MEMX
Blue Ocean ATS Session
TRANSCRIPT

David Mellor:

Hello, I'm David Mellor, Head of Market Technology at MEMX. Today, I'm talking to Brian Hyndman, CEO of Blue Ocean ATS.

For the last two years, Blue Ocean has been using MEMX technology to power their ATS. Brian has agreed to share some thoughts on what the experience has been like from his perspective.

Brian, I think it's fair to say that you are the CEO of one of the world's most in-demand trading venues. Can you share with me a little bit about what inspired you to consider outsourcing your technology to MEMX and the trade offs between build versus buy from a founder's standpoint?

Brian Hyndman:

Yeah, so it's been a fantastic two years with MEMX. So what really led us to going down the MEMX route was a couple of points. So one, I knew many of the developers from my days at Nasdaq, so I knew the work that they were capable of doing. We trusted those developers to build a matching engine that would satisfy some of our more sophisticated customers. So we knew them, we trusted them, they had the capability to build exchange-grade matching technology at scale, and when I think about buy versus build... Listen, what do I do best and what do you do best? We go out and build an ecosystem and bring in subscribers from all over the world. We're in 35 different countries with 180 market data subscribers now, and MEMX what they do very well is, obviously you run a very good equity exchange, options exchanges, but you build market technology and build it at scale. We said, listen, we're not going to take a chance here and we might be able to do it cheaper, that wasn't the most important thing to us. The most important thing was getting scalable, reliable technology that would satisfy our most sophisticated customers and give us the uptime that they demanded. And over two years, we've had 100% uptime with MEMX.

David Mellor:

Looking back over the past couple of years, the two years we've been working together, what stands out to you most about the partnership and what has made that partnership successful once you've chosen us to run with?

Brian Hyndman:

You have given us a product that is reliable, stable, deterministic, and as I said earlier, the most sophisticated customers that we have compliment us on our MEMX technology and our decision to ultimately go there. So really having a team that is super responsive and they're able to meet our current needs and also our strategic vision where we're going.

We really launched with the premise that investors and subscribers wanted things more immediate. There's geopolitical events that happen over the weekend. There's tragedies and earthquakes and tsunamis that happen at night, over the weekend, and investors want to be able to hedge and manage their risk real time. They don't want to wait for Monday morning for the stock exchange to open up. They want to manage their risk as close to real time as possible. And we see a big buildup over the weekend. So Sunday night is always our biggest night of the week. In the first hour of trading, roughly 20 to 25% of our nightly volume comes in that first hour. So it tells me that there's demand over the weekend and yeah, we plan to go there. Right now we see 24 by five trading, but we—in the near future, as early as next year—we're going to see 24 seven, 365.

David Mellor:

Alongside the kind of partnership we've had for the last two years, your business has grown tremendously as a result of all the things you've just mentioned. Just to drill into the MEMX Market-as-a-Service offering, how has that helped the growth and the evolution of your business?

Brian Hyndman:

The Market-as-a-Service is a great concept. It gives us the capacity and the bandwidth that we need when we need it. So if there's a big event that's happening on a Sunday night, where back in June we did over 400 million shares one night, $11 billion in notional, and we basically only used a couple of percent of our overall capacity. 2 to 3% of the capacity was being utilized. So the Market-as-a-Service really gives us the ability to have a reliable, stable, deterministic system, but it also gives us the flexibility to have that unlimited capacity when we need it.

David Mellor:

Fantastic. Thank you. And finally, and this is the crystal ball moment, where do you see the market going as global demand grows?

Brian Hyndman:

I tend to think we're in the first inning, getting into the second inning in global demand. As I mentioned earlier, we have over 180 market data subscribers in 35 different countries. At some point here in the next six months the exchanges will get into the overnight space. We think the size of the pie gets bigger. Right now we have about 90% market share of the overnight pie. That number will become lower as the exchanges get in there, but I think the overall volume grows to a billion if not two billion shares over the next three to five years. But then also, as I stated earlier, where the puck is going, it's going to 24 seven, 365, and we want to be the first ones to get there. Our subscribers pushed us, invested in us to trade overnight so they can go 24 by five. So we're working with our partners like MEMX, we're working with our clearing firm RQD, we're working with DTCC on tokenization and all of that is going to lead to 24 seven, 365. The demand is there. We see it building up over the weekend.

David Mellor:

Fantastic. Thanks, Brian. Thanks for the last two years and here's to the next many years working together.

Brian Hyndman:

Thank you David.