

ACCW
2016

Algorithmic Architecture

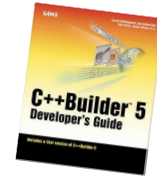
Performant Architecture in
Evolving Regulatory Environments

Jamie Allsop




DSP background with a PhD in **adaptive framework design**

focused on **C++** & standards work 



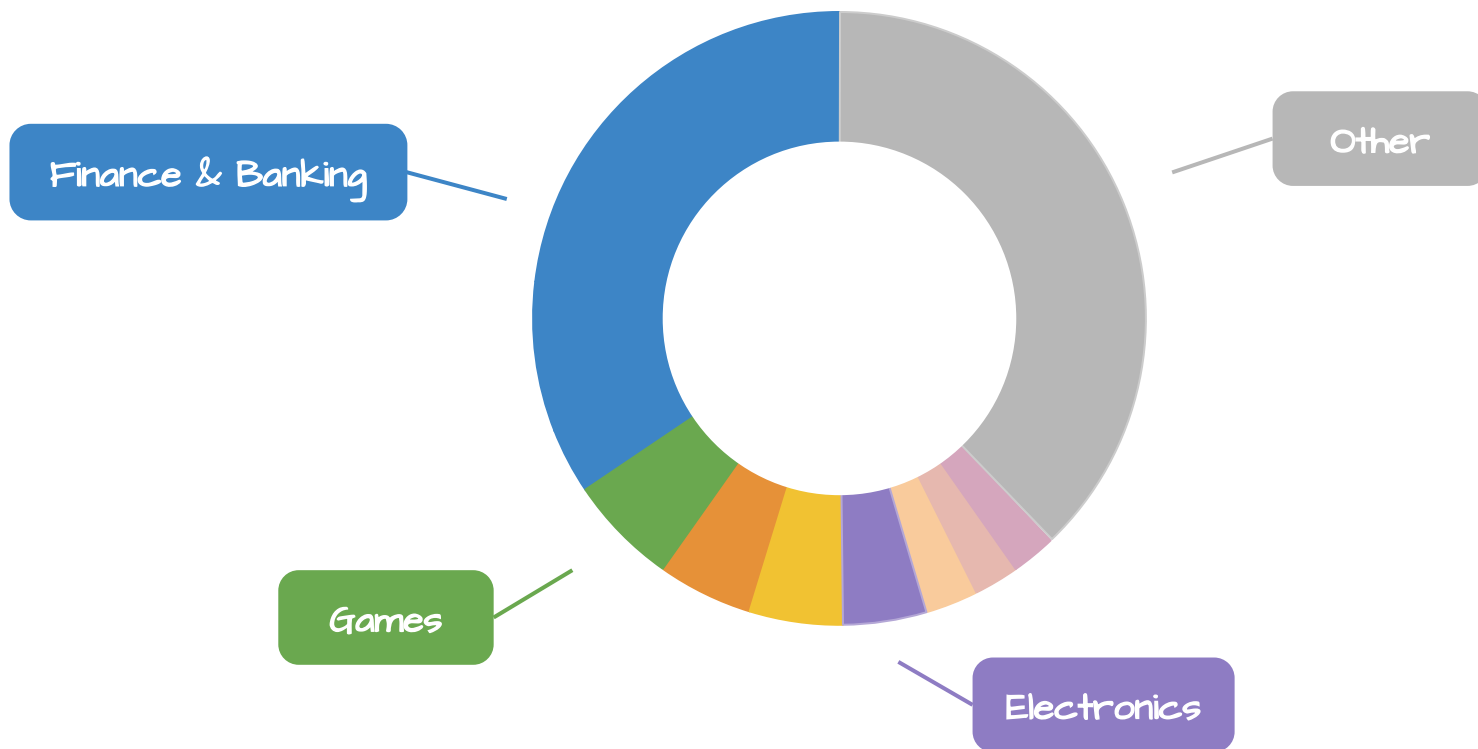
passionate about **agile**  **agile-trac**
Agile Integrated Project Collaboration

fiddle with python  **pypi/cuppa** for Scons

ended up at  **NYSE Euronext**
Powering the exchanging world...

