



Bear Stearns Installs Wombat Platform to Fuel Low-Latency Trading

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Two years ago when Bear Stearns set out to build its quantitative trading platform across North America, Europe and Asia, it searched for a low-latency market data platform that could feed its electronic trading systems. After benchmarking four market data platform vendors that supplied ticker plants and feed handlers, Bear selected Wombat Financial Software, which is announcing the global licensing deal today.

Fast forwarding to the present time, Bear Stearns' Equities Analytics and Systematic Trading (EAST) division went into production with the Wombat Platform over a year ago. While the U.S. rollout is nearing completion, Bear Stearns is now working on rolling out the connectivity Wombat has to European exchange feeds and is helping the vendor to assemble the connectivity to Asian markets as well. In addition to pumping in the direct feeds for equities, it's using the Wombat platform to bring in direct feeds for options (from OPRA), futures and foreign exchange.

"This is really an arms race," says Jerome Downey, senior managing director of Bear Stearns in the EAST division— which houses algorithmic trading strategies that it offers to institutional clients. "When you're doing some sort of principal or proprietary business or helping a client who is doing a principal business ... the opportunities are fleeting. If I'm a millisecond or even two milliseconds late in the processing of the inbound market data, then I'm a millisecond or two behind in getting my order out of the door; you're going to lose. It's really very simple," says Downey.

Like many large sell-side firms, historically Bear Stearns relied on consolidated data feeds, such as Reuters Data Feed (RDF) and Triarch market data infrastructure, systems such as Bridge and Comstock. Various units had different consolidated feeds coming in. But the firm also had connectivity to the New York Stock Exchange and SIAC and access to some of the raw feeds.

"We were seeing very significant delays on the consolidated feeds, as much as two to three seconds at times," says Downey. "It really becomes unacceptable when you are trying to make routing decisions in a time frame under 20 milliseconds," he explains.

How did Bear Stearns EAST division make the decision to switch market data platforms? "We looked at the cost associated with the product, but we looked at

the overall message latencies," says Downey. Though Downey declined to name the other contenders, according to Wombat, other market data platform vendors vying for the low-latency space include Reuters, Infodyne, HyperFeed Technologies, Comstock and ACTIV Financial Systems. "Overall, we found Wombat's latency to be over half of what we experienced with the best of the other vendors," says Downey.

Meanwhile, the Bear Stearns deal is another big win for Wombat, which also signed Merrill Lynch and EdgeTrade earlier in the year and is rumored to be working with Deutsche Bank, according to press reports. The firm now counts seven of the top 10 investment banks as customers.

According to Wombat's COO, Danny Moore, there has been a move to low-latency direct-feeds in the last two or three years largely driven by electronic trading— which covers automated market making, best execution, smart-order routing, automated portfolio trading and algorithmic trading. "If you want to get direct feeds, you need fast ticker plants. There's no point in making a large investment in low latency and then having poor technology at the end of it," says the COO.

Moore says the reason for the vendor's success over the past 18 months comes down to three factors. First, he contends that Wombat has the lowest latency in the market - the median latency is one millisecond. Secondly, Wombat is able to support exchange and ECN order books since 2001 among options market makers, while the vendor community has never reacted, Moore claims. Third, Wombat supports low-latency distribution between the ticker plant in the client's data center and other applications with a fast message bus, he says. Wombat provides a client API (application programming interface) that they use to build their applications off of. Some clients have 5, 10, 50 or 1,000 applications hanging off that, says Moore.

In fact, Bear Stearns is going to use the Wombat Platform to push out market data to its institutional clients. "We're at the point now that we're going to be putting out trading front ends that will eat this raw data, and we'll push it out to our clients," says Downey.

