

# Hedge Fund & Investment Technology

Incorporating BuySideIT

**ACQUISITIONS** | ANALYTICS FIRM SNAPS UP CYGNIFI TECHNOLOGY

## Cygnifi is alive and kicking

**NEWYORK** – In February this year, Suite LLC, a New York-based analytics provider to buy- and sell-side institutions, acquired technology from ill-fated JP Morgan Chase spin-off Cygnifi. This comprised pricing, hedging, portfolio management and market and credit risk management tools for all interest-rate derivative products, along with the company's trademarks, branding, copyrights and patents. This was after Cygnifi closed its doors in November 2001 due to a combination of cashflow difficulties, the dot.com crash and the events of September 11.

Suite seems to be making a better fist of making a profit and finding new clients than Cygnifi. As a spin-off, Cygnifi's only significant client was JP Morgan, although the fledgling operation did have another dozen or so smaller signings. But Suite has opted for in-house deployment as opposed to Cygnifi's ASP model, which is significantly more profitable for a new technology firm. The in-house model is also less reliant on client numbers, arguably the ASP model's only flaw.



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**Gerard Galluscio, Suite**

According to Gerard Galluscio, managing partner at Suite, out of the firm's total of 18 clients, eight are top-tier or regional banks that deal derivatives, four are vendors or service providers and six are buy-side firms or hedge funds that use derivatives.

“We’ve taken a more traditional approach by delivering software to our clients for them to install, with the exception of a few one-off hosting arrangements,” he says. “They (Cygnifi) were attempting to make a big footprint as a full-service derivatives ASP, which typically requires significant capital investment, and they weren’t expected to be cashflow-positive for some time. They built an excellent team and rolled out an effective pricing and valuation service, but Cygnifi’s pockets were not deep enough in the face of the economic climate for technology at the time, so the runway was simply not long enough.”

### **Demand**

Galluscio says that most of his firm's clients are after the Analytic Library (Alib) service, which he says has proven to be popular because it allows users to accurately determine the market value and risks of a broad range of instruments. “Alib has value on its own as a rich set of functions for date routines, yield curve generation, bond pricing and exotic option models,” he says. “As such, it is often chosen for its ease of integration with other systems for organisations that are committed to alternative solutions for trade capture and downstream processing.”

Galluscio adds that Derivatives Studio, a pre-execution pricing and hedging tool, has also found traction on the buy-side because of its efficient trade capture of interest-rate swaps, caps, swaptions, FX outright and FX option trades. “It was designed as an e-commerce tool that major dealers would permit their buy-side clients to use,” he says, adding that it can be deployed with or without the Cygnifi ASP infrastructure.

Hong Chen, Zurich Capital Markets' global head of trading, has extensive experiencing using Cygnifi's technology. He expects to implement Derivatives Studio at First Principal Capital Management, a start-up hedge fund, when he moves there in Q1, 2004. “One of Cygnifi's key advantages as a risk management platform is that you are confident in the system's ability to generate accurate and consistent risk numbers,” Chen says. “Because JP Morgan developed the technology, their documentation is incredible, which is usually a weakness with other vendors. You may get valuations and risk reports from other systems, but are you confident to trade on that?”