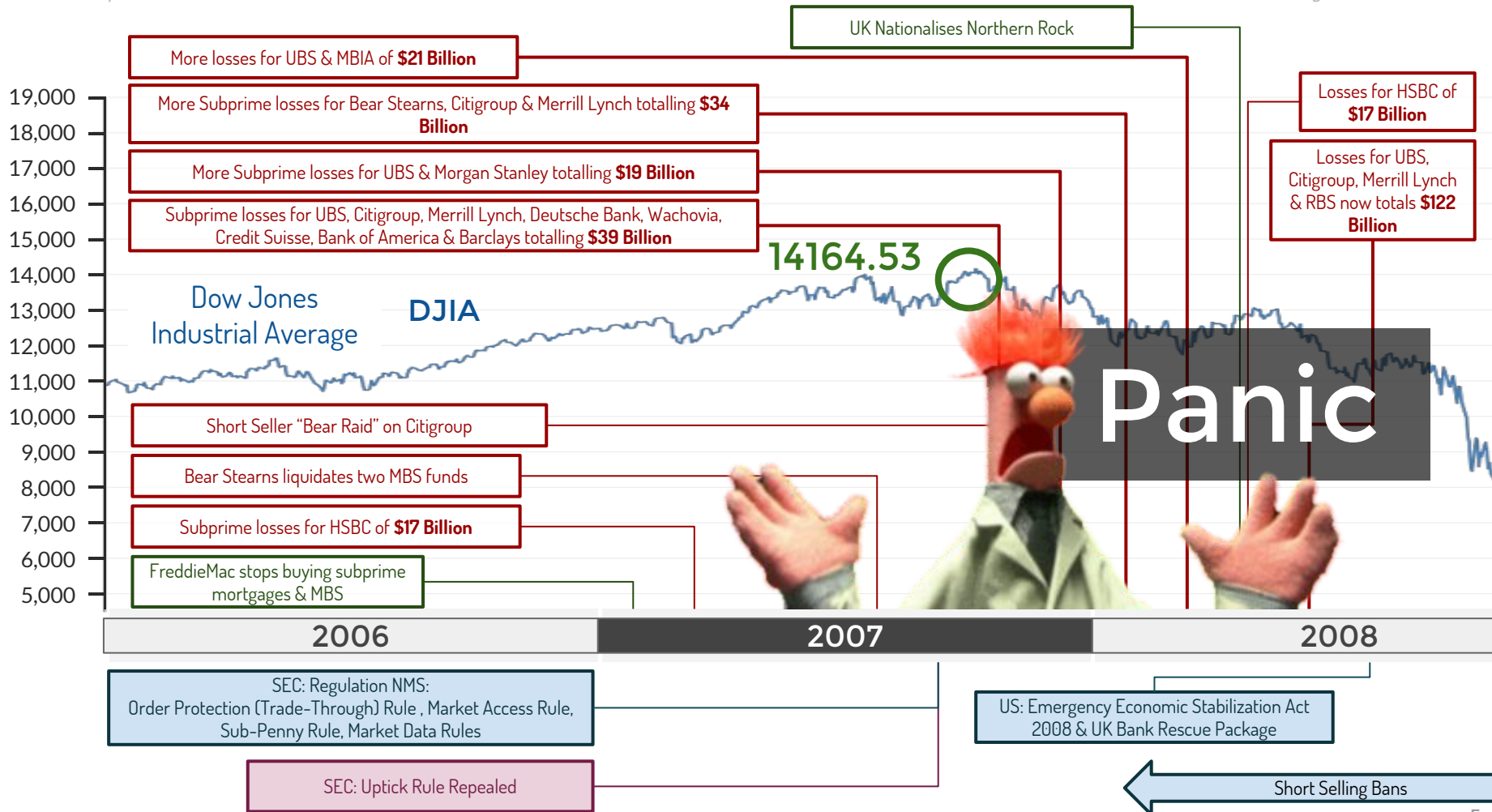
now director at  **clearpool.io**

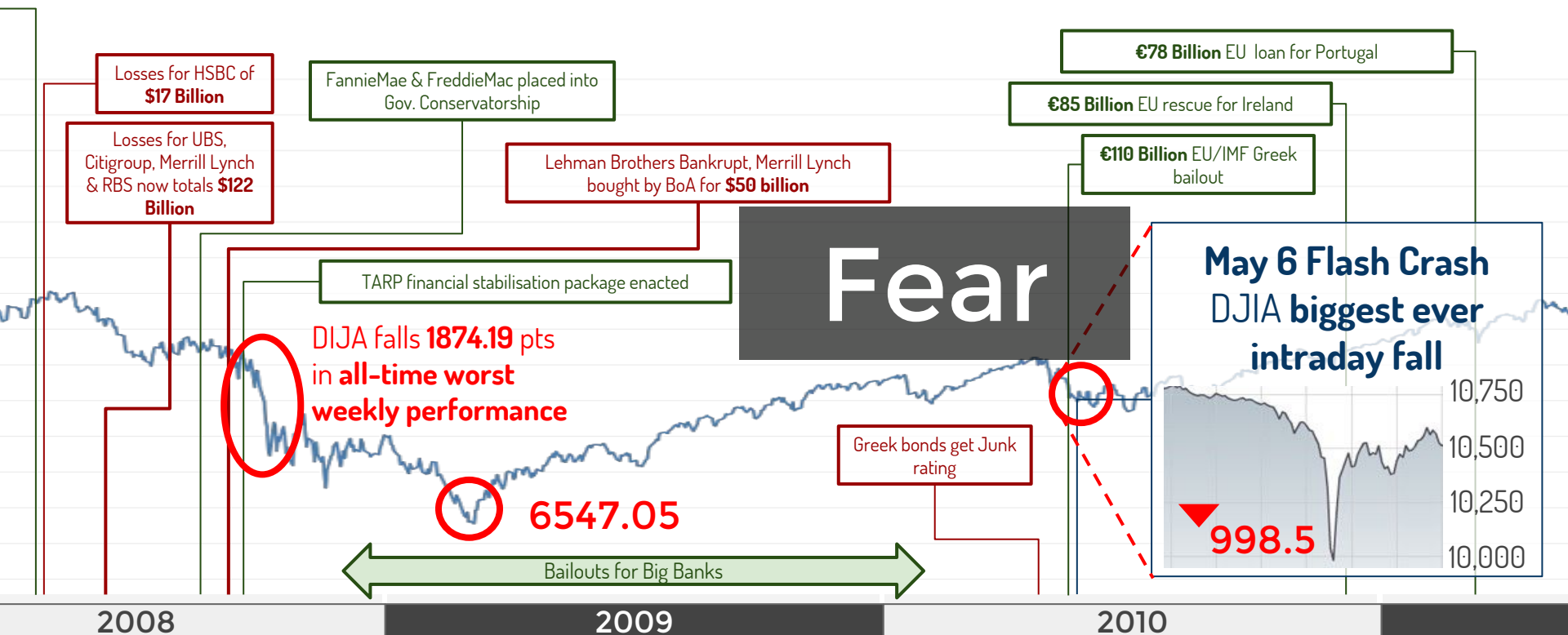
Context (C++)



Source: <http://blog.jetbrains.com/clion/2015/09/cpp-annotated-summer-edition/>

- regulations and change
- problems, people and software
- architecture and performance





Losses for HSBC of \$17 Billion

Losses for UBS, Citigroup, Merrill Lynch & RBS now totals \$122 Billion

FannieMae & FreddieMac placed into Gov. Conservatorship

Lehman Brothers Bankrupt, Merrill Lynch bought by BoA for \$50 billion

TARP financial stabilisation package enacted

€78 Billion EU loan for Portugal

€85 Billion EU rescue for Ireland

€110 Billion EU/IMF Greek bailout

Fear

May 6 Flash Crash DJIA biggest ever intraday fall

Greek bonds get Junk rating

Bailouts for Big Banks

2008

2009

2010

Stabilization Act

Dodd-Frank Reform Act Passed (inc. Volcker Rule)

SEC: Reg SHO - Rule 201: Alternative Uptick Rule—Short Sale-Related Circuit Breaker

Short Selling Bans

Original BASEL III Proposal

SEC: Ban on Stub Quotes

€78 Billion EU loan for Portugal

EU rescue for Ireland

Billion EU/IMF Greek bailout

Knight Capital Group accidentally deploy test software in prod resulting in \$440 Million loss

Botched Facebook IPO

Mistrust



2nd Greek bailout of €130 Billion

SEC launches MIDAS: Allows full depth market analysis

10

2011

2012

2013

Quotes

SEC: Sponsored Access Rule

EU Initial MiFID II Proposal: covers OTFs, HFTs, Consolidated Tape, Derivatives, Increased Transparency

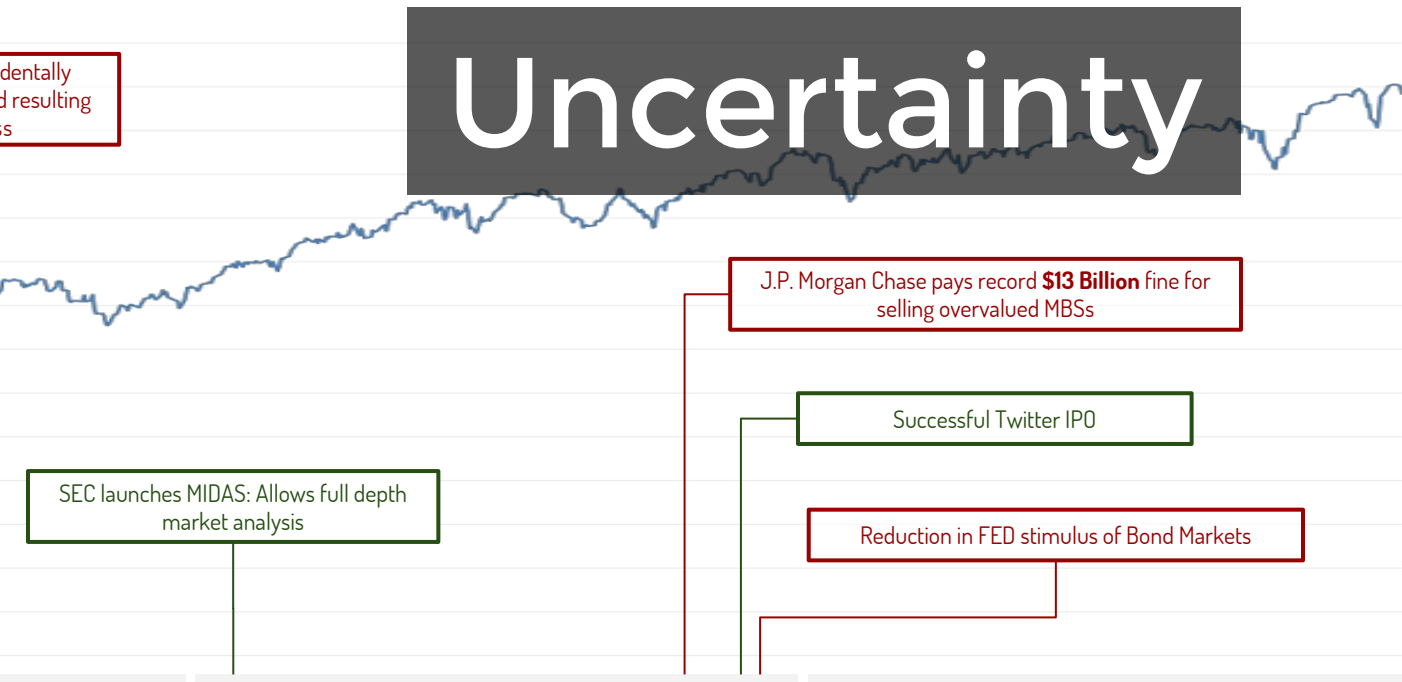
SEC Market Information Data Analytics System (MIDAS) RFP

