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Progress Software Survey Reveals the Realities of Regulation, Monitoring and Algorithms on the OTC Derivatives Market

More Than 70 Percent Believe Rogue Algorithms Are Inescapable

BEDFORD, MA -- (MARKET WIRE) -- 06/14/11 -- [Progress Software Corporation](#) (NASDAQ: PRGS), a leading software provider that enables enterprises to be [operationally responsive](#), today announced results from global [research](#) which indicate that brokers in the OTC derivatives market see the competitive advantages to compliance with regulations such as those proposed in the [Dodd-Frank Wall Street Reform and Consumer Protection Act](#) in the US and the [Markets in Financial Instruments Directive \("MiFID"\)](#) in Europe, but do not want to be responsible for inspecting their own algorithmic trading strategies before they are deployed in the market.

The study, carried out by independent market research firm, [Vanson Bourne](#), between April and May 2011, found that 76 percent of financial institutions agree that algorithms must be carefully monitored and tested before they are put into the market. However, 65 percent do not believe they should be responsible for reviewing algorithms before deployment. In fact, 49 percent of respondents believe regulators should be responsible for inspecting algorithms before they go to market.

Other key findings include:

- | 67 percent believe that rogue algorithms are inescapable. That number rises to as much as 78 percent in the US. Those who use third-party solutions to monitor their trade reconciliation process feel strongly about this, with 72 percent responding that rogue algorithms are unpreventable.
- | 51 percent believe compliance with reforms will provide a competitive advantage and 19 percent view it as a way to avoid litigation.
- | 60 percent of respondents in the UK believe that reforms are happening too quickly, compared to 46 percent in the US.
- | Those with third party transaction monitoring solutions worry less about the speed of reforms and are not as likely to feel the need for regulators to check all algorithms. They are also less likely to predict a decrease in trade volume as a result of shifting regulations

[Dr. John Bates](#), chief technology officer of Progress Software and member of the Technology Advisory Committee for the US Commodity Futures Trading Commission (CFTC), said: "With Dodd-Frank on the brink of implementation, we're entering uncharted territory and only time will tell how shifts in regulation will impact trading volumes or what asset classes will be most affected by the next 'Flash Crash' or 'Splash Crash.' The reality is that regulators are not ready to police algorithms, which means institutions must have processes in place that enable them to detect significant market movements, potential abuse and out of control algorithms in real-time in order to gain competitive advantage."

Notes for editors

Survey methodology

Progress software commissioned independent specialist technology market research company Vanson Bourne to undertake the research upon which this report is based. 79 interviews were carried out in April and May 2011 with senior business decision-makers in the risk, compliance and trade reconciliation in large banks and brokerages which engage in the trading of Over-The-Counter derivatives. The research covered USA, UK and Canada. Due to a relatively small number of organizations matching the demographic profile and highly specialized nature of the questions asked, the research was performed by telephone.

Results discussed in the main narrative are based on the entire global sample. Variances in regional response or sector are only noted when there is significant variation from the average response. This study examines how heads of compliance, risk and reconciliation feel about the issues of regulation, monitoring and algorithmic trading. Are regulations moving too fast? Do they feel that their institution is doing all it can? Are their monitoring systems as strong as possible? Will rogue algorithms become a thing of the past?

About Progress Software Corporation

Progress Software Corporation (NASDAQ: PRGS) is an enterprise software company that enables businesses to be operationally responsive to changing conditions and customer interactions as they occur -- to capitalize on new opportunities, drive greater efficiencies and reduce risk. The company offers a comprehensive portfolio of best-in-class

enterprise software spanning event-driven visibility and real-time response, open integration, data access and integration, and application development and deployment -- all supporting on-premises and SaaS/Cloud deployments. Progress maximizes the benefits of operational responsiveness while minimizing IT complexity and total cost of ownership. Progress can be reached at www.progress.com or +1-781-280-4000.

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