

Feb 13, 2018, 09:45am EST

Forbes Fintech 50 2018: The Future Of Wall Street And Big Data



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Banking & Insurance

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Being at the cutting edge of technology on Wall Street can mean billions of dollars in value created, or saved. In a dawning era of disruption, Wall Street-focused financial technology startups are helping the world's biggest banks and investors manage the flow of money better, safer and at a lower cost.



Digital Reasoning founder Tim Estes in Nashville, Tennessee. (EVAN KAFKA FOR FORBES)

America's biggest lenders are using novel machine learning engines to sift through haystacks of information to uncover fraud and catch identity thieves, saving consumers money. In financial markets, new techniques of studying language are helping firms and exchanges spot market manipulation. Mega banks are using artificial intelligence to get a better, real time understanding of their market and operational risks, while new software platforms are altering how big firms collaborate internally and with the rest of the street.

The data age is also revealing new sources of investment alpha. Hedge funds are taking information gleaned from disparate places, for instance liquor

license applications, FCC radio permits and satellite images, to research new investment ideas. The clever use of data is also helping to cut out costly middlemen. Upstart platforms are beginning to transform the way in which stocks and bonds are traded, mostly to the benefit of asset owners like 401(k) savers.

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This new crop of startups is altering the way Wall Street thinks, functions and behaves. *Forbes'* 2018 Fintech 50 list includes ten startups plying novel technology to solve the biggest problems financial institutions have.

New additions to our list include Ayasdi, an artificial intelligence platform started by a team of Stanford PhD's, which helped [Citigroup](#) pass the Federal Reserve's stress tests after a series of failures. Feedzai, founded by a former rocket scientist, is harnessing the power of data to detect fraud. Emerging data giants Enigma and Quandl are being used by the world's biggest hedge funds to parse hundreds of thousands of information sources for money making ideas.

Our list also includes holdovers that are increasingly entrenched on Wall Street. Nashville's Digital Reasoning pioneered algorithms that study language to help heavyweights like [Goldman Sachs](#) and [Nasdaq](#) uncover manipulators. Soon \$1 trillion worth of assets will be stewarded on fintech unicorn Addepar. Stock exchange IEX may eventually redefine what it means to be a public company.

Here's who in capital markets and trading made our Fintech 50, in addition to their backers, customers and big developments.



Joe Lonsdale, founding partner of 8VC and co-founder of Addepar Inc. Photographer: Patrick T.... [+]

Addepar Mountain View, CA

Cloud-based software that allows financial advisors to track and analyze all of a client's holdings and more easily bring new ones on board. Extended its range last year with acquisition of AltX, a data provider covering more than 17,000 hedge funds.

Bona fides: More than \$900 billion in assets managed on platform by 250 firms, including Morgan Stanley, AB Bernstein, Oppenheimer & Co. Inc., BMO Wealth Management's CTC | myCFO and Jefferies.

Cofounder and executive chairman: [Joe Lonsdale](#), 35, also a cofounder of [Palantir Technologies](#) .

Current CEO: Eric Poirier, 35

Funding: \$215 million from Valor Equity Partners, Harrison LeFrak, Blumberg Capital and 8VC

Latest Valuation: Over \$500 million

Threat to: Tamarac Envestnet and **BlackRock** 's wealth platform



Gurjeet Singh, co-founder and executive chairman. Photographer: David Paul Morris/Bloomberg

Ayasdi Menlo Park, CA

Its machine learning technology, first developed for defense agencies, is used by big banks to analyze their market and operational risks as well as to detect patterns of potential money laundering.

Bona fides: Ayasdi's technology helped Citigroup pass the Federal Reserve's stress tests. It has reduced HSBC's false positives in money laundering surveillance by 20%.

Cofounders: Stanford Mathematics PhDs Gunnar Carlsson, 65, Gurjeet Singh, 36 and Harlan Sexton, 63. CEO Bob Griffin, 61.

Funding: \$106 million from Kleiner Perkins, Khosla Ventures, Citi Ventures, Centerview Capital, Floodgate and Draper Nexus

Threat to: IBM , SAS and Oracle



Nashville fintech Digital Reasoning. FROM THE COMPANY

Digital Reasoning Nashville

Its machine-learning software is able to extract meaning from everyday communications. Originally created for U.S. Army counter surveillance, it's now used by top financial firms to screen their employees' e-mail and instant messages for misconduct and by Nasdaq to watch out for market manipulation.

For more: See our [June magazine feature](#) titled: "Wall Street's Robocop."

Bona fides: Used by Goldman Sachs, UBS and Point72

Founder: Tim Estes, 38

Funding: \$76 million from Goldman Sachs, Credit Suisse, Nasdaq, HCA and others

Threat to: Behavox, Palantir, [HP](#) , IBM Watson



Enigma CEO and co-founder Hicham Oudghiri. COURTESY OF ENIGMA

Enigma New York City

Using natural language processing and artificial intelligence, organizes disparate public data coming from factories, shipping records, tax filings, and liquor licenses to create real world insights relied on by hedge funds and other investors. Lenders use it to identify money laundering suspects, insurers to assess their risks. Is Burger King growing its stores? Enigma tracks FCC radio licenses for drive thru radios to know exactly how many stores are opening or closing.

