

## Foreign INTRIGUE with Michael Kass



### Foreign Exchanges

In the 1990s, Jignesh Shah and Dewang Nerella helped take the Bombay Stock Exchange electronic. Today, the founders of Financial Technologies are spreading digital exchanges throughout the Middle East and Asia.

The two entrepreneurs set out on their own a decade ago, launching FTECH to provide hardware and software for traders and software for exchanges. The company's flagship product for traders, ODIN, now has a 90% market share among Indian retail brokers. FTECH (0.9% of the Fund as of 12/31/09), requires an annual license for each asset class traded on the system (there are six altogether) and gets paid for tech support and consulting, too.

In 2002, responding to a government request, FTECH

was awarded a license to set up a commodities exchange. The result is MCX, India's dominant commodity derivatives exchange, trading gold, silver, copper and crude contracts pegged to Western benchmarks.

Since then, FTECH opened four other electronic exchanges in India and one in Singapore. The company has government approvals for four more exchanges in Mauritius, Botswana, Dubai and Bahrain. The company will benefit from hardware and software sales, support, licensing fees, and transaction fees.

The introduction of exchanges to countries provides significant economic benefits. For example, farmers in countries that previously lacked a commodities exchange now have access to accurate market prices.

Over the long term, we believe Financial Technologies presents an attractive long-term growth opportunity. *(Baron International Growth Fund invests primarily in non-U.S. growth companies. In this column, Portfolio Manager Michael Kass examines the companies, industries and events that he believes will influence the Fund in the months to come.)*

Current and future portfolio holdings are subject to risk. 🏰