously there has been more pressure on costs, but this has been offset to some extent by the increased interest in data management projects in general. The key thing at the moment with sales prospects is commercial flexibility, both to be able to offer bulk discounts for sitewide licensing right down to per-user licensing where the client is smaller and budgets more limited. We have been able to offer both in a consistent manner and I am pleased to say that it has worked well for us.

Another issue with data management systems is trying to minimize clients’ dependency upon the consulting services for supporting the system. This is something we do at Xenomorph: our clients are able to add new products, new sources of market data, or new connections without having to come back to us. Of course, they can pay for consultancy services or professional services if they want us to be involved but it is something they can naturally do themselves, thanks to the flexibility and ease of use of our TimeScape solution. The alternative means that if clients wanted to change the system, they would have to go back to the vendor. This aspect can change the way software providers need to deliver the systems: clients should be able to manage, interact, and change the system independently of their software vendors. That is driven by cost, as well as the need for ease of use and ease

of controllability. We differentiate in this from other solutions.

People are definitely becoming very cost conscious; it’s really coming back to justifying the return on investment they make. For us, it’s been quite good on projects that are regulatory related and these projects have also been beneficial for some of the institutions. They get the benefit of reduced capital charges, and the amount of money they need to set aside also decreases, as well as the overall cost. So, yes, cost reduction and even changing providers due to budget is something that is very much around, but it is not something that is causing problems for us. It’s not something we feel particularly pressured by, given that we offer many functionalities and we are midrange in terms of price. The flexibility we have on licensing allows us to address the budget issues and deal with them.

What other ongoing or future projects are underway at Xenomorph?

A lot of our product development resource is involved in final testing of our SQL Server based version of our time series/tick database. This is entering an internal Beta test phase and going out to clients for Beta testing in early summer. From a more quant point of view, there are some good things coming out soon on MATLAB, we are starting to do more work with integrating R with TimeScape, and there has been some interesting work on integrating data management and portfolio optimization. It seems that everywhere there is analytics, then (unsurprisingly) there is data, and the good news for Xenomorph is there is a lot of room for improvement in how both analytics and data are managed!