Bona Fides: The world's broadest collection of public data has 100,000 datasets spanning 100 countries. Used by some of the world's biggest quantitative hedge funds.

Cofounders: CEO Hicham Oudghiri, 33, formerly managed private sustainable finance projects in Africa partnering with the World Bank and Chairman Marc DaCosta, 33, a PhD in cultural anthropology

Funding: \$34.6 million from NEA, Two Sigma Investments, American Express Ventures, Comcast Ventures and New York City Investment Fund

Threat to: IBM Watson and Quandl



Founded by Nuno Sebastiao, a former scientist with the European Space Agency, FROM FEEDZAI.

Feedzai San Mateo, CA

Marries machine learning-based analysis of unstructured data such as emails and customer service calls with structured data from transactions to help firms fight credit card and payment fraud.

Bona fides: Users include Capital One, First Data, and Citibank

Cofounder & CEO: Nuno Sebastiao, 39, a Portuguese former rocket scientist with the European Space Agency

Funding: \$82 million from Citi Ventures, Sapphire Ventures, Oak HC/FT and others.

Latest valuation: \$575 million.

Threat to: Forter, IBM Watson, SAS and FICO



IEX founder Brad Katsuyama. JAMEL TOPPIN FOR FORBES

IEX New York City

Stock exchange creates a speed bump to level the playing field between high-frequency traders and long-term investors. Recently won approval to list public companies and has partnered with Long-Term Stock Exchange to eventually host IPOs.

For more on IEX, see our [August 2015 magazine feature](#) titled: "Wall Street's Unlikely Rebel"

Bona fides: 2.5% market share of U.S. stock trading. Used by many of the world's biggest investors, including pension funds, hedge funds and mutual funds

Cofounders: Brad Katsuyama, 39, Ronan Ryan, 43, John Schwall, 45, Rob Park, 39, heroes of Michael Lewis' Flash Boys

Funding: \$100 million from Steve Wynn, Spark Capital, Bain Capital Ventures, Franklin Resources, Greenlight Capital and others

Threat to: NYSE, Nasdaq, BATS Global Markets, Citadel Securities, dark pools



Kensho founder and CEO Daniel Nadler JONATHAN KOZOWYK FOR FORBES

Kensho Cambridge, MA

Uses huge historic database and machine learning to analyze how a specific event-- from a natural disaster to an election result-- might affect markets. Its economic mapping technology is now the backbone of more than a dozen unique index products.

For more on Kensho, see our [May 2014 magazine feature](#) titled: "Can Kensho Bring Google Style Search To Stock Picking"

Bona fides: Users include Goldman Sachs, BofA Merrill, Citigroup and Morgan Stanley

Cofounder & CEO: Daniel Nadler, 34, wrote his thesis for Harvard economics PhD on sovereign credit risk

Funding: \$150 million from S&P Global, Goldman, Google Ventures, Fidelity, [George Soros](#), the CIAs venture arm and others.

Latest valuation: \$650 million.

Threat to: Investors who benefit from information arbitrage, human analysts.



Alternative data giant Quandl FROM THE COMPANY

Quandl Toronto, Canada

A powerhouse in what's being called "alternative data," tracks everything from consumer spending online, to logistics data and internet interconnected devices. Tests thousands of obscure data sets to find those which provide insight into how a company is performing.

Bona fides: Its 250,000 users download 10 million data sets daily. Clients include seven of the world's 10 biggest quant funds and 14 of the 15 largest banks in the world

Founder & CEO: Tammer Kamel, 46, former hedge fund risk head

Funding: \$20 million from Nexus Venture Partners, August Capital and others

Threat to: Quantitative hedge funds, IHS Markit, S&P Global, Dow Jones



Symphony founder and CEO David Gurle COURTESY OF SYMPHONY

Symphony Palo Alto, CA

Platform allows traders and portfolio managers to securely message each other, share screens and conduct meetings without violating compliance rules. Functions as Wall Street's "app store" allowing secure access to more than 100 financial applications.

For more on Symphony, see [our other coverage](#).

Bona fides: Used by 303,000 financial services professionals across 270 organizations, including BlackRock and large banks. Annual recurring revenue growing 75%, expected to break even in 2019.

Founder & CEO: David Gurle, 51, veteran of Thomson Reuters, Skype and Microsoft

Funding: \$234 million from Goldman Sachs, JPMorgan, BlackRock, Citadel, Maverick Capital, Google, Societe Generale and others.

Latest Valuation: Over \$1 billion.

Threat to: Bloomberg, Thomson Reuters, Microsoft's Skype for Business and Citrix



Bond trading platform Trumid COURTESY OF TRUMID

Trumid, New York City

Electronic-trading platform for corporate bonds, network offers anonymous liquidity. Recently acquired competitor Electronifie and now integrated with Charles River. Daily users trading up 80% and daily trade volumes nearly doubled in the past year. In January, accounted for 1% of trading volume in the high yield bond market.

Bona fides: 380 onboarded institutions trading nearly \$19 billion on the platform.

Founder: Ronnie Mateo, 44, previously a managing director at Salomon Brothers/Citibank

Funding: \$82 million from Deutsche Börse, CreditEase, [Peter Thiel](#), George Soros and others

Threat to: Wall Street bond dealers

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