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Tibco moves trading into nanoseconds

By Philip Stafford

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The race to trade at the speed of light notched up another milestone after **Tibco Software**, a US technology group, teamed up with **Intel** to create a new messaging system which it claims handles messages in nanoseconds, undercutting rivals' speeds by more than 40 per cent.

The company, which is listed on Nasdaq, has redesigned one of its key products for algorithmic traders, hedge funds and high frequency traders.

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Messaging is the lifeblood of the world's trading systems. As trading is increasingly dominated by high-speed trading and algorithms, the speed a message – whether market data or a trade – is sent around the system becomes critical to beating rivals.

Banks, institutions and brokers have ploughed hundreds of millions of dollars into technology in recent years to become the fastest and most efficient traders, reducing so-called "latency" in the process.

The last four years has seen the numbers of messages sent per second rise from to over 1m from around 60,000 in 2004. One leading academic, Alexander Wissner-Gross, at the Massachusetts Institute of Technology, has estimated that efficiency on use of fibre optic cables is approaching 90 per cent, implying that the messages per second limit may soon be reached.

Tibco said the average latency on an Intel chip in test conditions, from one application to another on the same server, was 384 nanoseconds. On the same server, between two applications on different servers, was 3.1 microseconds, it said.

Rourke McNamara, senior director of product marketing at Tibco, said the speed in its rebuilt messaging system was due to new middleware, which allows multiple processes running on one or more machines to interact.

One of the barriers to more efficient trading is the complexity of the technology required to conduct trading. One software application converts raw data into usable data and is then transmitted by another application to the trading algorithm. More layers and older technology increase latency.

Mr McNamara added that the Tibco system delivered usable data and not just "blobs" of data that needed to be converted. "Others don't really worry about metadata management," he told the Financial Times.

"Firms are looking at messaging solutions to provide the lowest possible latency to beat the competition – but also to provide key capabilities so that they are agile enough to sustain that advantage," said Roy Schulte, analyst and vice president, at Gartner.

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