EMIR comes into force

SEC Rule 613: Consolidated Audit Trail (CAT) RFP

Uncertainty

identally
d resulting
s



- “Too Big to Fail Banks”
- Market Volatility
- Insufficient Oversight
- Unpopular Gov. Bailouts
- Mistrust of Technology

Evolving Regulatory Landscape

2013 | 2014

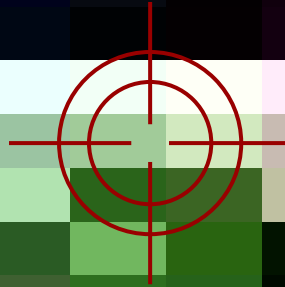
SEC Rule 613: Consolidated Audit Trail (CAT) RFP

Phasing in of BASEL III / CRD IV Minimum Capital Requirements

SEC: Reg SCI (Systems Compliance & Integrity)

Regulations are currently seen as
the best way to protect the
markets and their participants
from themselves

But Regulations are a Moving Target



Regulations Change

for many reasons but ultimately they change

stuff happens and regulations are often seen as the answer

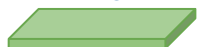
regulations create loop-holes that need plugged

regulations create industries that themselves need regulated

Explosive Growth in Regulatory Burden

NATIONAL
BANKING ACT

29



FEDERAL
RESERVE ACT

32



BANKING ACT

37

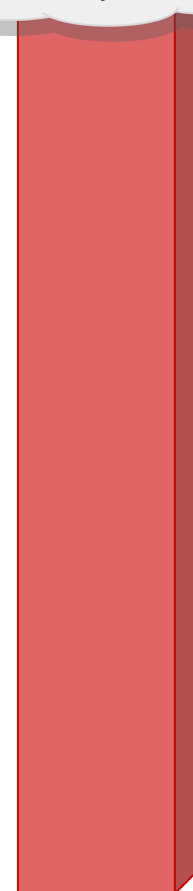


DODD-FRANK

848



To Infinity and...



There are often Hard Constraints



minimum throughput?

availability?

disaster recovery?

average latency?

worst case latency?

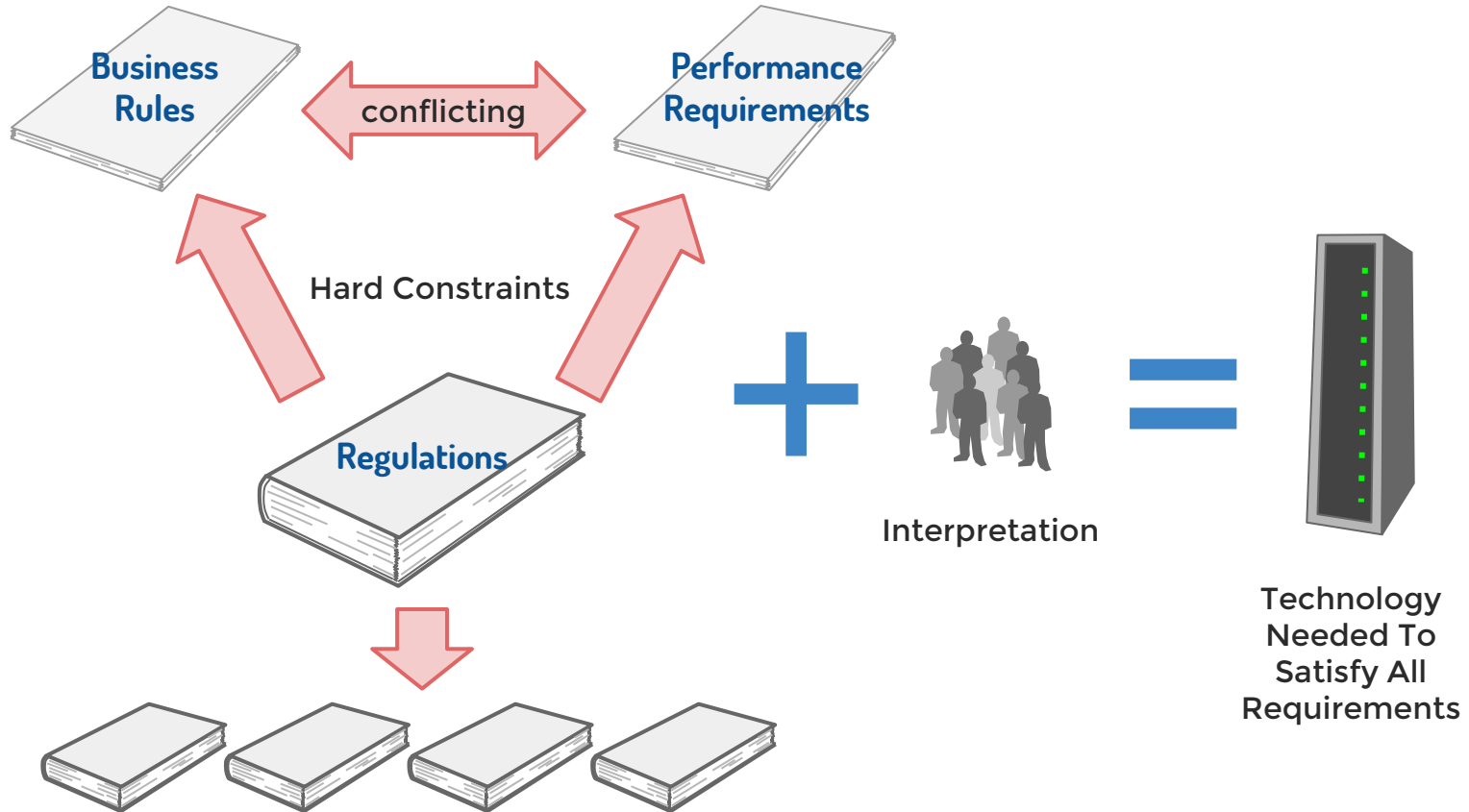
proof of compliance?

audit trails?

