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High Frequency Demands Lower Latency

By **Natasha Gural**, Editor-in-Chief

High frequency trading requires "ultra low latency" networking because algorithmic trading is sensitive to milliseconds, microseconds, or less, says Rony Kay, president and chief technology officer of [cPacket Networks](#).

"Algorithmic trading platforms must monitor and account for network latency and jitter on a moment-by-moment basis, with the same diligence that traders monitor changing market prices, correlations and trends," Kay tells Markets Media. "Otherwise, the variability in their network performance could drown out the sophistication of their trading algorithms. The cost can literally be measured in millions [of dollars] per millisecond."

Vendors are competing to provide latency solutions as high frequency trading proliferates.

[Corvil](#), innovator of electronic trading and market data latency management systems, announced Monday that [Morgan Stanley](#) has selected its latency management system for inter-party latency monitoring and optimization of the bank's next generation trading Infrastructure. Corvil, with operations in New York, London and Dublin, serves a global client base of exchanges, alternative trading venues, investment banks, market makers and market service providers.



"Precise monitoring of latency both within our trading plant and to the exchanges is critical to optimal performance of our trading strategies," says Kevin Twitchen, executive director Morgan Stanley's institutional equity division in London. "Together with Corvil's powerful low-latency infrastructure analytics, we are confident that our new trading plant can meet the stringent performance levels demanded by our electronic trading businesses."

Kay, author of a new white paper titled "Pragmatic Network Latency Engineering: Fundamental Facts and Analysis" published by the Mountain View, Calif.-based provider of solutions for network visibility, monitoring and measurement, says: "Market demand for ultra low latency networking is growing rapidly and the time resolution scale has shifted by several orders of magnitude from milliseconds to microseconds and less. Meeting these more stringent performance constraints requires finer resolution and more accurate measurements of latency and jitter than ever before."

"Latency is a business and operational issue and must be treated as such," says Kay. "Improving network latency relies on measuring and understanding the underlying tradeoffs. ... Latency variability needs to be monitored with the same diligence that traders monitor changing market prices, correlations, and trends. Otherwise, the variability in network performance could drown out the sophistication of the trading algorithms."

To comment or contribute ideas to Editor's View, contact natasha@marketsmediallc.com.

Posted on Oct. 13, 2009

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