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Entrepreneur's bet is a link to futures

Software vendor can determine a market's reach

By STEVEN R. STRAHLER

With a new diploma from Mississippi State University in 1986, Harris Brumfield thought he'd try his version of graduate school and learn how to be a blackjack dealer in Lake Tahoe. He applied too late, however, so a hometown buddy up north, offering a couch to sleep on, suggested an alternative casino: the Chicago Board of Trade (CBT).

"He said, 'What have you got to lose?'" recalls Mr. Brumfield, who enjoyed a financial safety net in the form of a land-owning family who raised catfish along with cotton and soybeans.

Now, with the 38-year-old Mr. Brumfield still around, the question is what the CBT—and other conventional futures exchanges—have to lose.

As the owner and CEO of Chicago-based Trading Technologies (TT), a software firm that enables traders like himself to connect electronically to various exchanges, he's poised to divert potential business from Chicago's exchanges when a Swiss-German competitor called Eurex AG establishes a U.S. presence as soon as early next year.

Mr. Brumfield has a long-standing relationship with Eurex—he once traded more than 20% of its overall volume on TT screens before he bought the firm.

"I want to double make sure they're doing it first class," he says, acknowledging talks and citing the expense of creating

new links. "Every exchange is extra pain for us." Eurex executives declined to comment.

TT, which turned profitable only late last year after nearly a decade in operation, is itself vulnerable to a rapidly shifting futures industry landscape. Some observers, including failed competitors, believe the value of so-called independent software vendors, or ISVs, will fade as their services become less proprietary.

"It's not a very static environment," concedes Mr. Brumfield, having seen TT employment bounce from 200 to 110 and then back to the current 185. "I don't really take tomorrow for granted."

Still, the potential threat from TT is not lost on CBT Chairman Charles P. Carey Jr. "People respect his opinion," he says of Mr. Brumfield and his ability to sway industry sentiment and orders. "He's a powerful figure. At the end of the day, they're going to go to wherever the flow is."

'Whole world becomes a pit'

Likewise, Mr. Brumfield views the rise of electronic trading as less a danger than an opportunity for Chicago's futures exchanges—if they handle it right and don't let their clubby governance structures prevail.

That's a big "if."

An evangelist for computerized trading, Mr. Brumfield says it helps equalize access for customers, particularly fund managers who can simultaneously buy and sell contracts to mask market-moving intentions. "The whole world becomes a pit," he says.

Despite close-cropped grayish hair and, atypically for traders, conservative dress—often as not, a white shirt and solid tie—Mr. Brumfield looks (and

sounds) a lot like another native Mississippian: Elvis. "I wish I could dance like him," he drawls.

Mr. Brumfield's aw-shucks, good ole boy manner can fool people—for a moment or two. One customer likens him to a Tyrannosaurus rex that, figuratively speaking, will sniff something and, in an instant, devour it or walk away.

"He is definitely a visionary, a prototype for traders to migrate off the floor," says Robert Fitzsimmons, the Chicago-based president and chief operating officer of NLQX, another electronic futures exchange owned by a subsidiary of Euronext N.V.

A fan of huge positions

Mr. Brumfield's influence registered at BrokerTec Futures Exchange, started in 2001 by Wall Street firms. Slow to catch on and now considered a takeover target for Eurex, BrokerTec got a cold shoulder from TT because Mr. Brumfield considered it merely a "stalking horse" to squeeze fees paid by owners to existing exchanges.

(BrokerTec President Henry Mlynarski, a former CBT executive, declined to comment, but said his firm had deployed prices and products on seven other ISVs.)

Having made his mint in the 10-year Treasury note pit, Mr. Brumfield continues to trade at TT's Riverside Plaza headquarters, where a corner office gives him a view of both the CBT and



JOHN R. BOEHM

Charging ahead: Harris Brumfield's Trading Technologies gives traders an edge by linking them to a growing number of international exchanges.

the Chicago Mercantile Exchange buildings.

A fan of huge positions even when it costs him—"You can smell where things are going faster"—he argues, "Some people have made a lot of money losing because they keep getting educated."

After easing out two predecessor CEOs, Mr. Brumfield runs TT with the same hell-bent philosophy, pushing to spend more, even when the firm was burning up to \$2 million a month, while generating only \$25,000 in new revenues. As profits began to appear last year, revenues rose 76% to \$24 million.

"He's not going to let a position go against him," promises Steven Monieson, TT's executive vice-president of global sales.