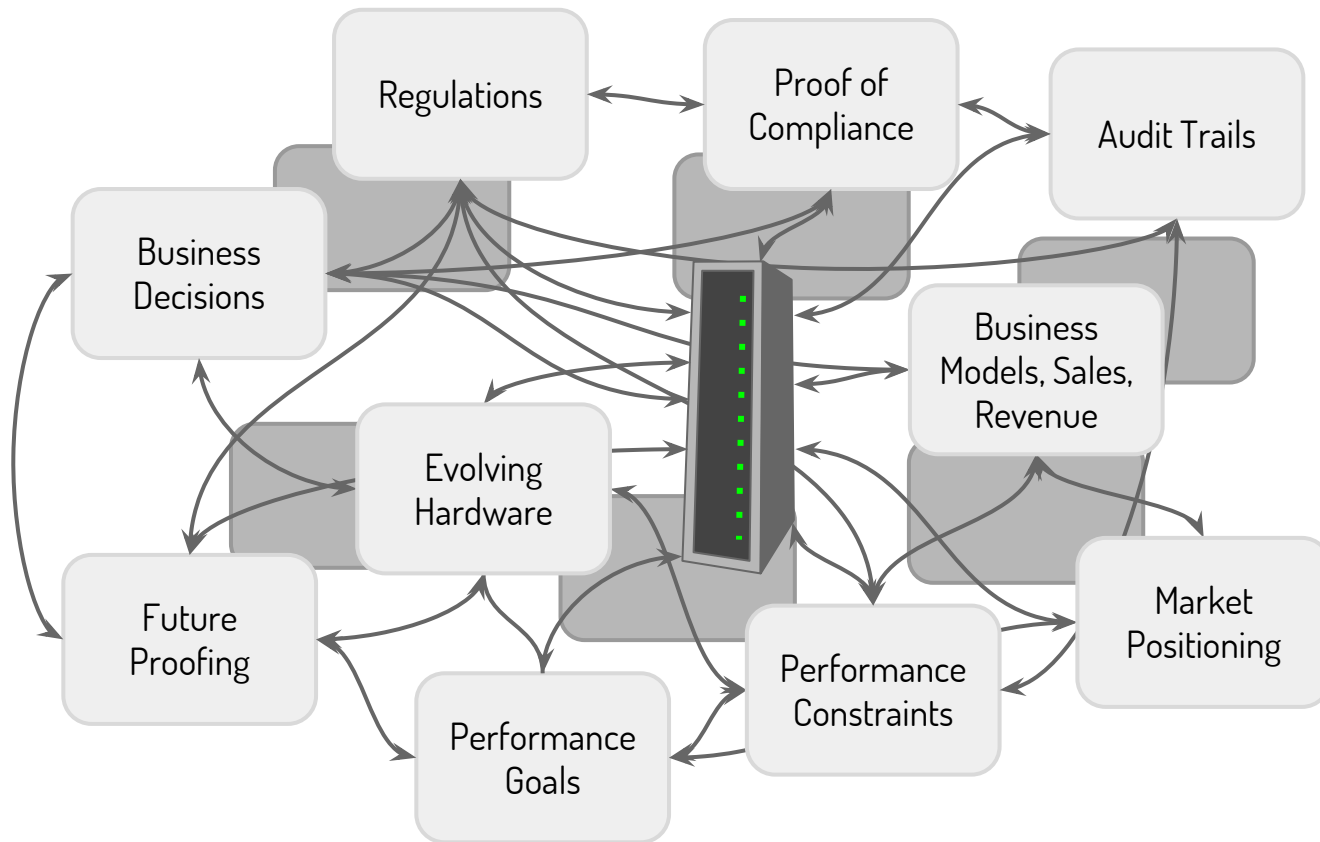
accuracy of data capture?

many constraints driven by regulations

Let's simplify this...



Addressing Difficult Problems



“We fail more often because we solve the wrong problem than because we get the wrong solution to the right problem”

— *Ackoff 1974*

How can we classify
problems?

Rittel & Webber 1973, Ackoff 1974, Roth & Senge 1996, Hancock 2004, Ritchey 2013

Tame Problems

- may be simple or highly complex
- definitive stopping point
- consensus on how to proceed
- can be broken down into parts and solved
- solutions can be determined to be successful ...or not



Messes

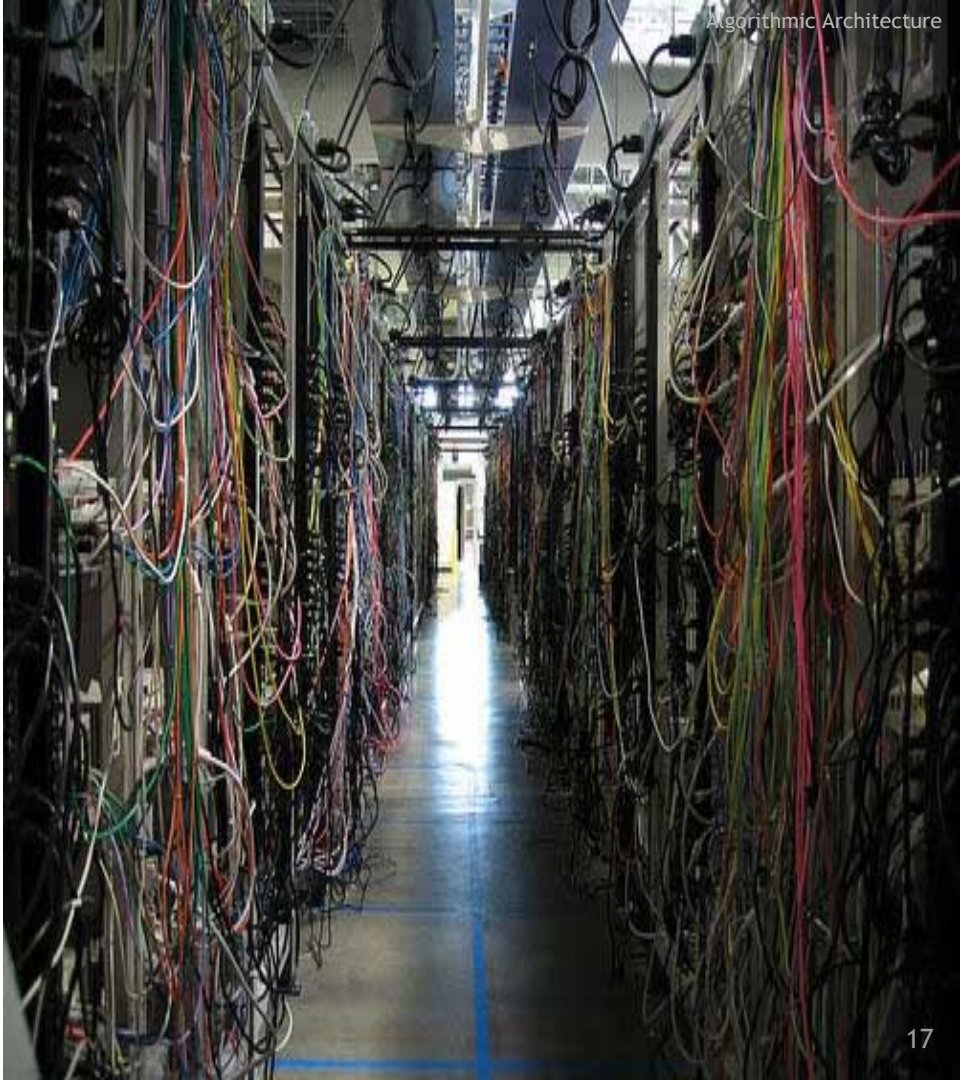
Organised complexity

- clusters of interrelated or interdependent problems






Systems of problems

- problems that cannot be solved in relative isolation from one another

Messes are puzzles – we don't solve them instead we **resolve their complexities**



Messes are... a Mess

-  not sufficient to just break the system into parts and fix components
-  instead look for **patterns** of interactions between parts
-  beware of identifying a mess as a tame problem—the evolving mess can be even more difficult to deal with
-  **interactive complexity**—what can go wrong?
-  **coupling**—the degree to which we cannot stop an impending disaster once it starts

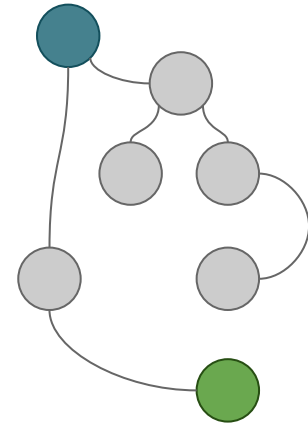
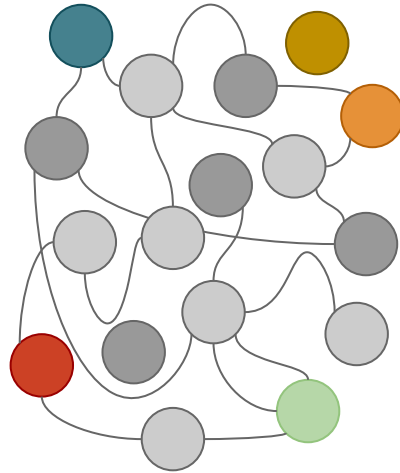
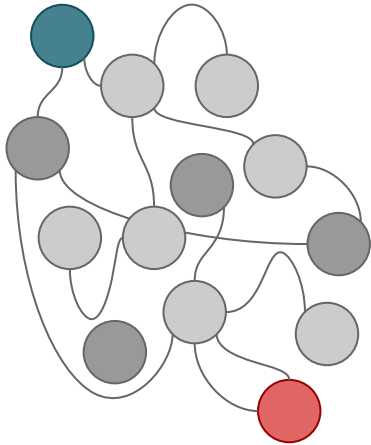
coupling...





