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TRADING FLOOR TECHNOLOGIES

Trayport Readies for Algorithmic Trading

LONDON-Although the commodities markets are still in the early stages of adopting algorithmic trading, commodities trading platform provider Trayport is busily readying its broker platform, Trader Gateway, to handle the expected increase in volume, *DWT* has learned.

"The commodities markets are on the same evolutionary path as the major futures markets were between 2000 and 2003," says James Davies, head of the trader systems business unit at Trayport.

According to Davies, clients are still looking to automate their simple pairs trading, as well as "looking to introduce some stop orders, which typically don't exist in the over-the-counter market."

To aid its clients, the vendor plans a general release of its Implied Price Calculator (IPC) in February to help automate entering pair pricing into Trader Gateway. Previously, users needed to code scripts and save them to files. The IPC sits on top of this front end and generates scripts automatically. "It allows users to build their pair and relationship trades quickly and see the prices in the front end," explains Davies. The vendor worked with a few clients at the end of 2008 to develop the new offering.

Trayport officials are also taking "tentative steps" to discuss building an application programming interface (API) to enable algorithmic trading on the platform.

"We're also discussing how we can begin including things such as spread trading systems," says Davies. "It's harder to do in hybrid trading and one cannot assume a spread will work in the same way it would in exchange trading."

Trayport has an existing API that has been around for a couple of years, but hasn't marketed it. "We never built any decent sample code around it or explained to clients how it could be useful to them before last March," says Davies.

Trayport is now working with a few unnamed clients to develop new sample code. Davies expects his team will adopt some of the basic trading algorithms later and then offer them to Trayport clients. "And if they want to extend them, we can give them the source code," he adds.

Davies' team is also working on an architectural redesign of Trader Gateway's core matching engine in order to adopt a more componentized architecture in the next version. "The way it is designed currently, there's only so many people that can work on the engine at any one time," says Davies.

The 10-member architectural team working on the redesign plans to release the new design to the business team this quarter. The business team will then incorporate it into the next release.

"I wouldn't expect to see the componentized architecture coming out until the fourth quarter," says Davies.
Rob Daly

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