

CASE STUDY

IEX Builds a New Class of Trading Venue Using a Range of Managed Data Center Services



At a Glance

Company:
IEX

Website:
www.iextrading.com

Industry:
Financial Services.

Challenge(s):
IEX set out to create a brand new class of trading system, hosted in a highly available data center with good, reliable connectivity to the financial services community.

Solution:
IEX used a broad range of services from CenturyLink to build its new system.



IEX operates a unique new Alternative Trading System (ATS), dedicated to using technology to institutionalize fairness in the markets.

IEX offers a fair-access platform to any qualified broker dealer, providing a more balanced marketplace via a simplified market structure and cutting-edge technology.

IEX is driven by a team of cross-industry experts with backgrounds spanning market venues, electronic trading, and broker-dealers. It is the first equity trading venue owned exclusively by a consortium of buy-side investors — including mutual funds, hedge funds, and family offices — and individual investors, representing a cross-section of traditional investors.

IEX provides trading connectivity and market data to a range of broker subscribers.

Ronan Ryan, Chief Strategy Officer at IEX, said, “IEX is essentially a technology business. Every order is matched on a platform that is housed inside the CenturyLink data center, which is the core of our system, so technology is crucial to us — from our network to our servers. 70% of our employees are technologists, with backgrounds ranging from high frequency trading to NASA.”

IEX is enjoying rapid growth and, as the market demand increases, it aims to become one of the primary equity exchanges in the US.

IEX Sets out to Launch a New Type of Trading Venue

IEX needed to build and launch its business from scratch, with a green-field build out of its data center, network and trading infrastructure. Time to market was crucial.

Financial trading is a highly regulated environment, so for stability and compliance it needed its own dedicated infrastructure. It also needed to ensure that it had a cost-effective business continuity solution, and had the flexibility to deal with rapid growth and spikes in demand.

In order to offer high performance service to its users, IEX also needed fast and reliable connectivity to all the traders and brokers that would subscribe to its service.

As a new business, IEX wanted to minimize its capital expenditure, reserving its capital to meet Escrow requirements rather than spending it on IT hardware. Procuring the hardware it needed for launch would have tied up millions of dollars of investment.

IEX needed to achieve all of this with a limited pool of IT resources, which was focused on designing and building the ATS, including its True Price matching engine and smart order router, rather than building out IT infrastructure.

IEX Looks for the 'Best of Everything' Under One Roof

IEX looked for a business to host its data center infrastructure that had a proven track record in providing mission-critical infrastructure for liquidity venues, from both a technology and market-design perspective.

It was essential that the provider could provide connectivity to the broader financial ecosystem.

It needed best-practice levels of availability, with back-up generators, resilient power distribution, cooling and network

connectivity. It also needed a high power density that could provide 10kW per cabinet.

Most importantly of all, IEX looked for a provider that could shorten its time-to-market, reduce IT capital expenditure and be cost-effective.

Ronan Ryan explained, "We were looking for someone that could provide more than just a point product for colocation. We wanted a partner who could build us a complete solution, using best-in-class technology, and be flexible enough to grow with us into the future."

A Broad Range of Services Managed Under a Single Contract

IEX selected a range of services from CenturyLink to provide the platform for its trading system, including colocation, managed hosting services (for servers and storage), remote hands support and both extranet and internet network services.

CenturyLink's Markets Infrastructure provides IEX and its trading participants with access to more than 200 exchange and liquidity venue feeds, along with enhanced network and latency management tools. It also offers a range of resilient and scalable connectivity options. Most IEX member firms were already connected to CenturyLink's Financial-ATS extranet.

IEX's trading platform and matching engine runs on managed infrastructure housed in CenturyLink's data center in Weehawken, New Jersey with a secondary presence in CenturyLink's Chicago data center that provides back-up and business continuity. CenturyLink was also able to offer IEX a flexible approach to its data center space, ensuring it was provided with a contiguous raised floor space for all of its equipment, avoiding the need for cross-connects to other areas of the data center.

Ronan Ryan said, "CenturyLink gave me 'colo-plus in a box' and 'top of class technology' without me having to worry about anything else. It was key to us achieving our time-to-market."

The alternative would have meant contracting separately for colocation, servers, internet and extranet services. I'd have to arrange separate internet provision then have a colo' provider run cross-connects. Now I don't want to have to worry about internet

access at all. If I hadn't been able to get all these services in one wrapper, it would have taken us significantly longer and we simply wouldn't have had the resources to manage the additional day-to-day operational overhead and contract management."

Rapid Time-to-Market and Efficient Use of Capital

Since its launch in October 2013 IEX has experienced record trading levels nearly every week, with double-digit growth month over month.

The CenturyLink managed hosting service, which includes leased hardware, has avoided millions of dollars of capital expense, allowing IEX to satisfy its Escrow requirements. IEX's decision to use CenturyLink to provide all of its data center services was fundamental to its seamless launch and subsequent growth.

Ronan Ryan said, "I have to run sales and marketing as well as worrying about IT. Taking this breadth of services from CenturyLink, rather than contracting piecemeal with several different vendors, has allowed us to focus on signing up new brokers instead of spending our time building out IT infrastructure. Its had a significant impact on the success of our launch."

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Ronan Ryan Chief Strategy Officer, IEX



A True Partnership for the Future

IEX's new Alternative Trading System (ATS) platform continues to experience explosive growth. IEX is already adding new cabinets into its data center infrastructure to support its growing volume of transactions.

Ronan Ryan said, "Being a small firm with strict compliance and regulation requirements, it's important to have a partner who is nimble. It allows us to grow organically as we need it. I simply call our account manager and it happens. CenturyLink has rapidly become an invaluable technology partner. They host the trading platform and matching engine which is at the heart of our business."

IEX remains bullish about the decision to use CenturyLink to provide all of its data center services. Ronan Ryan reflects that the decision was

complex with many variables: performance, flexibility, pricing, using a one-stop-shop and leasing arrangements all had to be considered.

Ryan concluded, "On reflection, I can't see why I would do it any other way. I can wholeheartedly recommend a managed service model. Lots of vendors talk about partnership, but in CenturyLink's case they really lived up to that claim. They came in and put skin in the game and supported us, even though we were a new company."

IEX has broken the mold with its new trading system. As it continues to grow and attract new users, its partnership with CenturyLink brings the experience and agility it needs to grow its data center platform in line with demand.

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