Bugfixing?

Refactoring?



- * Conflicting **social** ethics and beliefs
- * Smart, informed people **disagree**
- * **Divergent** problems with no promise of a solution
- * **Evolving** set of **Interlocking** Issues and Constraints
- * Constraints **change over Time**
- * Many Stakeholders

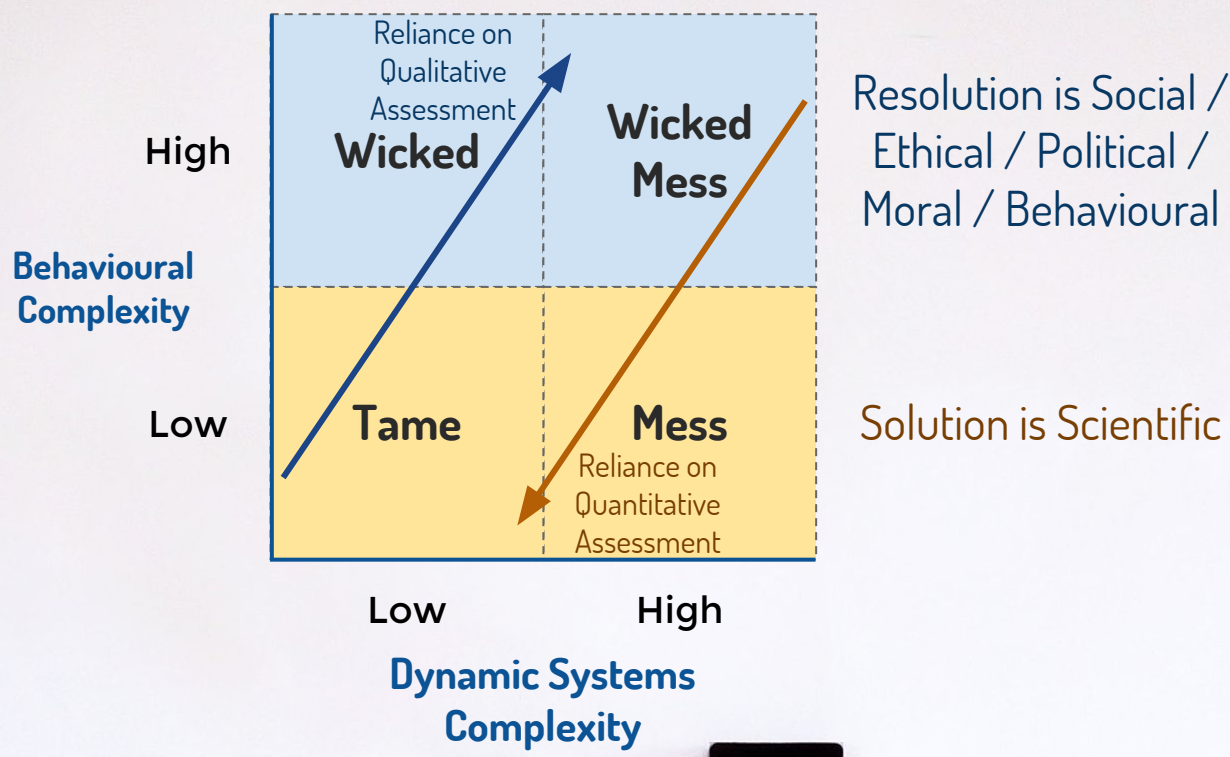


Wickedness

Know your demons...

- ☹️ No definitive Problem == No definitive Solution
- ☹️ Cannot be solved by a Linear or “Waterfall” process
- ☹️ **Studying** followed by **Taming** does not work
- ☹️ No stopping rules
- ☹️ Finished when we **Exhaust Resources**
- ☹️ Solutions not Right or Wrong but **Better** or **Worse**
- ☹️ Poor choices create more Wicked Problems

How we deal with problem complexity



Let's consider the question of Healthy Markets

The markets involve people



The markets involve systems



Lots of People and Lots of Systems

Characteristics of a Healthy Market?

Transparency?

Volatility?

Data Access?

Liquidity?

**High
Behavioural
Complexity**

What represents “good liquidity”?

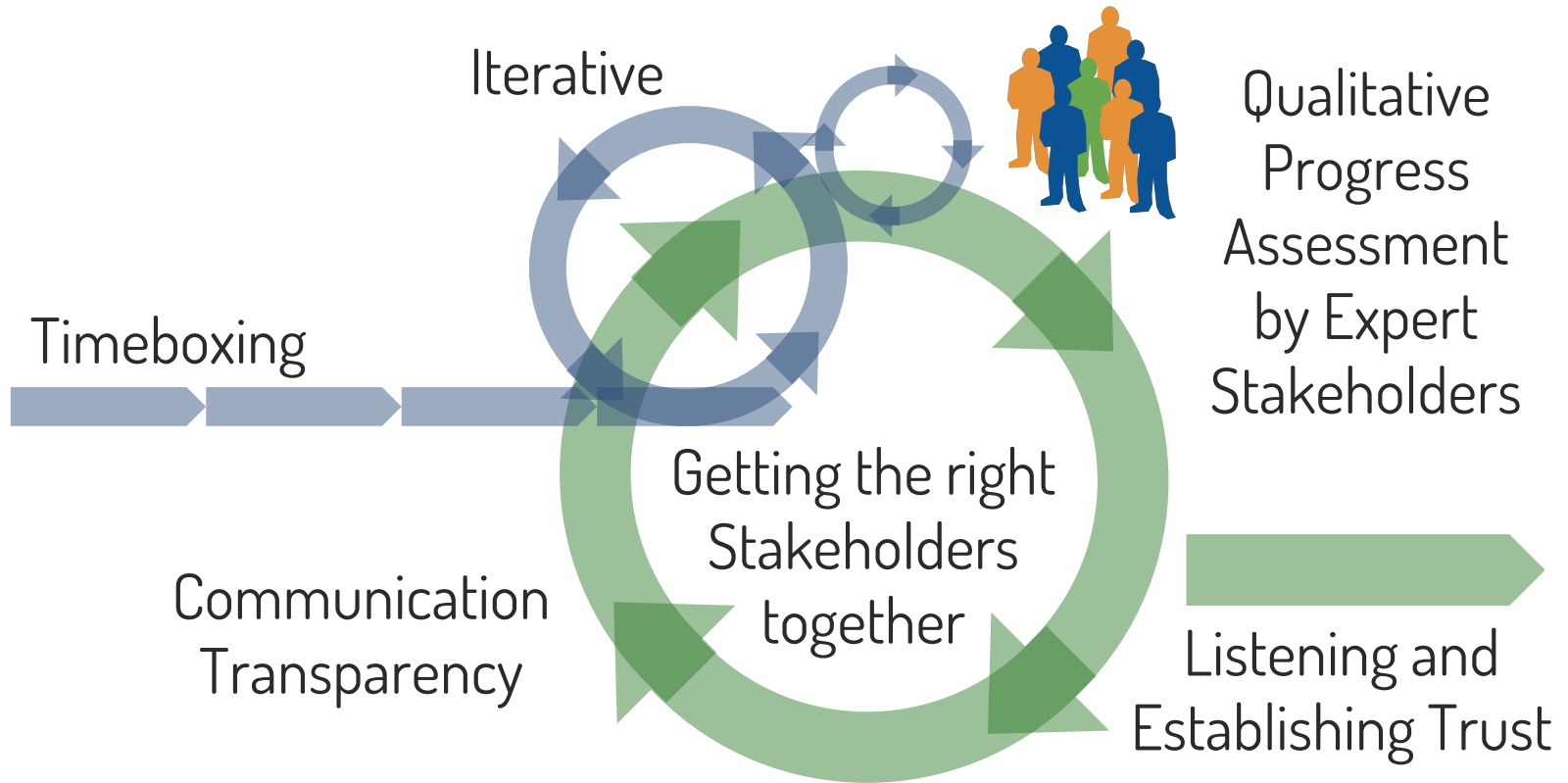
- Tighter Spreads?
- Order Book Depth?
- What about “phantom” Orders?

