



Transaction Network Services

## **MANY HEDGE FUND FIRMS COULD DO BETTER WITH TECHNOLOGY, SAYS NEW SURVEY**

**UK, 26 April 2006** – Many UK-based alternative investment funds are not maximising competitive advantage by using cutting edge technology, according to a new survey.

The finding has emerged from research commissioned by Transaction Network Services (TNS), one of the world's leading financial community connectivity providers. This has been revealed despite alternative investment funds often being seen as the technology trailblazers among UK buy-side institutions.

More than a quarter of hedge fund firms still do not trade electronically, the survey found, as they continue to use traditional paper, phone and fax. Half use leased lines to connect with sell-side institutions, with a further 30 per cent having internet connections and only a fifth using a trading extranet.

The research also revealed that almost three-quarters of firms have not yet adopted FIX (Financial Information eXchange)-based trading, a key enabler for straight-through-processing.

Alex Walker, vice-president, financial markets, TNS, said: "It's a real eye-opener that so many organisations who trade electronically continue to use multiple leased lines or the internet, rather than being part of a secure shared network. This is especially surprising, as 20 per cent of the organisations we spoke to said they connected with at least 11 sell-side partners.

"One-to-one leased line connections don't scale effectively, are slow to implement and offer no proactive management. Internet connections may appear cost effective, but the added expense of security management in installing the necessary firewalls and relevant people often outweighs the perceived low cost."

Mr Walker added that, in contrast, a secure extranet provides fully managed, rapid, cost effective trading connectivity, in an entirely secure environment offering best-in-class latency performance.

He said that electronic trading was projected to almost treble between 2004 and 2007, according a TABB Group report published last year\*. Maintaining multiple leased line connections would become even more onerous for trading organisations in this new environment.

"The slow adoption of FIX-based trading among alternative investment managers is surprising. The protocol is now generally recognised as the leading open messaging standard for electronic trading worldwide and the best way to integrate transactions across an increasing variety of asset classes.

“I’m confident the take-up of FIX among alternative investment firms will increase. Awareness of its benefits in this sector is still low, but now that its influence is extending rapidly - beyond the equities asset class and front office operations - there’s no doubt its usage will grow.

“Nobody is pretending the hedge fund sector is backward in its attitude to technology. Indeed, the opposite is often the case, with many firms embracing it, to capitalise on opportunities presented by algorithmic trading, direct market access and programme trading.

“But our survey’s key findings reinforce our view that a surprisingly high proportion of the UK’s hedge fund businesses are currently failing to secure the maximum benefits modern technology offers. “

TNS surveyed IT managers, head traders and CIOs at 34 UK hedge fund institutions in its survey.

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\*”Financial Connectivity: Creating A Frictionless Global Marketplace”, published by the TABB Group in October 2005.

#### **About Transaction Network Services**

Transaction Network Services is one of the leading providers of business-critical, cost-effective data communications services for transaction-oriented applications. TNS provides rapid, reliable and secure transaction delivery platforms to enable transaction authorisation and processing across several vertical markets and trading communities.

Since its inception in 1990, TNS has designed and implemented multiple data networks, each designed specifically for the transport of transaction-oriented data. TNS’ networks support a variety of widely accepted communications protocols and are designed to be scalable and accessible by multiple methods. TNS’ network technologies have been deployed in the United States and internationally, and TNS’ networks have become preferred networks servicing the trading community, wireless and wireline carriers, and the card processing and dial-up automated teller machine markets. For further information about TNS’ transaction solutions, please refer to [www.tns-international.com](http://www.tns-international.com)

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