fixnetix
THE CAPITAL MARKETS TECHNOLOGY PARTNER

Keeping ahead of the FX game

Jason Mochine, Commercial Director at Fixnetix, explains how the company is ensuring that firms keep their infrastructure fit for purpose in the increasingly competitive FX market.

Jason Mochine
Fixnetix

Why are financial institutions looking to outsource their FX infrastructure?

Financial Institutions are dealing with increasing pressures driven by regulation, technological change and evolving competition resulting in the business looking to address key factors: cost; performance; agility and service.

Financial institutions have been driving cost reduction plans for years but there is only so much cost cutting that can be achieved before the game has to change. This coupled with new regulatory demands means that financial institutions need to remain competitive, re-capitalise, dedicate resources to coping with the new regulations and make sure that their technology is robust and performant. Otherwise, they miss losing out to competitors or risk being on the receiving end of fines such as those dished out recently by the FCA for banking technology failures.

As for performance, a number of the financial institutions we speak to have systems that have been in place for some period of time and are firmly contained within their internal infrastructure, sometimes sharing corporate or retail assets. This latter element means that in the new world of co-located trading engines and streaming servers, those environments reveal technical inefficiencies in the new marketplace and pass profits on to players with infrastructure that has been specifically designed for low latency trading. Fixnetix have worked with a number of tier-one players to design and build higher performing infrastructures with built-in refresh cycles ensuring the performance and scalability is tailored to day one requirements and beyond.

The need for agility has been underlined as new players have entered the FX market during the last few years, often from the low latency trading world of equities and futures bringing new approaches to the market. There is now a plethora of ECNs and financial institutions needing to connect at speed, at source and utilise the minimum number of devices on the way. Fixnetix is one of the most connected managed service providers in the world today and connectivity of this magnitude means that counterparties can be connected and clients on-boarded very quickly.

How can this be achieved?

By moving from a capital expenditure model to an operating expenditure model, with infrastructure being delivered as a service, as part of an outsource agreement, with a supplier that is solely dedicated to delivering infrastructure as a service (IaaS), the financial institution can lower cost while improving performance and agility. Each company has its own unique requirements. By working with Fixnetix from the design phase to implementation, together we ensure the service, performance and features best meet the needs of the institution both now and in the future.

What are the challenges in providing low latency infrastructure as liquidity in the FX market becomes more fragmented?

Joining the dots is always a challenge and the more dots there are the bigger the problem! What we are seeing is the growth of electronic hubs that offer virtuous cycles of ECNs, counterparties, managed service providers and telecommunications specialists. The Equinix datacentres NY4, LD4 and TY3 dominate but they aren't the only DCs that are attracting ECNs and market participant attention. Every new site introduces more cost, telecoms, devices, contracts, support requirements and ultimately more complexity. All of this needs to be maintained and upgraded during its lifespan. Moving to a managed service model removes these headaches and allows trading desks to become real customers for the first time.

Why is it important that infrastructure is carrier agnostic? How can this help future proof institutions' systems?

I have lost count of the number of routes that we have upgraded over the past few years. When we upgrade a route, clients receive that upgrade as a matter of course; we seek these 'evergreen' commitments from our suppliers. No single provider offers all of the fastest and most reliable routes on the planet so the ability to integrate services from multiple suppliers is fundamental to operating in the managed service space. Fixnetix utilises over 40 national and international providers as part of our point-to-point, meshed network that contains lit fibre, dense wave division multiplexing (DWDM) and microwave, with bandwidth and network devices currently deployed up to 40Gb but with capacity for greater to allow for increasing scale. In addition, diversity is essential, using a single carrier opens up the risk that the single counterparty fails and services are no longer available and often the time to move to a new provider can be significant. Our clients want to ensure they are in the market and able to provide their clients with services without disruption and therefore ensuring full route diversity is essential and not always possible from a single provider.

For further information: **www.fixnetix.com**