

Information Processing

SOFTWARE

THIS SOFTWARE WHIZ LOVES TO PROVE THEM WRONG

Graciela Chichilnisky's startup is bucking the odds



CHICHILNISKY: "PEOPLE TOLD US THAT ONLY A VERY LARGE COMPANY COULD DO THIS"

For most of her life, friends have told Graciela Chichilnisky that she couldn't succeed at what she wanted to do. When she was 20, they said she couldn't move to the U.S. from Buenos Aires and get a PhD in mathematics without earning a BS first. They were wrong. They were skeptical, too, when as a young single mother she went for a second PhD, this one in economics. Wrong again.

Now 40, Chichilnisky is bucking the odds once more. She is chief executive and co-founder of Fitel Ltd., a British startup that automates the complex process of clearing and settling international securities trades. Brokers say that up to 40% of all such trades don't go through on time because there is no efficient way to reach all the participants, who might be in several countries. One broker adds that single brokerages have failed to receive or deliver up to \$60 million in securities in one week.

Chichilnisky and several other economists spotted this problem about the same time and began looking for a solution. "People told us that only a very large company could do this," she recalls. But she and her friends, now all investors in Fitel, tried anyway. In late

1985 they raised \$5.5 million from private sources, hired 30 programmers, and designed a complex software system called Equinet. Part of it operates on a mainframe computer in Fitel's London office. The rest runs on customers' personal computers. The programs let every party to a trade receive and send instructions simultaneously. Equinet comes in three versions, for banks, funds managers, and brokers. "It's a feat that no one has been able to accomplish before," says Joseph Anastasio, a managing director of Salomon Brothers. **'BRAINPOWER.'** If anyone is right for this type of business, it's Chichilnisky. An economics professor at New York's Columbia University, her passion is using academic theory on real-world problems. As a PhD candidate in mathematics at the University of California at Berkeley, she worked with a group of Argentinian scientists in 1972 to design computer models for economic development. Later, while teaching at Columbia, she directed a project for the U.N. Institute for Training & Research to study the economic relationship between industrialized and developing countries. Says Philippe De Seyne, her boss at the U.N.: "I've seldom encountered a person with

so much brainpower, capacity for concentration, and such a strong will."

Her role model was her father, who fled anti-Semitism in Czarist Russia and settled in Argentina in 1906. Eventually he became a professor of medicine at the University of Buenos Aires and a Cabinet minister. Most of his property was confiscated after a 1966 military coup, which was a turning point in his daughter's life, too. Rather than attend the University of Buenos Aires, she moved to the U.S. Using several foundation grants, she attended Massachusetts Institute of Technology, Berkeley, and Harvard, then landed a job at Columbia.

CLOSING THE LOOP. Fitel already has several customers, including Salomon Brothers and Fidelity Investments. They pay about \$30 a trade for as many as 1,200 trades a day. About eight additional firms are testing Equinet. "Any one who doesn't at least look at this system is crazy," says Charles Fisher, a vice-president with Shearson Lehman Brothers. Chichilnisky concedes that Fitel could fail to attract enough customers to be viable. "We could go bankrupt in six months," she shrugs. But she's planning on breaking even by the end of the summer. "It's a hot little company," says Corey Bock of Link Resources Corp., a market research firm.

If Fitel prospers, it will be partly because it has solved a problem common to most financial information systems. Many can't operate successfully unless everyone involved in a transaction buys the service. Realizing this, Fitel designed its system so that parties to a trade who don't buy its software still get a telex of the transaction—with the cost covered by the charge for paying customers who get the information instantaneously on their PCs. This closes the loop, so that each player takes the steps necessary to complete a trade. "We have been able to form the nucleus of a network" with just a few participants, says Geoffrey Heal, Fitel's executive director of operations. The company is betting that the people who get telexes eventually will sign up for the electronic service.

By this summer, Chichilnisky hopes to bring in more top management, so that she and her co-workers can shorten their 15-hour workdays and spend less time jetting between their New York and London offices. This leaves little time to enjoy the Manhattan townhouse that she shares with three cats. She'd like to return to Columbia, from which she has been on a leave of absence. And she has a few more books to publish. Says Chichilnisky: "I have a lot of other things I want to do with my life."

By Anne R. Field in New York