**High
Dynamic
System
Complexity**

Wicked Mess

Regulations Developed to Promote Healthy Markets

Approaches to Wicked Problems



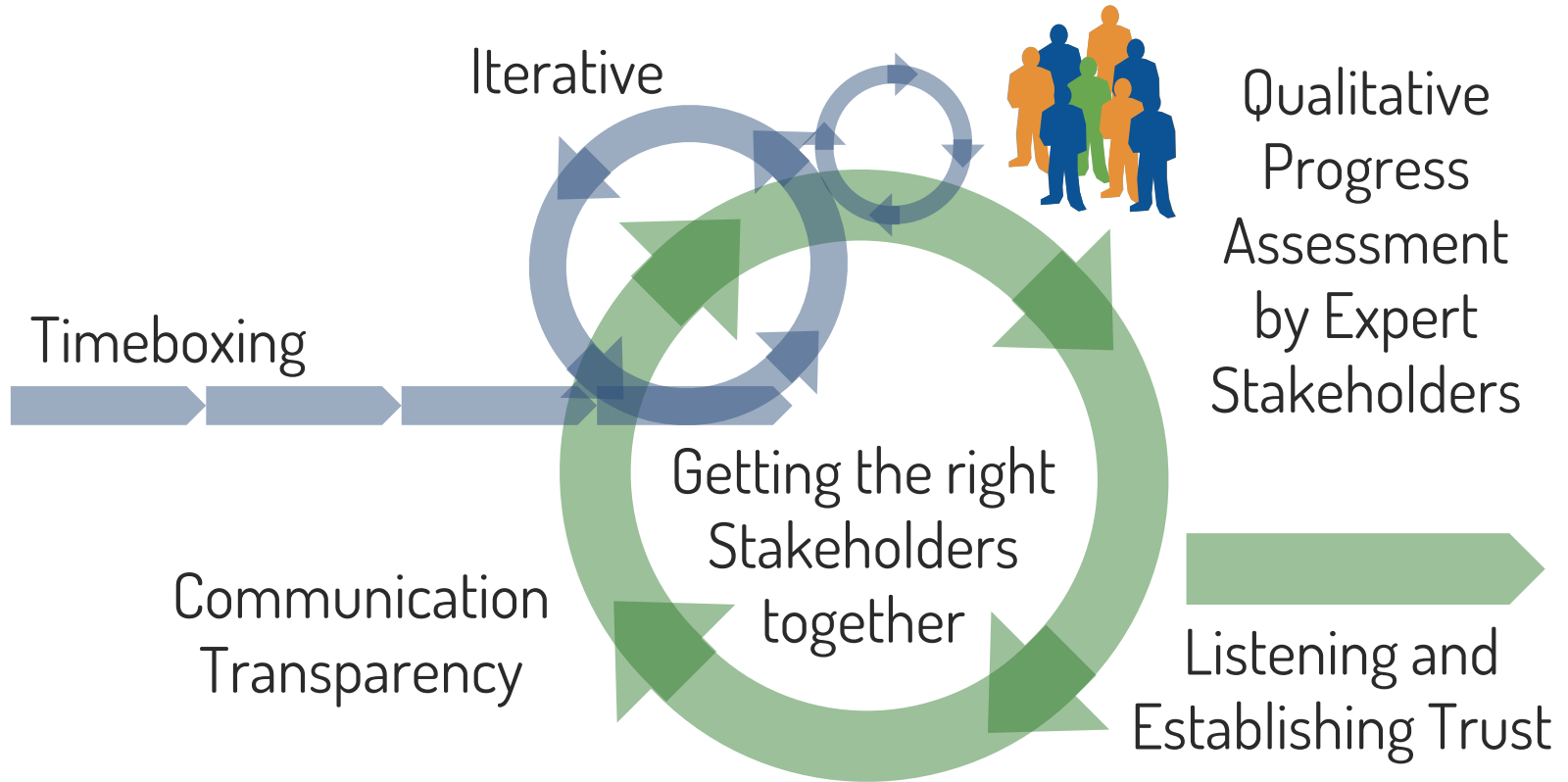
Regulatory Solutions are Too Slow to React Effectively

A dark blue background with several bright, jagged lightning bolts striking across the frame. The bolts are white and yellow, creating a dramatic, high-contrast effect.

Triggered and Skewed by Events: Flash Crash and HFTs?

ACCEPTED WISDOM
Boundaries for **qualitative
assessment** by Expert
Stakeholders

Approaches to Wicked Problems



Sounds a lot like Agile Development?

Agile and We're Done?

Remember our focus is on
Architecture in the context
of Wicked Messes

What do we mean by Architecture?

- The product of Design and Implementation - what you see when you step back and look at your system
- Encoded in the Architecture are the choices made and compromises reached



Another view on Architecture

Marketecture vs Tarchitecture?

Marketecture: Anything that is concerned with how revenue is generated for a product or how it is marketed as working, or how it is sold



Marketecture **impacts** Tarchitecture

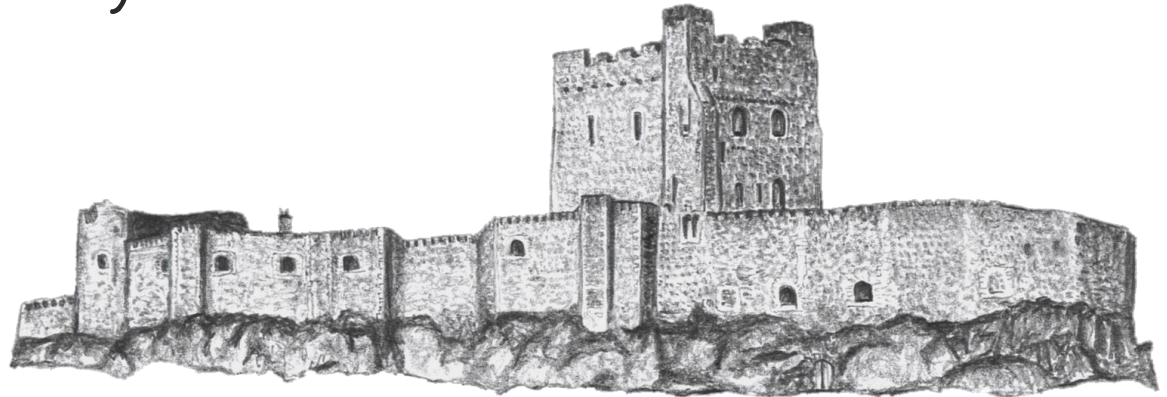
Dangers in evolution

- ☹️ Marketecture is often driven by decisions that have **no regard for the technical impact**
- ☹️ Stakeholders change
- ☹️ Goal posts move
- ☹️ “Power **without** responsibility”
- ☹️ Poor choices baked in early
- ☹️ What’s most important?

