

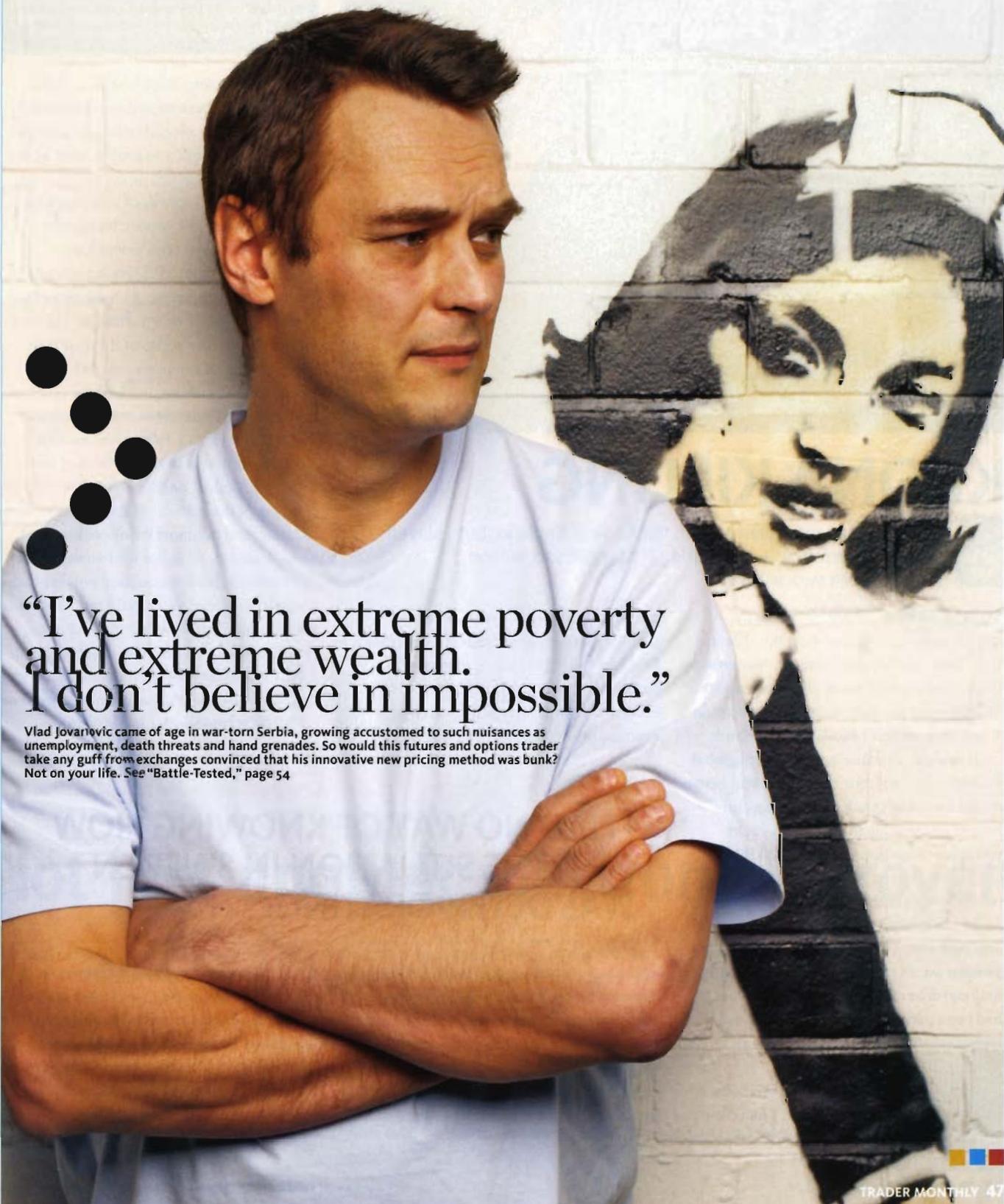
OPEN

HIGH/LOW

DIRECTIONS

CLOSE

INSIDE: THE OTHER WHITE METAL, THE CITY'S RICHEST MAN, SPECULATION NATION

A man with short brown hair, wearing a light blue t-shirt, stands with his arms crossed against a white brick wall. To his right is a large black and white graffiti portrait of a man with a mustache and a goatee. On the left side of the man's torso, there are five black circles of varying sizes arranged in a vertical line, resembling a bullet point list.

