



Solution Summary

Industry

Derivatives Exchange.

Scenario

Warrants and deliveries platform for new precious metal contracts.

Company Profile

NYSE LIFFE, Europe's leading derivatives exchange is part of NYSE Euronext, the world's leading and most liquid exchange group.

Solution

A comprehensive, easy-to-use web-based warrants and deliveries platform that replaced the existing service and overcame limitations that made it difficult to bring new products to the market and failed to provide core management information.

Technologies

Microsoft C# and .NET Framework
XML
Microsoft SQL Server
Protouch LCD Touch-screens

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NYSE LIFFE – exceptional service and market quality

A web-based precious metals warrants and deliveries platform provides significant business benefits, reduces costs, accommodates new products and provides accurate, real-time management information.

About NYSE LIFFE

On September 9, 2008, NYSE LIFFE, the new U.S. futures exchange of NYSE Euronext (NYSE) completed its first day of operation with trading in 100 oz. gold futures, 5,000 oz. silver futures, options on gold and silver futures, and mini-sized 33.2 oz. gold and 1,000 oz. silver futures.

A crucial factor in NYSE LIFFE's successful debut was the reliability of Kynetix's feature-rich web-based warrants and deliveries platform (itself an adaptation of LIFFE Guardian developed by Kynetix to support the physical delivery of commodities on the NYSE LIFFE U.S. exchange).

NYSE Euronext is the world's leading and most liquid exchange group and offers a diverse array of financial products and services for issuers, investors and financial institutions in cash equities, options and derivatives, ETFs, bonds, market data, and commercial technology solutions. Its family of exchanges, located in six countries, includes the New York Stock Exchange, the world's largest cash equities market as well as LIFFE, Europe's leading derivatives exchange by value of trading.

NYSE Euronext is home to over 6,400 listed issues representing a combined \$26.7 trillion (as of June 30, 2008) in total global market capitalization, more than four times that of any other exchange group.



Customer Solutions

Case Study

Web: <http://www.kynetix.com>

LIFFE Guardian would “provide our customers with both cost and process efficiencies, allowing the market to continue its strong growth.”

Hugh Freedberg
Group Executive Vice President
and Head of Global Derivatives
NYSE Euronext

Addressing the Issues

Approximately a year ago, LIFFE decided to replace its existing GATS service (Grading and Tendering System) - a database for all cocoa and robusta coffee marked for potential delivery against contracts). GATS had outlived its usefulness and suffered from a combination of limitations that make it difficult to bring new products to the market, did not provide easy access to management information did not fully support the grading process – a critical element in coffee and cocoa warrants and deliveries.

Following detailed analysis of potential providers, LIFFE partnered with Kynetix which had proposed an advanced new platform using open technologies to meet the current and anticipated future business requirements for LIFFE, its members and the warehouse operators.

“The new system took maximum advantage of modern technologies such as including web, bar coding and touch screens and delivered a much improved level of information and reporting” explained Matt Dolton, one of the co-founders of Kynetix. “It also removed the high support cost, provided better service and streamlined the grading process.”

Named LIFFE Guardian, Kynetix’s new platform is now up and running. Almost immediately, the benefits of LIFFE Guardian became apparent. LIFFE realised measureable reductions in financial overheads through the streamlining of the coffee and cocoa grading processes and were able to plan grading workload and staffing levels far more efficiently. Managers at both ends of the transactions rapidly appreciated LIFFE Guardian’s ability to deliver the precise information required, tailored into the exact format preferred by each individual user, without any involvement from the IT department.

Additionally, clearing members and warehouse keepers reported similar improvements and highlighted the stronger check on grading results and the more robust qualitative justification for products, which substantially improved the attractiveness of LIFFE as a market. Indeed Hugh Freedberg, Group Executive Vice President and Head of Global Derivatives, NYSE Euronext stated that LIFFE Guardian would “provide our customers with both cost and process efficiencies, allowing the market to continue its strong growth.”

“Although we had developed LIFFE Guardian for the coffee and cocoa warrant and deliveries market, we had carefully designed the platform so that it could be adapted to support new products,” explained Matt Dolton. “Over the years we have successfully delivered a large number of valuable custom software solution projects through the adoption of SureStep - a flexible and dynamic style of software development that delivers results at lower cost, in shorter time frames and with far less risk than traditional off shoring.”

“The addition of precious metals to LIFFE Guardian for NYSE LIFFE US marks a major expansion of the use of this advanced technology. We are delighted to extend the value of LIFFE Guardian to the US operation of NYSE LIFFE and are looking forward to helping NYSE LIFFE expand their business.”

Paul Smyth
Chief Executive Officer
Kynetix Technology Group

Moving into Precious Metals

In the latter half of 2008, LIFFE acquired the trading rights on gold and silver futures from the Chicago Board of Trade (CBOT) and recognising that it needed a new warrants and deliveries platform for its new precious metal contracts, approached its partner, Kynetix.

“On the face of it, it might appear that there are vast differences between futures trading in coffee/cocoa and precious metals,” continued Matt Dolton. “However, the underlying process and procedures are broadly similar and thanks to our agile and open development processes we were able to enhance and adapt the existing Guardian platform to support this new market in record time and extremely cost efficiently.”

As with the existing Guardian platform, the new system needed to be web-based so to could be accessed by member of the exchange in the US as well as the depositories and vaults where the gold and silver is stored. To ensure that the solution would go live in time for LIFFE’s critical first day of trading in gold and silver futures, Kynetix a small and highly specialised team to LIFFE’s offices to complete the enhancement and adaption processes.

Business Critical Issues

In the futures market, clearing members require immediate and reliable access to their systems, particularly during the period approaching the deadline on notice day so that they can designate lots to be delivered in a timely fashion. To ensure the continuous availability of the solution (from 6am to 10pm on trading days), Kynetix recommended a dual failover system to protect both the main site and the various satellite offices and trading locations – a solution that was implemented by LIFFE. Kynetix also provides LIFFE with a fully managed service for both new platforms and 24 hour service provision to the stringent levels as stipulated by LIFFE. As a part of its service delivery, Kynetix also ensures no activities with the potential to affect system uptimes (e.g. server patching) occur during or in the period immediately prior to deadline notice days.

On-time and Under Budget

Despite the extremely tight deadlines imposed by LIFFE, Kynetix successfully designed, developed, installed and implemented new platform for futures trading in precious metals on time and under budget. Both platforms are now in constant use to support the physical delivery of commodities on the NYSE LIFFE U.S. exchange by both Members and the NYSE LIFFE U.S. Registrar for:

- Dematerialisation of vault receipts into electronic vault receipts
- Management of electronic vault receipts – both transfer and withdrawal
- Management of Deliveries – submitting intentions to deliver and delivery allocations
- Member Invoicing – calculation of invoicing of delivery and storage fees
- Reporting – inventory and delivery enquiries.

"NYSE LIFFE is open for business with over 180 member firms and a global network of active customers," said Thomas F. Callahan, NYSE Euronext Executive Vice President, Head of U.S. Futures. "This milestone is an important first step for our exchange as we partner with our clients to build a highly competitive and innovative U.S. Futures platform."

Business Benefits

- An adaptable scalable model which enables new products and improved business processes
- Reduced costs, through streamlining transaction, deliveries and invoicing
- Improved service offered via clearing members or warehouse keepers
- Better management information for stakeholders including members, warehouses and LIFFE
- Efficient planning on workload and staffing levels
- Robust qualitative justification for products, improving the attractiveness of LIFFE as a market
- Removal of limitations imposed by the previous platforms
- Improved traceability and audit controls.
- Users can now build reports without reliance on the IT department