

# Open Day – Deutsche Börse IT conference 2011

ISE launches Optimise for its options market

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# Agenda

- n ISE and US options market
- n A new trading system – Optimise
- n Features
- n Progress

## ISE and US options market

- n in 1999: four exchanges, one clearing house, one data feed
- n on floor: quote all prices, traders examine each trade
- n OTC not permitted for standardized options, must trade on-exchange
- n all products fully fungible between exchanges
- n ISE: first automated exchange, must quote all instruments all the time
- n automated quoting of all instruments becomes highly competitive
- n inter-market linkage – brokers route to best price, exchange cannot trade through a better price
- n in 1999: four exchanges, 2000 quotes/sec,  
in 2011: ten exchanges, 1.5M quotes/sec
- n In 1999 the whole market was at 1 million contracts, peaked at 14 million contracts
- n ISE market share peaked at 35 percent, presently 20 percent
- n US Options is a highly competitive market.

# Optimise – a new exchange trading system

A new system was needed

- n The existing system had reached its performance limits.
- n An existing system provider was bought by a direct competitor.

Decision was taken to build a new system with the following objectives:

- n reduce latency, additional capacity, scalable technology
- n support multiple markets
- n flexible market models, easy to extend to cater for future requirements
- n shorter time to market for new products and new functionality
- n provide a platform for other markets and systems within the group

# Features of Optimise

Performance and capacity greatly improved

- n transaction latency – median is less than 300  $\mu$ sec
- n Optimise is processing over 4 billion quotes per day

Functionality and flexibility added

- n market models are highly configurable
- n auctions (exposure, cross, solicitation) are configurable
- n strategies traded as instruments, created on demand, all functions available
- n flexible message formats based on FIX 5.0

# Progress

- n phased rollout from April 11, 2011 to July 31, 2011
- n all members have been migrated to new platform
- n system proved to be stable during rollout period
- n performed very well since complete rollout
- n no incidents during high market volatility in August
- n ISE market share has increased since introduction of new system
- n member feedback positive
- n already one of the fastest platforms in the US options market, with further improvements short- and mid-term
- n projects underway to leverage the technology platform within the group

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Thank you for your attention!

