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U.S. and U.K. Supremacy in Financial Markets to Wane This Year

Regulatory Arbitrage Will Add to Pressure, Says Progress Software

BEDFORD, MA -- (MARKET WIRE) -- 01/10/11 -- [Progress Software Corporation](#) (NASDAQ: PRGS), a leading software provider that enables companies to be operationally responsive, believes that the U.S. and U.K.'s dominance of financial markets may be on the wane in 2011.

Dr. John Bates, chief technology officer, Progress Software, said: "High frequency trading (HFT) and algorithmic trading are taking off in emerging markets such as Brazil and India, possibly signaling the end of US and UK dominance in financial markets. Plus, HFT and algorithmic trading in the US and the UK will wane as regulatory arbitrage forces large banks and hedge funds to trade in -- or move to -- more lightly regulated regimes."

Progress Software's outlook for the year forecasts cross-asset 'splash crashes' will be an issue in the coming months. Bates added: "Increased interdependence of asset classes can lead to cross-asset flash crashes -- a domino effect where the crashes 'splash' across asset classes."

Progress Software's Capital Markets Predictions for this year:

1. *Bye-bye status quo.* High frequency and algorithmic trading will blossom in new markets such as Brazil and India, possibly signaling the end of US and UK dominance in financial markets. HFT and algorithmic trading in the US and the UK will wane as regulatory arbitrage forces large banks and hedge funds to trade in -- or move to -- more lightly regulated regimes.
2. *Splash crashes.* Increased interdependence of asset classes can lead to cross asset flash crashes -- creating a domino effect where the crashes 'splash' across asset classes. As asset classes outside equities -- energy, commodities, FX, derivatives -- become increasingly automated there will be more flash crashes.
3. *More responsive and intelligent algorithms.* Algorithms will get smarter so that they can react instantaneously to market anomalies and anticipate interruptions to liquidity. Rapid response algorithms could help to prevent the next flash crash.
4. *FX becomes more customized.* Market participants will move away from inflexible applications for foreign exchange e-commerce; banks will trend toward customized systems to drive more unique, tailored offerings to their customers.
5. *Fixed Income becomes more algorithmic.* As new trading venues like GovEx emerge to join existing venues such as EBS BrokerTec and eSpeed, real-time liquidity aggregation is becoming key. Cross-asset trading, which combines derivatives into algorithmic strategies, such as US Treasuries with futures -- is becoming a must-have in the trading world.
6. *Play ball or pay.* Regulators will become the SWAT teams that swoop in, react to and punish rogue trades, insider deals and fat fingers. Banks will be mandated to deploy technology that prevents such incidents, or pay a bigger price.
7. *Automate or die.* Proprietary traders will continue to disappear from bulge bracket banks and launch their own automated hedge funds. They will take programmers with them in order to start quant trading funds, and will need technology platforms for designing and supporting this. Old-fashioned agency brokers will die or consolidate as speedy technology bumps out the human voice broker.

Progress Software's 2010 predictions proved remarkably accurate; the use of technology for regulatory compliance and enforcement became paramount after the financial crisis, and the "cloud" went mainstream with hosted services taking IT burdens and maintenance issues away from fund managers. And emerging markets including Brazil, India and China became critical forces in global trading as predicted.

Bates concluded: "The continuing series of financial crises [in the US & UK] have triggered a seismic change in the status quo for financial markets. And in spite of this, more emerging markets countries are embracing automation at an exponential rate. Therefore, we will see innovative new uses for technology as well as an increased ability to police and control trading issues on a global basis."

About Progress Software Corporation

Progress Software Corporation (NASDAQ: PRGS) is an independent 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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