“I’ve lived in extreme poverty and extreme wealth. I don’t believe in impossible.”

Vlad Jovanovic came of age in war-torn Serbia, growing accustomed to such nuisances as unemployment, death threats and hand grenades. So would this futures and options trader take any guff from exchanges convinced that his innovative new pricing method was bunk? Not on your life. See “Battle-Tested,” page 54

## BATTLE-TESTED

RISK/  
REWARD

Vlad Jovanovic's formative years took him to hell and back. What didn't kill him made him stronger — and now he's in trading heaven  
BY ANNAMARIA ANDRIOTIS

**GROWING UP THE SON** of a civil engineer who worked on construction projects in the poorest regions of Africa, Vlad Jovanovic witnessed famine and suffering close up. As a young adult, he survived death threats as his native country, what was then Yugoslavia, fought a civil war.

From his office in London's upscale Shoreditch neighborhood, he's still amazed he ever made it. When some major exchange officials told him his plans to change the trading industry were impossible, Jovanovic naturally drew on perseverance. "I don't believe in impossible," he says, shrugging.

After starting out as a technician who maintained networks at Bank of America's London headquarters, Jovanovic, 41, now owns Communicating Ltd., a black-box electronic futures-and-options trading boutique. The key asset: Aquarius, its proprietary algorithmic engine.

In 1999, Jovanovic, convinced that floor trading's days were numbered, took 10 members of his Communicating team — five arb traders and five programmers — into seclusion for six months. When they emerged, they were certain they had developed the fastest and most efficient modular-based pricing engine ever created — software that could conduct millions of calculations and execute more than 800 orders per second,

searching every possible trade outcome, all while running entirely on a PC.

Jovanovic began discussions with Deutsche Börse, LIFFE, ICE, CME and LSE about using Aquarius as an artery system. He insisted Aquarius could accommodate an infinite amount of orders and clear a greater number of trades faster and more efficiently. The exchanges remained skeptical. Jovanovic was incredulous: "How could they balk at a system that was guaranteeing maximum reward with little, if any, risk?"

He responded by turning adversity into inspiration. Flipping the script, he redirected Aquarius's purpose from creating efficiencies for the exchanges to capitalizing on their price inefficiencies. The result? Communicating now accounts for as many as 100,000 contracts a day in the CME, CBOT and LIFFE markets and averages about 2 percent of the daily volume of ICE crude and gas futures. In each of the past two years, Jovanovic claims, the firm has raked in \$90 million in profits.

"Vlad brings a different level of aggressiveness to trading than the City is accustomed to," says George Ferrari,

**TRUE GRIT:** Having endured famine and war, Vlad Jovanovic took resistance from exchanges in stride.

director of sales and trading at Communicating. "He looks for the most efficient way to get from point A to point B, and no matter what, he doesn't take no for an answer."

Born in Belgrade, Serbia, Jovanovic spent part of his childhood in Zambia and Sudan, where his father, the director of a Yugoslavian civil-engineering company, was helping build those impoverished nations' infrastructure. "I was living in extreme poverty and extreme richness," Jovanovic recalls. "We were part of the privileged group, about 0.5 percent of the population. The other side was unbelievable. People were dying every day."

He graduated from an elite program at the University of Engineering in Belgrade, leaving school just as war began to tear Yugoslavia apart. "The state had spent a lot of money educating us," he says, "but it suddenly couldn't provide us with a working environment." In 1988, he was hired as a ballistics engineer for the crumbling central government's military. Several months later, as unemployment continued to rise, Jovanovic quit. "I couldn't even make enough money to support myself," he says.

Disgusted by the propaganda on state television, Jovanovic joined a team that launched Yugoslavia's first independent TV station, Yutel, in 1990. He soon found the studio ransacked. Both recorded material and personnel were missing — and have never been found. Serbia's new president, Slobodan Milosevic, had begun his reign of tyranny — he had threatened Yutel in the preceding months, and Jovanovic remains certain that he was responsible for its destruction. But trouble was far from over.

