



NZX establishes future trading capability with Trayport GlobalVision

Challenge

- Access to multi-asset classes, including derivatives
- Improved fairness for the opening auction algorithm
- A competitive price-performance ratio
- Finding a flexible supplier with exceptional support services

Solution

- Trayport GlobalVision Exchange Trading System
- Microsoft® platform
- Stratus hardware

Benefits

- Increased trading capacity
- Scalability across new asset classes
- New closing auction
- Improved member connectivity
- Widespread broker satisfaction

Customer Profile

NZX, formerly the New Zealand Stock Exchange, was founded during the 1870s Gold Rush as a series of autonomous exchanges in financial centres around the country. In 1974, the regional stock exchanges merged to form the National Stock Exchange in Wellington. The company demutualised and listed in 2003. NZX's turnover for September 2007 was N.Z\$2.5 billion (U.S.\$1.9 billion).



CHALLENGE

At the end of 2005, NZX began to examine upgrading its existing trading system. It wanted to ensure it could scale to support new products, including derivatives, to support the development of New Zealand's capital markets. Stuart Turner, Head of Strategy and Delivery, NZX says: "We wanted scope to extend our product range beyond cash products and our existing system couldn't take us where we wanted to be in the market."

The exchange also needed to refine its market price methodology as brokers had challenged the fairness of the NZX opening auction algorithm.

In 2006, the time was ripe for change. NZX's legacy Computershare (now OMX) system had reached the final year of its contract. Turner says: "The old system had undergone so many changes that it was no longer on the main branch of development at Computershare. Adding new features and standardising the environment would have been very expensive."

NZX started its quest for a new system supplier with a request for proposal (RFP) in April 2006. Turner says: "We wanted a vendor that could offer excellent value, exceptional support services and flexibility."

Trayport was selected from a shortlist of six system suppliers. "Trayport met all our qualitative and quantitative criteria. It provides the latest multi-asset class trading technology with an excellent price-performance ratio. We also found the team very knowledgeable, personable and fun to work with," says Turner.

SOLUTION

NZX began deploying the Trayport GlobalVision Exchange Trading System in November 2006. Working in close partnership, Trayport and NZX deployed the system to the agreed timeline. "The implementation went extremely well with Trayport project managers and technicians on site as planned and when we needed them," says Turner.

The new solution went live on July 6 2007. "It was on time and completely within budget," says Turner.

NZX was impressed with Trayport's expertise and support throughout the deployment. Turner says, "It's probably the most professional implementation I've been involved with and the best working relationship I've had."

GlobalVision is an order management, database and matching system. It delivers automated deal execution so exchanges can increase operational reliability and cope with increased volumes of trades and participants. The robust, reliable system provides real-time trading, information sharing and member connectivity services.

Crucially for NZX these features are delivered through flexible trading options. These include on-screen and broker-assisted trading and are distributed by the GlobalVision Front End, Direct Market Access, FIX, ISV connectivity or API.



Trayport

www.trayport.com

GlobalVision is now the principal source for trades entering NZX's central FASTER (Fully Automated Screen Trading and Electronic Registration) Settlement System. All NZX brokers are connected to GlobalVision which electronically matches all buy and sell orders in real-time. Trades are then passed to FASTER for clearing and settlement.

The system operates on a Microsoft® platform with Stratus hardware. Turner says: "We chose Stratus based on Trayport's recommendation and our requirement for high availability. The machines have been incredibly reliable and we're very happy with the decision."

BENEFITS

NZX can now provide brokers with the trading conditions they wanted. It has taken the opportunity to improve its opening auction algorithm and implement a new closing algorithm. The exchange was impressed with the Trayport team's flexibility and how it integrated the algorithms into GlobalVision. Turner says: "We gave the team our opening algorithm and it came back with a system that could handle it perfectly."

Brokers gave NZX positive feedback shortly after GlobalVision went live: "They really liked the way the project was handled and our communication with them. Some brokers said it was one of the best technology implementations they'd experienced," says Turner.

The exchange has already built on the potential of its new trading system. For example, it has a more robust FIX gateway providing connectivity to NZX brokers ISV trading platforms including IRESS and SSS. This gives brokers more options for how they trade and improves the overall pricing structure.

NZX is also a major participant in AXE ECN, a business that will inject competition into the trade reporting market in Australia. Turner says, "We were able to set this up with ease using the new system."

LOOKING AHEAD

With a forward looking, scalable new solution in place, NZX has eliminated geographic, access and market constraints. It's time for the exchange to look ahead and with GlobalVision NZX can establish new ways of solving old problems.

Over the next year the exchange expects a significant increase in trading volumes. "We're trading instruments we've never traded before and that will result in increased volumes," says Turner.

GlobalVision will support NZX as it looks to increase its range of business choices, creating a wealth of growth opportunities with easy and efficient entry to new markets. In the future, traders will be offered a diversity of products including carbon trading, agricultural commodities such as milk futures, and other financial market derivatives.

"It's an incredible feeling of freedom that means we can move forward. We want to go into stock index and stock futures and with this system we can do all that with little modification. It brings great flexibility for the future," says Turner.

"Trayport met all our qualitative and quantitative criteria. It provides the latest multi-asset class trading technology with an excellent price-performance ratio. We also found the Trayport team very knowledgeable, personable and fun to work with."

Stuart Turner, Head of Strategy and Delivery, NZX



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About Trayport

Trayport is a leading provider of real-time electronic trading software. Trayport is fully dedicated to providing multi-asset-class trading platforms to exchanges, brokers and traders. GlobalVision is a proven, reliable, mature solution that has been in operation and retained as a profitable platform for many years, and has been accepted by over 10,000 users world-wide.

Founded in 1993, Trayport has offices in London, Jersey City and Hong Kong. More information is available at www.trayport.com

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