

GAIN Makes Senior Hires As Q1 Launch Date Nears

GAIN Capital, the new Internet-based currency trading service planned for launch later this month, has made three senior Wall Street hires for its management team. Glenn Stevens, formerly managing director, head of North American sales and trading at NatWest Global Financial Markets in New York, joins as head of sales and trading, while Colin Mitchell, previously head of information technology and executive director at Westdeutsche Landesbank Girozentrale in London, has been appointed chief technology officer. Denise Boutross McGlone, former CFO of Sallie Mae and a derivatives expert, has signed on as GAIN's chief financial officer.

Stevens' responsibilities include management of all trading operations and marketing of FX products to institutional clients. At NatWest, Stevens directly managed a team of more than 50 trading and sales staff, and was responsible for both the proprietary

and emerging markets desks. He also served as a senior member of NatWest's North American Management Committee, spearheading the bank's e-commerce initiative in the region.

Prior to NatWest Stevens held senior management positions at Merrill Lynch, where he served as the Federal Reserve Bank's FX representative for investment banks and developed Merrill's emerging markets currency trading desk, increasing profitability by 300% in two years, according to GAIN officials. His career started at Bankers Trust Company, where he was hired onto the corporate sales desk before quickly moving into a trading position on the spot FX desk.

Meanwhile, Mitchell will oversee the development and implementation of all information technology designed to support GAIN's trading, risk management and back office business requirements. He brings more than 13 years of financial technology experience, having previously been

responsible for WestLB's DM90 million global IT budget. Mitchell managed the human and technical resources dedicated to systems and infrastructure development, implementation and support for the bank's global treasury and London regional businesses, totaling 3,000 users in eight global offices. Mitchell was instrumental in implementing the bank's e-business solution, which improved customer pricing capabilities and resulted in increased trading volume at a significant cost savings to the bank, according to GAIN officials.

Prior to his IT role, Mitchell was director, FX options for WestLB, charged with developing and implementing an IT business plan for the bank's new global FX options group. Previously, he was global head of applications at Banque Paribas Capital Markets and before that, manager, North American professional services at CATS Software, a provider of trading and risk management software

to the banking community.

McGlone's 20+ years of capital markets and financial management experience includes four years as CFO of Fortune 100 company Sallie Mae. There, she managed a 200-person finance unit as well as developed and implemented a strategic plan that increased share value from \$32 to \$151 per share. Prior to that, McGlone spent 10 years managing global derivatives units for Security Pacific, which was ranked number one globally during her tenure, and Dai-ichi Kangyo Bank, at that time the largest bank in the world. In 1997, McGlone was recognised by *Global Finance* as one of the year's CFO Superstars.

"In addition to handling traditional CFO duties, Ms. McGlone will parlay her senior level relationships in the market to develop strategic business partnerships for the firm," says an official. "Her many years of risk management experience will also ensure that both GAIN's capital and the capital of its customers is well managed and protected at all times."

"Our management team can go shoulder to shoulder with any bank in the world," says CEO and founder Mark Galant. "We have all spent our careers at the highest levels of banking, and we're trying to bring that level of expertise to the fund management and CTA communities."

Galant himself spent the past four years as vice chairman of the trading and risk management systems firm FNX Ltd, and for the three years prior, he ran global currency options for Credit Suisse.

GAIN, which is based in Warren, New Jersey, will act as a market maker, offering institutional and individual investors real-time, Internet-based dealing, with 24-hour access and commission-free FX trading from day one. "GAIN will execute FX trades of all sizes and, for the first time, investors will have the ability to conduct transactions of between \$100,000 and \$10 million at the same prices the interbank market typically offers only to its large institutional clients," say officials.

Initially, GAIN will start trading 24-hours with two teams of four dealers, but will soon move to a three-shift environment. The team will begin offering

prices in six major spot currencies, but will add other currencies and instruments, such as options, as quickly as possible, says Galant.

"This service is tailored to the customers. We are committed to making tight, aggressive markets and will, in some cases, be giving up short-term revenues in favour of creating a loyal customer following. The sales function will be to offer faster, tighter, more efficient trading, while the technical side will be lightning fast. This is an alternative to the way the markets have traditionally dealt, and we believe there will be little reason for CTAs and fund managers not to deal with us," says Galant.

"This represents a whole new paradigm in terms of how FX is traded," he adds. "The Internet will revolutionise the way the customer side deals, because we can offer instantaneous fills, deal confirmations, P&L and position updates to customers that will not have received this level of service before. The client gets everything he needs from us the second he does a deal."

"You don't even get this kind of service from the established online equity brokers – I have to wait until after midnight to get an updated P&L on my stock portfolio," he continues. "In contrast, we offer constant price feeds that clients can deal on instantaneously, and they also receive real-time position updates."

CUSTOMER RELATIONSHIPS

Stevens notes the industry's shift into online execution began with EBS on the banking side, but is now beginning to impact the bank-to-business and bank-to-customer relationships.

"The advantage of the Internet is speed. In the bank model, there is a certain degree of inefficiency, because the whole process of getting prices and executing a trade takes time," says Stevens. "When a customer calls a bank for prices, they know very well that the price they get is subject to being tailored for them, and that the bank knows which way they're leaning. So we've really set ourselves up to be a very client friendly operation – and the consistent, five-point spread that we offer keeps us honest."

"We don't suffer from internal

bureaucracy and legacy systems," adds Mitchell. "I noticed that in doing e-business, banks have a number of legacy systems that they have to fold in. As a smaller company, we don't have to struggle with existing systems, we can tailor our offering over fast and exceedingly secure, best of breed technology."

"If you look at the bank model, the way systems were built have been database driven," he adds. "Alternatively, what we're talking about is component architecture where messaging becomes the key, so we're able to ensure speed, efficiency and the ability to handle large volumes, which we're employing from day one. Small upstarts can move more quickly and aggressively, which is why Glenn and I decided to jump onboard."

"Banks have done a pretty good job in dealing with the large hedge funds, but as you go down the pecking order, banks don't have the ability to offer the same level of coverage because of the very high infrastructure costs," Stevens adds. "The Internet levels the playing field for small and medium sized hedge funds and CTAs, who may have fallen through the cracks at the bank level."

"A lot of fund managers are former Wall Street traders who have found that they don't get the prices they were used to in the interbank market – and they faced hurdles in terms of margin and credit," Stevens adds. "GAIN provides flexibility – it opens up a whole new arena for those looking to trade FX."

Galant believes there will also be another type of customer interested in GAIN's services. "The individual online stock traders already see the benefits of trading online, so we anticipate a certain number of these will migrate into FX once it becomes more widely available," he says.

Furthermore, because of GAIN's ability to handle large volumes, Galant says it's possible that regional banks may look to outsource business to GAIN once it has established critical mass.

"If we tried to launch this service several years ago, there would have been a credibility gap insofar as the Internet is concerned, but now, there's no reason we can't make ourselves the primary choice for these users," says Galant. "And the user universe is not necessarily limited to the high net-worth individual, CTAs and hedge funds." ■