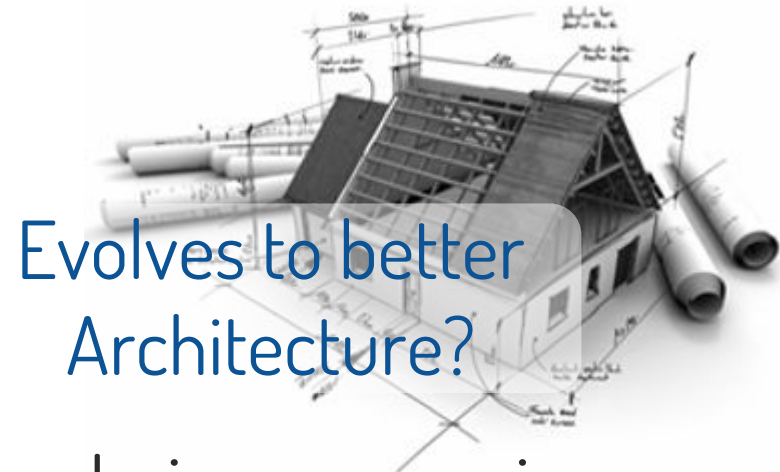


Architecture General Truths

- Is often an observed **sketch** of the system
- Actual architecture exists based on the **source code**
- Pinpointing which aspects contribute to any characteristic of the system can be difficult
- Changing it is usually hard



Agile Architecture



- Hard choices early so later choices are easier
- Evolving to an appropriate architecture
- Deferring choices to last responsible moment
- Natural calcification along the way

Agile Architecture is a good
starting point—evolving to
an appropriate architecture
Can we do better?

Let's look at a
real world example
as a starting point

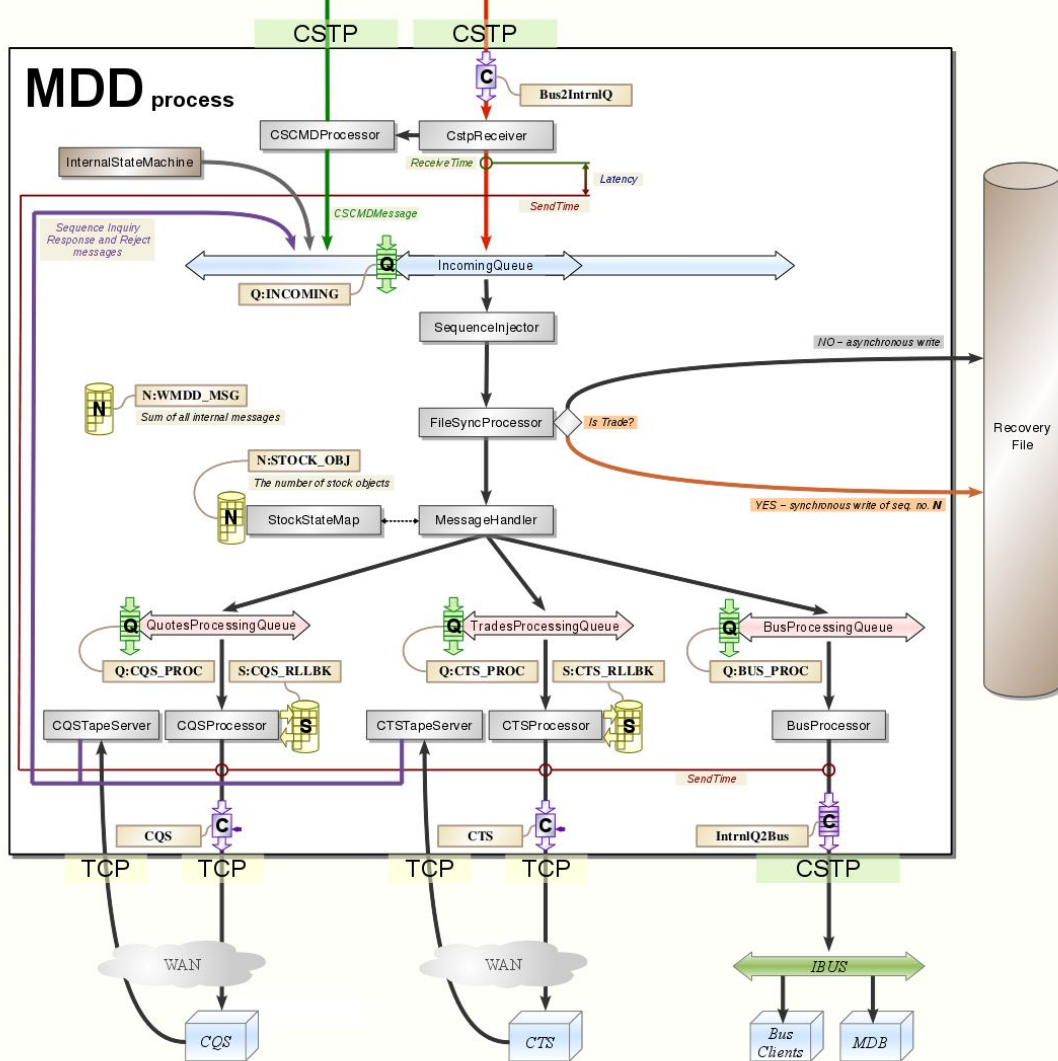
Following the Flash Crash the SEC
launched an investigation
into the causes



The SEC were presented with architectural
overviews of how the systems involved
behaved, and how they were evolved

Their focus was on
Market Data Publication
Slow and delayed quoting
was experienced during the
Flash Crash

What can we tell from looking at this picture?

