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By increasing traffic across its systems, Cross Border Exchange is seeking to loosen the information transfer gridlock by automating the entire process.

Crossbordex's Chichilnisky: Private capital is a solution to the problem of global liquidity for the age of market liberalism.

Cross Border Exchange (Crossbordex) is an Internet-based, ASP-distributed STP solution for fund managers, broker/dealers, and custodian banks involved in cross-border securities trading and investing. Its goal is to make cross-border investing cheaper and easier, and so more common. The company aims to accomplish this by automating the exchange of information at every point along the transaction value chain, and getting paid by taking a cut of the enlarged traffic passing along it. The Cross Border Exchange product portfolio currently consists of eight products: GeoTrades (a global network linking executing brokers), GeoPayments (a tool for tracking cash payments in real time between banks in different countries), GeoSettlements (captures and reconciles settlement instructions flowing between fund managers, broker/dealers and custodians), GeoCustody (multiple custodian bank data consolidated and presented to fund managers), GeoForex (a device for monitoring foreign exchange transactions), GeoLend (Internet-based securities lending), STP Solution for CA (automated corporate action communication between custodians and fund managers and broker/dealers) and LC Tracks (monitoring of Letters of Credit). "What we offer is an end-to-end solution for cross-border trading," says Graciela Chichilnisky, CEO of Cross Border Exchange. "And it is not restricted to Americans buying securities abroad either; we also intend to service foreign investors buying American securities. I do not know of any other organization offering a similar global infrastructure."

So far, only GeoTrades and GeoPayments are live with major international clients. GeoTrades can execute cross-border securities trades through its network of 81 local brokers in as many countries. Chichilnisky expects to see between 700 and 1,500 trades a day worth $50-150,000 each to pass through GeoTrade by early 2003, with Cross Border Exchange taking a small slice of the value of each transaction. The pieces of the Cross Border Exchange portfolio obviously fit together neatly—a partner for GeoCustody could feed transactions into GeoTrades, and lend securities via GeoLend—but Chichilnisky insists that it was sensible to focus on the execution component first. "Execution is the most under-served and over-charged area," she explains. "You can pay almost 1% of the value of a transaction for cross-border execution. With the cross-border equity market alone worth $30 trillion a year, that means we are talking about a $300 billion market in one asset class." By shrinking the unit cost, Cross Border Exchange aims to enlarge rather than shrink that already large sum by encouraging a higher volume of activity. But what chance does it have of actually succeeding?

It would be easy to dismiss Cross Border Exchange as just another start-up that deserves to succeed but which may—like TradingLinx before it— be crushed by the combined weight of inertia and vested interest. What has brightened its prospects in the eyes of many is an alliance with the Capital Markets Company (CapCo), the post-modern financial consultancy founded by Belgian IT entrepreneur Rob Heyvaert. But Chichilnisky begs to differ. "In joining us, CapCo recognized the power of our technology solutions, and the power of the global network of broker/dealer clients that we have created since our inception two years ago." What the new partnership with CapCo does give Cross Border Exchange is a missing ingredient, without which it cannot build traffic: Distribution among custodian banks, broker/dealers and fund managers. "CapCo is very complementary because they find and sell solutions, and we have a solution," explains Chichilnisky. "Reciprocally, CapCo also benefits from using our client base as a distribution channel." Under the terms of the alliance, Heyvaert becomes chairman, while Joe Anastasio—the public face of CapCo in the United States—becomes president and COO of Cross Border Exchange. CapCo has also injected money into the company in exchange for a shareholding. Though the Cross Border Exchange deal squares with an emerging pattern of behaviour at CapCo—the consultant has already inked similar deals with HP and Reuters—Chichilnisky says the main driver was the desire of Joe Anastasio to stop conceptualizing solutions and start implementing them. The alliance between Cross Border Exchange and CapCo gives him the opportunity to do exactly that, while giving Cross Border Exchange distribution among CapCo clients.

