

Orc Liquidator Enables Custom Execution Management

Orc Liquidator attracts users who specialize in a specific style of trading rather than a specific user category.

“We leave it to the customer to build whatever strategy they want. They get a full-fledged development environment where they can build complex strategies.”

NEW YORK — Orc Liquidator, a specialized execution management system offered by **Orc Software**, is built for derivatives strategies for arbitrage and market making. The focus of the Orc Liquidator is advanced derivatives algorithms, according to Jesper Alfredsson, Head of Trading Solutions at Orc Software. The system is used typically in futures and options trading.

Potential customers for Orc Liquidator could include trading firms or proprietary trading groups in investment banks. Orc Liquidator attracts users who specialize in a specific style of trading rather than any specific user category. The company has headquarters in Stockholm but also has offices globally, including New York and Chicago.

“Our customers are smart enough to build everything themselves but they have realized that they do not want to be an IT firm,” says Alfredsson. “They are traders. They do not want to deal with connectivity, and managing transactions. That is the boring part and that is what we can provide to them.

“Our biggest competition is in-house built systems,” he adds. “It could be a firm that has been using traditional point and click trading functionality and when they automate, they want to be more efficient and faster. Many of these firms consider building [systems] themselves and we are the alternative.”

If highly specialized options and futures traders could develop their own software

to implement their unique strategies, they would rather do it themselves. Such in-house strategies, however, take too much time and use too many resources. Orc Liquidator enables them to leverage its custom capabilities but eliminates some of the infrastructure work. “We tell them to focus on their trading logic,” says Alfredsson. “We will help them with infrastructure around that, such as connectivity to exchanges and building an integrated development environment where they can define their strategies. We still leave it customizable to the customer to build whatever strategy they want. We do not limit them to a couple of parameters. They get a full-fledged development environment where they can build complex strategies.”

Customer users build the logic in Java. The development community has a lot of pre-defined functions they can bring into the system. Math functions, statistics or databases are all tools that can be brought in and used to develop trading strategies.

One customer, a Midwest market maker on the **Chicago Board of Options Exchange**, trading options on about 100 different equities, began using Orc Liquidator in early August 2007, according to its director of operations, who did not want to be named. “We are on the smaller end of firms that make markets on the CBOE with about six seats on the exchange,” he says. “We use the Orc Liquidator system as our primary market making system. We use Orc’s connectivity to CBOE and

DERIVATIVES TRADING

Orc also has a scripting language which allows a non-programmer to change the trading logic to control the system.

“The software is flexible so that we can change the business logic that drives our trading logic without having to spend a lot of time writing code.”

their quote engine to drive our market making. We also trade a very small futures operation, basically using futures as a hedge for our portfolio. The vast majority of our trading is in stocks and stock options, trading 10,000 to 20,000 options a day.”

Before the firm started using the software, it did not act as a market maker. It sent orders to the exchanges but did not disseminate continuously updated bids and asks. Using Orc Liquidator opened up another business line for the firm. “We looked at a couple of systems,” says the director of operations. “A couple of the systems we looked at had a fat client architecture where one piece of software ran on one machine and took up a lot of processing power. We wanted a more scalable sort of client server architecture. We liked Orc’s more robust architecture.”

Orc also has a scripting language which allows a non-programmer to change the trading logic to control the system. “We have a lot of software engineers in-house,” he says. “We can build our own software to do some of those things. Orc software is flexible so that we can change the business logic that drives our trading logic without having to spend a lot of time writing code. The traders are more day-to-day users of the system so they can make changes on the fly. When we want to make significant changes to our business logic, we tend to hand it over to the developers to do it.”

Orc Liquidator’s Alfredsson notes that the product provides examples and best practices to shorten time to market. “If you are running a trading strategy, whether it is futures or options, market making or market taking, at some point you want to send an order to an exchange,” he says. “We have examples of how this should be done in an efficient way. The customer might take that example and modify it, adding limit checking which could be specific to the firm. They have trading secrets. They would implement those themselves. They can define the logic themselves.”

The emphasis on derivatives is Orc’s focus, especially in the US, because of the market structure in the derivatives space where most futures and options markets are fully electronic. There is almost no floor trading left, says Alfredsson. “In Europe, we have quite a few customers using Orc Liquidator for cash strategies as well,” says Alfredsson. “The system itself is independent of the instrument a trader would want to trade. There is no limitation in the Orc system. The strategies that we focus on are typically used in the futures and options fields rather than in equity cash trading.”

Low latency is definitely one reason customers choose Orc, says Alfredsson. “We can turn around an order within our system in 0.6 milliseconds,” he says. “This is extremely important, especially in the futures market.” Orc’s futures-based trading technology is a major reason customers choose Orc Liquidator, says Alfredsson.

An investment bank customer in the Eastern US had traders with ideas they wanted to implement but their IT department was busy with other systems. These were futures traders who had tried to build this in-house with Excel and other applications, but to be successful, they needed to be fast. “They brought in Orc Liquidator, which is a low latency environment and offered the ability to implement their own strategies in the development environment, connected to CME and CBOT, and suddenly they started to make money without affecting their internal IT resources,” Alfredsson says.

Latency is important to the Midwest market maker that began using Orc Liquidator in August. “The key benefit to us is the time to get up and running as a market maker was reduced,” says the operations director. “A system like Orc Liquidator saves you a year of development time. It is not as customizable as doing it on your own, but the time to market is reduced. It is easy to use. For a younger firm like ours, it makes a lot of sense.” □