"I was heading home one day when I saw three guys standing outside my house," says Jovanovic, who was married with a daughter at the time. "One held a grenade and asked the others to dare him to throw it through the windows into my living room." The men spotted him and fled. "From that moment, I slept with a gun under my pillow."

Shortly thereafter, when the Serbian military began drafting young men to fight, Jovanovic, educated and multilingual, was an ideal candidate. "The military was knocking on civilians' doors and dragging the men

out," he says. "It was just a matter of time before they came for me."

He fled to England in 1991, soon realizing that while he had escaped a war, several battles still loomed. Lacking British citizenship (which took him 11 years to attain), he spent six months unemployed. By 1993, he was freelancing at Bank of America's back office, and within a few months, he was running Bear Stearns's IT. Determined to be his own boss, he launched Communicating in 1995 as a one-man IT consulting firm.

Fast-forward to the winter of 2006. Dingy, dark and cluttered with computer screens, wires and dust, the Communicating office is enveloped in quiet. Suddenly a sound like an AOL Instant Message alert beeps from the screens, signaling another executed trade.

Six years after Aquarius's development, it has come full circle, giving Communicating an arbitrageur edge in the market. "Hands down, the Aquarius platform is unmatched," says Tony Walker, a London-based hedge-fund trader familiar with the technology. Consider it something of a Big Brother that observes the exchanges, displays market prices and generates futures trades in search of price inefficiencies across infinite calendar spreads. The Communicating guys now sit back and watch the system trade bond, currency and oil futures on the major exchanges.

The data they receive come directly from the exchanges. In the past three years, Communicating's trading volume has increased by 400 percent. The guys trade their own money, buying and selling nearly instantaneously without ever carrying positions overnight.

Early this year, Jovanovic and his partner, Richard Lane, a former LIFFE options trader who runs Communicating's Chicago office, began discussions with a group looking to relaunch Philadelphia's defunct Merchant's Exchange as an options exchange with Communicating as a collaborator. It's risky; the firm's software secrets could get around. "We're relaxed about that," Jovanovic says. "I dare someone to try to compete." Quite a cocky challenge — but given what he's been through, a small one. ■

## THE TIP SHEET



**SEE SPOT RUN:** Forex traders are anticipating the CME

and Reuters's new centralized electronic spot market, set to launch next year — but another player is trying to beat them to the punch. **COESfx**, a Plainview, New York-based operation hellbent on becoming the ArcaEx of spot forex, has inked an agreement to tap into the Goldman Sachs currency desk for streaming price quotes. Deutsche Bank and Cantor Fitzgerald are also coming onboard. Volume on the COESfx Level 1 platform is growing, sometimes trading \$1 billion worth of currency (in nominal dollar value) a day, a fourfold increase from just a year ago. Trading fees vary, depending on volume. "We witnessed the rise of ECNs in equity markets," says Michael Frey, COESfx's CEO. "Now it's happening in forex."



**FAR OUT FAR EAST:** Bored by the same old energy bets? Terrified by choppy precious metals? Well, before long, you'll be able to trade some cool

Asian commodities (rubber futures, say) via the soon-to-launch **Joint Asian Derivatives Exchange (JADE)**, an electronic joint venture between the Singapore Exchange and the CBOT. Look for JADE to launch soon — and for rubber to rebound.



**QUANT FOR DUMMIES:** As you pore over the 700-page textbook on quantitative investment techniques, it hits you: Can death be much

worse than this? Instead, consider **TradingFives.com**, the brainchild of attorney/trader Peter Amaral, your own quant cheat sheet. Since 1999, Amaral has been distilling exotic trading techniques like Fibonacci ratios and the Square of Nine into laymen's "e-books," which he posts on his Web site. He's now working on his next book, a distillation of the Elliott Oscillator. Miramax has optioned the rights, and it's soon to be a major motion picture. We're not kidding. OK, maybe we are.

RICH BLAKE AND ANNAMARIA ANDRIOTIS