It is an apt explanation of Chichilnisky's own motivation too. A MIT-trained mathematician with PhDs in both mathematics and economics from the University of California at Berkeley and a chaired professorship in both subjects at Columbia, Chichilnisky has never found complete satisfaction within the long disdained ivory tower. "I long to join concepts and thoughts with action," she says. In fact, Cross Border Exchange is arguably her latest attempt to fulfill a dream she has nursed for nearly 20 years: Automation of securities processing on the global scale. Back in the 1980s she and Geoffrey Heal founded a company called Financial Telecommunications (FITEL), whose aim was to allow fund managers, broker/dealers, and custodian banks to match trade data online, in much the same way as the officially approved virtual matching utilities (VMUs)—Omgeo and GSTP AG—aim to do today (see "Visionaries or Sirens?" *Global Custodian*, September 1989). In fact, it was during the FITEL days that Chichilnisky first worked with Joe Anastasio, who was then running Salomon Brothers international operations. Two years ago, Anastasio and Rob Heyvaert were the prime movers behind a CapCo offer to invest in Cross Border Exchange. In the event, the company opted for the Morgan-affiliated Beacon Group as their prime investor, raising the cash through the good offices of the man who is now vice chairman of JPMorgan Chase and chairman of the board of advisors of Cross Border Exchange: Dave Coulter. Gonnegtions, as Scott Fitzgerald called them, are something of a specialty at Cross Border Exchange. The board of advisors includes not only Joseph de Feo, CEO of CLS Services, but Fred Grauer, a former chairman of Barclays Global Investors regarded by many as the father of indexed investing (see "Fred Grauer," *Global Custodian*, Fall 1999).

Chichilnisky, to her credit, soars far above the money trees of T+1 in her search for reasons why Cross Border Exchange is necessary. As an Argentinian of Ukrainian descent, she has a passionate interest in facilitating private flows of capital across borders, seeing them as the answer to needs far more fundamental than the reduction of the costs and risks of cross-border securities trading: The elimination of world poverty and global conflict. Private capital is, she says, a solution to the problem of global liquidity for the age of market liberalism in the same way that the World Bank and the IMF were solutions to the same problem in the age of socialism. "The World Bank and the IMF have succeeded very well," she says. "But both institutions are now very political. As a result, at a time when global liquidity is more important than ever, the post-war institutions are causing a lot of dissatisfaction in both developed and undeveloped countries. Cross-border trading has the potential to offer private access to

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private capital, which will simply pursue the highest return, instead of the politically arbitrated and politically controlled capital supplied by the World Bank and the IMF." She adds that relatively modest flows of capital seeking higher returns, perhaps from retail investors, are not only de-politicized and de-institutionalized: They are bound to be much less disruptive than volatile flows of portfolio investment and proprietary trading by hedge funds and investment banks.

But no matter how true this argument is—and no argument in economics is truer than the Law of Comparative Advantage—Cross Border Exchange has also to operate in the real world, where established businesses invariably feel threatened by the promise of greater efficiency or new information. Nobody knows this better than Chichilnisky. The main reason she sold FITEL in 1988 was the unwillingness of market participants to purchase efficient infrastructural solutions from a private, commercial provider they neither owned nor controlled. This is one reason why Cross Border Exchange is exploring the idea of offering services to major market participants on a white-label basis. But Chichilnisky is also convinced her business model threatens no established intermediary. "Who are we taking business from?" she asks. "Nobody. This is an infrastructure play, which is designed to be complementary rather than competitive. Our aim is not to replace the existing players but to enhance the reach and efficiency of their services, and so enlarge the volume of business they transact. I think of all of them as partners as well as potential clients. In a large and neglected area, we will make existing business relations work better." In a business where truth and reason prevailed in the short term as well as the long, Graciela Chichilnisky would already be beatified. As it is, she must battle with interest, ignorance and inertia.

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