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**Algo-Logic adds CAPI full Order-Book solution**

Order-Book performs all feed processing and book building in logic inside a single StratixV FPGA  
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**Sourcing liquidity big concern for traders**

Survey conducted by Liquidnet showed global concern  
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**Compliance ready?**

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Bob Sloan, managing partner at S3 Partners, speaks to WSL about regulatory compliance



TOP STORY

# SEC to improve marketplace integrity

BY ANNA LYUDVIG

The recent move by the Securities and Exchange Commission (SEC) to require high-frequency trading (HFT) firms to register with the Financial Industry Regulatory Authority (FINRA) is important, and would improve the integrity of the marketplace, according to Walter Ferstand from NICE Actimize.

Ferstand, a veteran compliance and regulatory expert with more than 30 years of capital markets experience on the broker and exchange side of the business, said HFT firms have been under scrutiny for some time now.

“I believe there is a need for regulation and what they need is a self-regulatory organization (SRO) like FINRA that has the knowledge and resources to be able to devote to the HFT market,” he told WSL.

“The regulatory action is important because this measure would significantly strengthen regulatory oversight over active proprietary trading firms and the strategies they regularly use,” he added.

Last week SEC commissioners voted unanimously to propose requiring proprietary trading firms to register with FINRA.

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**03**

# Compliance ready?

WSL catches up with **Bob Sloan**, managing partner at **S3 Partners**, to discuss regulatory compliance and how the company is keeping up with these trends

By **Anna Lyudvig**



BOB SLOAN

**WALL STREET LETTER (WSL):** 2015 is an important year for regulatory compliance. Are hedge funds taking this seriously?

**BOB SLOAN (BS):** Hedge funds are taking 2015 very seriously. With Basel III in place and the specter of Basel IV looming, this is the year managers are grappling with resource allocation issues, with even smaller wallets and potentially higher costs. I don't think it is an accident that lower balance sheet and capital-using strategies, like Activist and CTAs, are doing really well, and strategies that use a lot of capital and funding are struggling a bit. Costs have had a greater impact on return this year, but the fund manager who recognizes how market structure has been changed by Basel III will find its own trading and arbitrage opportunities. We've also seen some overarching changes in the financial landscape this year, more so than 2014. This year has already presented a need for more integration of information management and portfolio management. Current systems that may seem complicated now will become even more so as additional regulation is put in place. On our end, this means S3 will have to evolve with these trends and provide the necessary customized solutions for our clients.

**WSL:** There have been reports in the press recently about a "new club" of billion dollar managers. What do you think these people have done to separate themselves from the pack?

**BS:** The billion dollar managers set themselves apart by adapting to changes in the asset management space. They have done this by staying current and realistic with investments and returns. Another way this group has distinguished itself from others is simply their background and capitalizing on their experience. Most of these managers are seasoned professionals who saw the tech boom in the early 2000s and the crash in 2008. They're now starting their own funds. They also have experience raising large amounts of capital so starting their own funds makes sense—now they get to call the shots.

**WSL:** Many funds today are increasingly multi-strategy and multi-geography. How does that affect how they manage their data?

**BS:** Implementing multi-strategy and multi-geographic funds requires these managers to process a

great deal of data from multiple sources and make efficient and strategic decisions quickly. These managers also need the proper systems in place to handle multiple sources of data that are often in different formats. Funds look to these strategies to employ additional initiatives for flexibility, risk management, or for diversification as a standard procedure. Using a standard form of data management and aggregation will save time and capital for firms looking to maintain a diversified strategy.

**WSL:** How can algorithms save time for people in the front and middle office?

**BS:** Using advanced data management functionality through algorithms saves time for front and middle office initiatives. It's what our BLACKLIGHT product is all about and why we believe this will become the new standard of front and middle office operations. We created the self-service business intelligence platform within the product to allow clients to view their analytics at an aggregate level and drill down into any business dimension on demand. Modular dashboards make analytics simple to visualize and analyze for the front office, and can then be exported to Microsoft Excel or PDF at any level. For the middle office, BLACKLIGHT features analytics to benchmark and manage securities costs across brokers, regions, asset type, and funds. In terms of risk, the platform supports the capture and extraction of key terms from all counterparty contracts using the PIX protocol, and a proprietary multi-factor analysis allowing buy-side firms to continuously monitor counterparty "health."

**WSL:** So what's next for S3?

**BS:** In 2015, our goal is to reach more clients and work with other key companies to secure strategic partnerships. We recently partnered with Imagine Software. We also believe that asset managers are competing on costs but don't necessarily realize how much of their world has changed due to Basel III. At S3, it is our job to continue to keep up with new regulation trends and the needs of our individual clients, providing them with customized solutions. Our customers must adapt and economize in order to be successful in the multi-trillion dollar hedge fund market. Our clients are demanding; meeting those demands is what will drive our mutual success. ■