

Saxo Taps Aegis for Exchange Simulation

COPENHAGEN—Online foreign exchange (FX) trading firm Saxo Bank has selected Aegis Software's product to replace its legacy FIX and exchange-specific messaging protocol connectivity testing system, bank officials tell *DWT*.

Saxo went live with Aegis' Exchange Simulator in early September after developing interfaces between internal systems and the testing tool, says Jan Graebe, project manager with Saxo Bank. "We chose it to replace a small internally developed testing system," he adds.

The platform is a test harness for order management systems (OMSes), and provides a live, continuous quality assurance (QA) environment for testing in five areas: exchange compatibility, function, performance, regression and algorithmic back-testing.

The product simulates connectivity to more than a dozen liquidity pools, including the American Stock Exchange (Amex), the Boston Options Exchange (BOX), Nasdaq Stock Market and Nyfix Millennium.

Saxo officials made the decision to outsource the bank's exchange connectivity testing after conducting market research and concluding that "further internal development would be too expensive compared to what Aegis could deliver," Graebe says.

Saxo Bank, which supports version 4.2 of the FIX messaging protocol, will also deploy several enhancements to the platform from Aegis to "get better support for Saxo Bank's large product suite," bank officials say.

Becoming FIX-ated

Upgrading FIX infrastructure is a growing trend, says Sang Lee, a managing partner at research and advisory firm Aite Group.

To reduce messaging latency, NYSE Euronext is testing and deploying a new FIX-based Common Customer Gateway (CCG) that will replace the exchange's current Common Message Switch (CMS) interface for NYSE trading systems (*DWT*, Aug. 7).

The two main factors driving development in the FIX space are the desire for lower latency and the increasing complexity of messages embedded in the FIX protocol, says Norm Friedman, vice president of the product and development group for Aegis. "People want to go faster and the speed with which they have to get the order into the market is accelerating. However, when you overlay the complexity of an OMS over FIX, things start to slow down," he adds.

Also, the applications using FIX are becoming more and more complicated, Friedman says. "Many of the advanced order types and algos are being expressed in the FIX language and you need sophisticated tools to test it," he explains.

"We've seen an upsurge in testing and FIX connectivity," he says.

Although FIX has become a de facto standard in the equities market, many exchanges still use their own proprietary connection protocols, says Lee. Saxo is using some exchange-specific protocols, according to Graebe.

Although FIX continues its rapid adoption throughout the industry, its offshoot, FIX Adapted for Streaming (FAST), is also attempting to gain market traction, says Lee.

The new protocol is a proof-of-concept project developed by the data representation and transport subgroup of the FIX Protocol Ltd.'s (FPL's) market data optimization working group to explore various methods of optimized data representation within FIX. The project's intention is to quantitatively analyze the pros and cons of the various approaches, using multiple market data sample sets, explain FPL officials.

Although the first version of FAST is nearly two years old, its adoption in the industry "hasn't been great," Lee says.

Saxo's Graebe says his organization plans to use FAST as soon as "the major exchanges start using it."

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