

Development innovation

Orc Software continues to invest in our entire product offering to maintain and grow the company's leading position as a provider of advanced trading solutions for the worldwide financial markets.

Orc will thrive on the emergence of complex markets. Complexity requires solutions that can make the complex simple without discounting on performance or ease of use. Orc's advanced trading solutions combined with 100+ market connections and the world's best FIX connectivity solution are an unmatched market offering.

Increased market fragmentation is apparent globally and not just in Europe where MiFID is driving the emergence of new liquidity sources. With MiFID fueling competition between exchanges and resulting in increased pricing transparency, we are seeing a move away from their traditional role to venues competing more so on the promise of speed, throughput, services and fees.

Market fragmentation plays to Orc's strengths and our ability to respond to demand for complex trading systems and unlimited market connections. Increased fragmentation is driving the greater need for efficiency and best execution capabilities. Firms need solutions that allow them to implement trading strategies across asset classes and that scale with their business. Technology should never be the limiting factor.

The level of automation adopted by large through to small firms has resulted in the underlying market place moving at a rapid pace. The need for vendors to develop, build and integrate systems that facilitate this worldwide automation has never been so great.

Another trend that continues to benefit Orc is the gradual move away from in-house trading system development to standardised, turn-key solutions from third-party suppliers. In-house development is only required when a market participant believes that a custom solution provides a distinct competitive advantage. In today's markets, such preconditions are becoming increasingly rare. By relying on Orc as a solutions provider, customers can implement state of the art, fully supported, trading technology in less time and with reduced cost.

Building on development and technology

Orc's well architected, stable technology provides us with our competitive advantage and our market differentiators. Research and development helps us address trading complexities with solutions that help form successful business infrastructure for our customers.

During 2006 we commenced mapping the next generation Orc architecture that will take Orc's solutions to the next level for lower latency and greater throughput. The dramatic increase in market data volumes on the world's exchanges puts pressure on both market participants as well as the vendors who supply them. Orc is well positioned to take on this challenge and provide the necessary requirements.

Financial institutions are using information technology as a means to gain competitive advantage, often investing in new technology as soon as it is brought to market. Consequently, Orc is continuously developing and testing our solutions to enable customers to make full use of the latest advancements in hardware, operating systems and network technology.

"We are pleased to work with Orc Software to deliver advanced trading capabilities on the Sun platform... Orc's advanced trading technology is a perfect solution for firms looking to take advantage of new market opportunities. The combined technology solution fully supports on-the-fly trading with no downtime and with little or no introduced latency or additional cost."

Donna Rubin, Senior Director, Sun Microsystems

In 2006 we continued to expand the number of markets Orc connects to, with additional new connections to exchanges, electronic crossing networks (ECN), alternative trading systems (ATS) and brokers worldwide. The uptake of these market connections gained strong momentum in every region during 2006. In 2007 we will see further increase in demand from firms across Europe, Asia Pacific and the US for connections to multiple markets to drive their business into the future.

Emerging industry standards and regulations

With the FIX protocol rapidly emerging as the industry de facto standard for electronic trading, Orc Software is committed to supporting the FIX protocol as an active participant in the FIX protocol organisation (FPL), contributing to the FIX specification 5.0 and more. The use of FIX is steadily marching beyond equities to other asset classes such as fixed income and foreign exchange. Orc is helping shape next generation trading by responding to these market requirements with intelligent solutions. Through the acquisition of Cameron Systems in 2006, Orc can now offer market leading FIX technology, making us well prepared to meet future demand in this growing segment.

Achieving market data efficiencies is all about speed, volume and reliability. The rapid increase in data volume requires higher throughput in trading infrastructure. Orc supports the FIX Protocol organisation's FAST initiative (FIX Adapted for Streaming), which is used on the Orc platform for the benefits of speed and compression. During 2006, Orc also worked closely with OMX to play an important role in the widespread adoption of FIX and FAST protocols.

Orc's development work is also influenced by the emerging MiFID and RegNMS regulations. We support customers compliance requirements by offering solutions that help manage the added trading complexities introduced by these regulations.

In 2006, Orc's development organisation grew rapidly, primarily as a result of the addition of Cameron Systems and MarketOn staff. The MarketOn front-end solution has been integrated into the Orc platform to enhance our trading and Direct Market Access (DMA) solutions. The additional expertise and applications has resulted in a broader offering for Orc with improved capabilities for delivering comprehensive market solutions.

Strengthening core business with global engineering resources

The cornerstone of Orc's development heritage is the ability to attract and retain the industry's most talented software engineers. The company provides the development team with an entrepreneurial workplace environment for collaborative software development, driven by a dynamic marketplace.

Orc has an extensive development team strategically located in Chicago, Hong Kong, London, Moscow, New York, Stockholm, St Petersburg, Sydney and Toronto. This distributed organisation has been designed to enable product development to tap into our collective experience and proven understanding of individual markets, thereby further strengthening Orc's offering.

Orc's indepth market knowledge and presence in each major financial region where our customers are active, provides the necessary foundation to drive and position Orc as the engineers pioneering development and delivering proven solutions required to meet the rapid requirements of change.

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