



JOHN LOTHIAN NEWSLETTER  
**OPTIONS**

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**Commentary - Story - Q&A**

**A talk with Fraser Reid, Vice President, North America at Actant**

Fraser Reid is vice president, North America at Actant, a privately held software company founded in 1998 and headquartered in Zug, Switzerland. He met with JLN Options editor Sarah Rudolph at the Options Industry Conference in Savannah to talk about Actant's newest product and the challenges in a changing options industry.

**Q: Tell me a little about Actant?**

A: We've been in the business of solutions for options for more than ten years, at least five or six of those in the U.S. in a dominant fashion. We were first to go to the trading floors as a vendor when they were converting to electronic trading. We have an extremely good presence on the U.S. options exchanges, starting with ISE (International Securities Exchange). We're also very dominant in Europe; we started off in Europe.

**Q: Where originally?**

A: Eurex, and then Liffe in London, and then as Euronext formed that took us to Amsterdam, Paris, and Brussels. We kept our footprint there fairly dominant, initially as an equity options provider for market makers, and then we branched out into various asset classes including futures and options in financials and Treasuries. Many clients in London use us for Treasuries. We consider ourselves the best vendor in market making, but as time progressed we've started reaching out to larger audiences.

The last three or four years we've been working aggressively on leveraging what we do in the market maker space to the market takers of the world -- people trading against those prices our clients put out to market. For every one market maker there are multiples of hundreds of takers looking for that trading opportunity. What made us good in the market maker space was providing people with the ability to put their trading thoughts as strategy directly into an application, and let the application automate those thoughts. We've now managed to take those concepts to market takers and give them that same opportunity.

**Q: What is your new product called?**

A: The new product is called ExStream. Historically our market making product was called Aqtor. We rebranded it last year and called it Quote. So Actant Quote, formally Aqtor, is for market makers and ExStream is for market takers.

**Q: And that launch was within the past year?**

A: We just launched ExStream in the last four months. We've been testing it with customers.

**Q: Where did you yourself start out?**

A: I started out in programming; I have an IT background. I moved through the ranks of software houses in England, then moved to Switzerland with Credit Suisse -- Treasury banking in those days -- and then back to England. Then I moved to Chicago for three years to continue in vendor solutions for tier-one banks. And about eleven years ago I had the opportunity to work for Actant when it was quite young.

**Q: Actant started about eleven years ago then?**

A: In terms of it being a vendor solution, I would say eleven or twelve years ago. Prior to that they were a trading firm. The founders originally started developing systems for a trading firm about 20 years ago, and the trading firm ceased trading about 12 years ago.

**Q: How has your particular space changed recently?**

A: Well, that's part of the reason we knew we had to support more than just market making. The general trend now is that people are less willing to make markets in the traditional way. They're happy to make a market, but they want less obligation to put up complete markets. People seem to find that more risky than it used to be. The markets are getting tighter. People are leaving the market making space with the knowledge of how to trade in that market, and we're finding that some of our former customers are thinking of coming back to the ExStream product. So they can trade against the remaining market.

**Q: You mentioned that you have started adding other asset classes such as Treasuries?**

A: Yes, and other markets as well. We started on the SEC regulated markets over here, and then we had demand for the CME, so we took our market makers to the CME. Now we look at CFTC-regulated markets. We've really expanded to cover all the exchanges in North America.

**Q: Expanding into multiple asset classes seems to be the imperative.**

A: You need to be flexible, not just in the way traders can use the application but also the products they can trade. Traders change their minds quite often in terms of switching from one trading strategy involving one asset class to another.

**Q: Do you have any idea what percentage of your customers are market makers and which are market takers?**

A: At this stage we are just making inroads into the market taker space. We expect over time market takers will become the dominant user for us. We are managing to keep our market making community - any consolidation that was happening seems to have happened, and we have a good solid client base in market making. And now we're beginning to see there is still some growth interest in market makers - C2, for example, is generating interest and demand. It's almost like the early days of CBOE going electronic, it's like déjà vu.

**Q: Are there any other drivers of demand?**

A: Other markets - South America - Bovespa. People are showing a lot of interest in that market. It's always been an interesting market but more recently we are really getting a lot of people with interest there.

**Q: Do you think the options market is more interesting these days?**

A: I think it's getting more challenging to find opportunities to make money. The days of twenty cent spreads are gone and people are into very tight markets. You need to know if your options are priced correctly. It's more of a hunt for opportunities now, rather than a gravy train. People have to get creative about ways of trading and how to make money out of those markets.

**Q: In what ways can people get creative?**

A: One of the reasons we've created our ExStream product is to help traders be more creative. We believe they are looking for the ability to cross asset classes and look for some form of correlation among certain products that provides a trading opportunity. It's looking for relationships and trying to find that edge.

**Q: When did that start to change?**

A: I think when the penny transition started, that was the beginning of people really having to work.

**Q: What else do we need to know about Actant?**

A: Our message is that we've been known as the vendor for market makers, and that's not true anymore. We still are the best vendor for market makers, but we've expanded our technology into the market taking space. These technologies are really quite innovative; we think we are in the right space at the right time with the ExStream product. We are all about intelligent trading, not just market making.

**Q: What is “intelligent trading”?**

A: Hunting for opportunities and making your thoughts about the economics of the markets work, and having an application that will find what you’re looking for because you’re telling it what to look for. You need to get much more sophisticated to find those opportunities. It’s not just applying a spread around a price anymore.