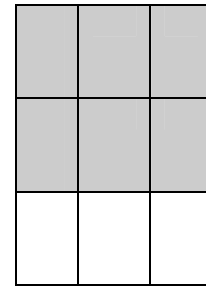




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## Experts: Think Twice About Low-Latency Race

**LONDON**—Although achieving ultra-low latency is the top priority for many market players, it is fundamental that firms assess their business needs as well as the costs of maintaining a leading-edge infrastructure before deciding to enter the speed battle, say industry participants.

Microsecond-fast systems are important for very specific trading opportunities, says Mark Reece, eTrading solutions architect at HSBC, who spoke at a recent panel discussion on latency hosted by messaging software provider 29West. “Equally, there are many other cases where you need good latency, so you need to take all the latency you can out of the application. But you are not talking microsecond critical—probably 1 or 2 milliseconds, that

sort of level,” he says.

“Depending on the asset class and depending on what business functions you need, you might not need to be writing the leading edge code, but if you are writing the leading edge code then tune, tune and tune,” says Nigel Woodward, global director of financial services at Intel, who also spoke at the panel.

There are a number of venues in a speed-of-execution race, says Woodward, adding that these are not only sell-side firms, as it used to be a year ago. One of the reasons they want to achieve low-latency numbers is because there is a correlation between latency and profitability. “The more market data you can crunch, the more trading opportunities the algorithm can pick up and then the

smart order router can find a lot of the venues ... and you see the profit in the end of the trade,” he says.

Being able to reduce the latency footprint is “very important” and looking at remediating older applications with modern infrastructure generates improvements to the business teams, says Reece. “Latency will keep dropping but it ends up at a higher and higher cost,” says panelist Mark Mahowald, president and CEO of 29West. “It’s expensive because you have to test it, prove it and be precise,” says Reece.

When designing infrastructures, firms now face the challenge of having to decide, for example, between 1 Gbps and 10 Gbps InfiniBand, or whether they should use or

not an open-source operating system, says Woodward. Most of these firms have legacy applications to consider. “Which do you actually touch first? ... That skill set should not be underestimated,” he says. Firms need to come up with a model and be able to test it in different combinations, says Woodward. “In the past you would build your code yourself and then you would go to your friendly hardware vendor to find out what boxes they have,” he says. “It requires a lot more high-level computer science in your application design,” adds Martin Thompson, director of engineering at financial spread betting provider Tradefair, who also participated in the panel.

*Cecilia Bergamaschi*