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OM provides trading technology for first electronic US options exchange

The formation of the first fully electronic U.S. options exchange, the International Securities Exchange (ISE), was announced today in New York. As the first exchange of its kind in the world, ISE will combine electronic trading with auction market principles. Swedish-based OM Technology, the world's leading developer and provider of exchange technology, is supplying both the electronic marketplace system and the trading stations that will be used by the exchange's market makers.

ISE will use an advanced version of the OM CLICK Exchange System. The delivery marks the first sale of a U.S. version. The ISE system will run on Compaq's newest generation of 64-bit Alpha EV6 chip – the world's fastest processor. The market makers will also use trading stations based on OM Technology's market-leading Orc trading station, a state-of-the-art tool for trading and analyzing financial instruments in real time.

Trading on the ISE is scheduled to begin in January 2000. ISE is planning to offer options trading on 600 of the most widely owned and popular U.S. stocks. Trading on this new automated market will provide the members with several benefits, for example significantly reduced costs and a mechanism that ensures that customer orders are filled at the best price available from all options markets.

“We are aiming to build a highly liquid, fully electronic market with turn-around times of less than one second,” said David Krell, President and CEO of ISE. “Analyzing the market, we found that the only proven technology supplier that could provide the performance that we were looking for was OM Technology. Another benefit of working with OM is that they themselves also own and operate electronic exchanges. They know what the system should be doing.”

While electronic trading mechanisms have been adopted by most options exchanges outside the U.S., currently, the four existing U.S. options exchanges have floor-based

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trading systems. ISE is submitting a formal application for becoming a registered exchange to the U.S. supervisory authority, the Securities and Exchange Commission (SEC), in Washington later this year. Approval is anticipated in 1999. With SEC approval, ISE would become the first new registered U.S. securities exchange in 25 years.

“We are excited to work with the ISE. This venture shows the potential that leading-edge trading technology brings to exchange operations,” said Magnus Karlsson, head of OM Technology. “Through their use of our technology, ISE will be very well positioned to attract trading. It is therefore stimulating that we are participating in this project on a shared risk basis.”

From the delivery to the ISE, OM will partly receive a fixed fee and partly an unlimited variable, success-related fee. Including five-year support, the anticipated total order value amounts to more than SEK 100 m (more than USD 12.8 m).

The OM CLICK Exchange System is based on an open and flexible client/server architecture. The proven, open user interface will allow members of the ISE a wide range of trading tools. Currently 13 exchanges around the world have acquired the OM CLICK Exchange System, including the Australian Stock Exchange, the Hong Kong Futures Exchange and the Milan Stock Exchange. Some 60 banks and brokerage firms in 12 countries around the world use the Orc trading station.

ISE has been funded by a consortium of broker/dealers, who provided the capital necessary for the development of the trading system, acquisition of hardware, development of regulatory systems and all other costs associated with establishing an exchange. The broker/dealers in the consortium account today for approximately ten percent of the total customer order flow in U.S. stock options.

OM Technology is the world's leading provider of exchange technology. OM Technology is part of the Swedish OM Group. OM applies advanced transaction technology to increase the efficiency of financial and energy markets worldwide. This is done both by developing trading technology and by operating exchanges. The parent company, OM Gruppen, is listed on the OM Stockholm Exchange.



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