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## Investment Dealers' Digest

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## Investment Banking

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# Rosenblatt Takes Stock Of Financial Technology

By Katherine Heires

Rosenblatt Securities, a 31-year-old independent brokerage, is ready for the next stage of its growth: serving as an investment banker for financial technology businesses.

The 45-employee brokerage, which has 11 traders on the floor of the New York Stock Exchange in addition to a dozen upstairs traders, has started a group that is working to raise capital through the sale of private and public securities.

The new team will also provide advice on mergers and acquisitions to firms active in the financial technology and capital markets sectors.

"Financial technology is one of the areas that the large investment banks do not cover as closely as they might, and so a lot of deals — whether they are public or private capital raises or M&A deals — simply tend to fall through the cracks," said **Vikas Shah**, a managing director at **Rosenblatt Investment Banking**.

Indeed, Rosenblatt's move to diversify its business lines may already be bearing fruit. The firm is one of the underwriters of **CBOE Holdings Inc.**, the parent of the Chicago Board Options Exchange. According to published reports, the CBOE Holdings' public offering could raise as much as \$300 million.

Before joining Rosenblatt Securities in February of last year to start the group, Shah worked as an investment banker at **Credit Suisse** and he was also a capital

markets banker at **Deutsche Bank**.

Prior to that he ran the principal investments group at **American International Group** where he helped make investments in a range of financial technology start-ups and tech-focused private equity firms.

As he sees it, the financial technology sector is not well served by most investment bankers, who do not have a deep understanding of the technology employed by professional traders or the impact of regulations on the sector.

"There's a lack of deep domain expertise and in-depth understanding of how financial technology may be applied to certain problems," Shah said.

**Joe Gawronski**, president and chief operating officer of Rosenblatt Securities, said he has spotted many transactions in the sector that could have happened, but didn't due to a lack of interest on the part of larger investment banks or a lack of understanding about the sector.

Shah said there are more than 5,000 financial technology companies globally supporting every aspect of capital markets and trade execution.

That number includes many firms with less than \$20 million to \$30 million of



**Vikas Shah**, Managing Director,  
Investment Banking



**Joe Gawronski**,  
President & COO

annual revenues that touch various aspects of the trading business but simply do not register on the radars of the major investment banks, he said.

"Most large banks are not interested in working on deals where the fee sizes are under the \$3 million to \$5 million dollar range," said Shah.

By contrast, Shah said, Rosenblatt Investment Banking will be "agnostic about deal size" and will work with firms that have anywhere from \$5 million to \$100 million of revenue and may be seeking alliances, partnerships, strategic consulting, capital or M&A advice.

His group also has its eye on exchanges, broker dealers, proprietary trading firms, market data providers and tech vendors that provide enterprise scale technology for exchanges and large asset management firms.

Shah said he sees growing interest in companies that specialize in technology to facilitate high-speed, low latency trading, along with risk management and clearing and settlement services. “We specialize in anything that touches a trade or is part of the trade life cycle,” he said.

Rosenblatt Securities regularly provides its clients — including high-frequency trading and private-equity firms — with analysis of trading activities in so-called dark pools or alternative trading systems.

Gawronski says his firm’s “roots on the floor of the New York Stock Exchange” (Dick Rosenblatt, the firm’s founder and an executive governor, is still a floor broker at the exchange) “makes people think of us as ‘old school,’” but it has been consistently known for its use of technology, whether through the early adoption of cloud computing to assist in the data-intensive work of trade cost analysis or the launch of a Web portal to help investors determine true market demand at the open and close of the trading day.

Shah said that before he joined Rosenblatt Securities, he and Gawronski found themselves courting the same clients, because the firm’s visibility in the financial technology arena was rising.

**Many firms don’t have “an in-depth understanding of how financial technology may be applied,” Shah says.**

At that time, Gawronski recalls, he frequently found himself answering client questions about “Who would want to buy this?” or “Who would want to sell that particular financial technology firm?” Eventually, he started to ask himself, “Why not try to monetize this activity?”

After a series of conversations, he hired Shah to head that effort. “I needed someone who recognized our domain expertise and

could leverage it in the banking world.”

At present, Rosenblatt’s bankers are involved in two global searches and other potential acquisitions in the data management sector, and it has advised Brazilian stock and futures exchange **BM&F Bovespa** on a strategic transaction. “We wanted to get a few deals under our belt before making a formal announcement” about the investment banking initiative, Shah said.

Gawronski views that initiative as simply an extension of the ongoing efforts to serve client needs. “It’s consistent with our history of being a client-driven business,” he said, and over time he hopes to expand his investment banking staff to cover a broader swath of the financial technology sector. “I view this effort as a great growth opportunity and am looking for investment banking to become an ever more important contribution to our bottom line.”

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