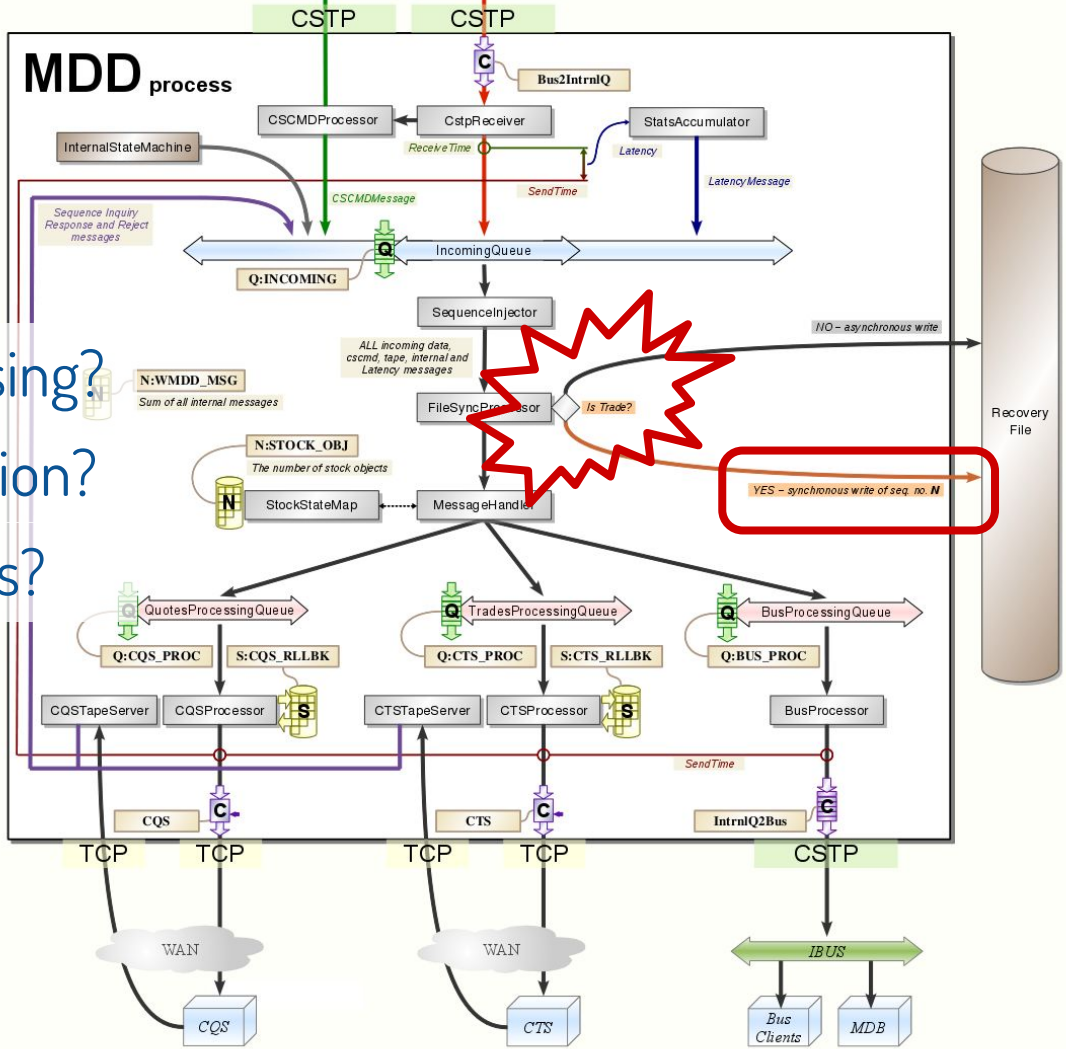


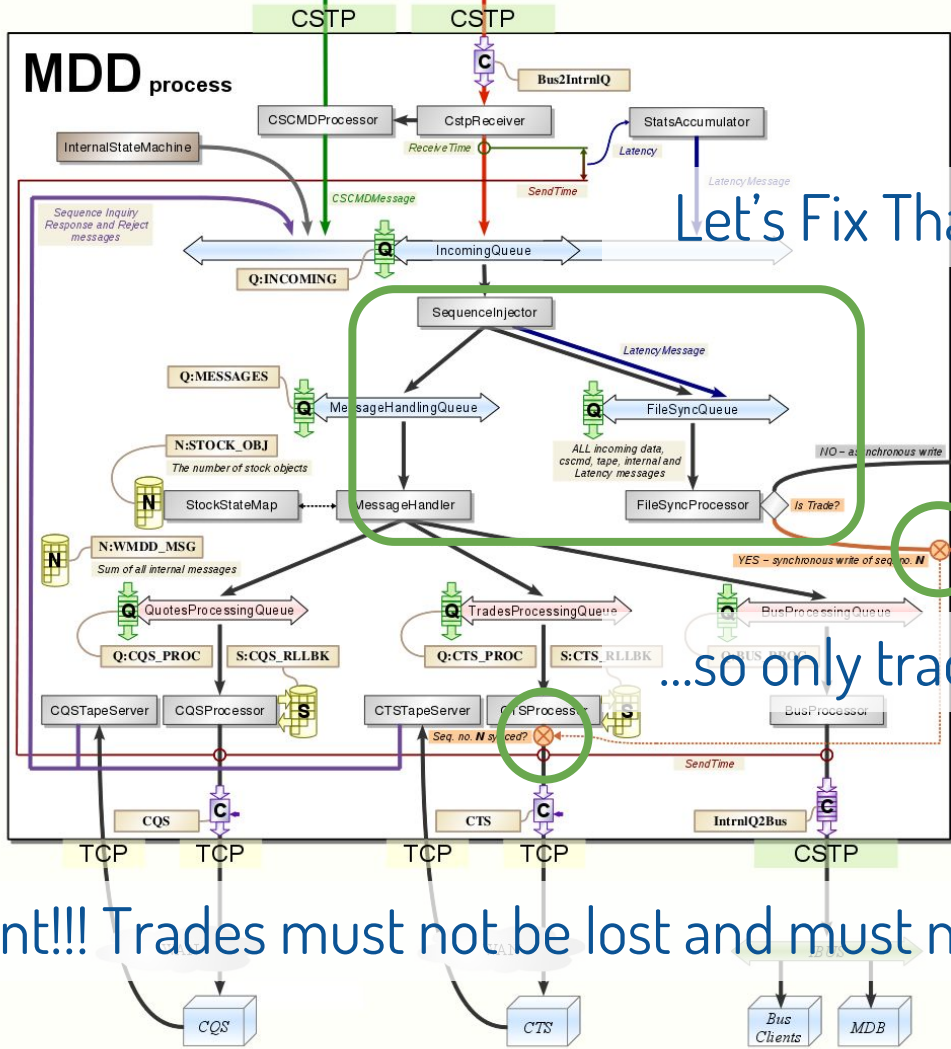
1

Data flow
 Networking
 Queuing
 Decisions
 Processors
 Data stores

2

Message Passing?
Synchronisation?
Bottlenecks?



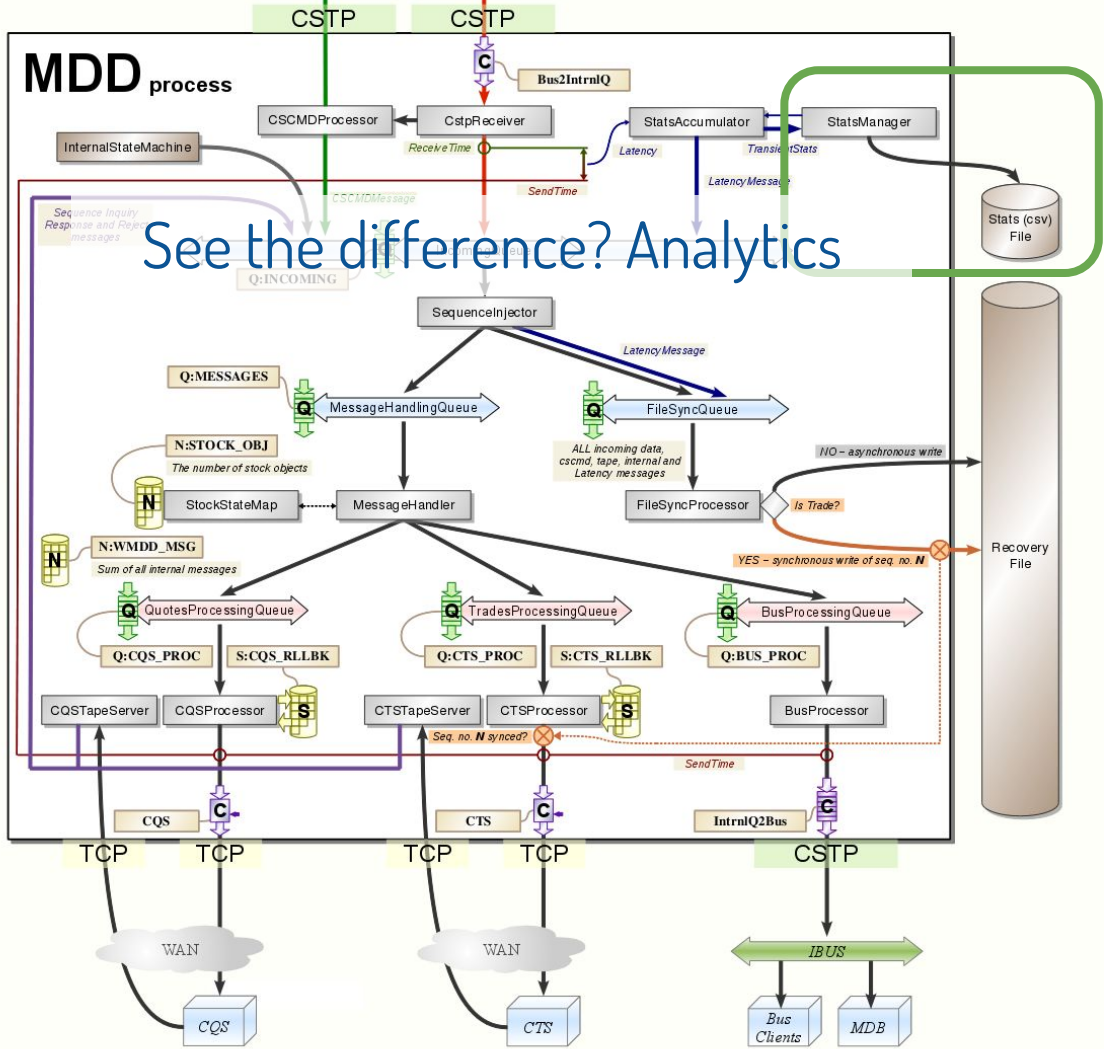


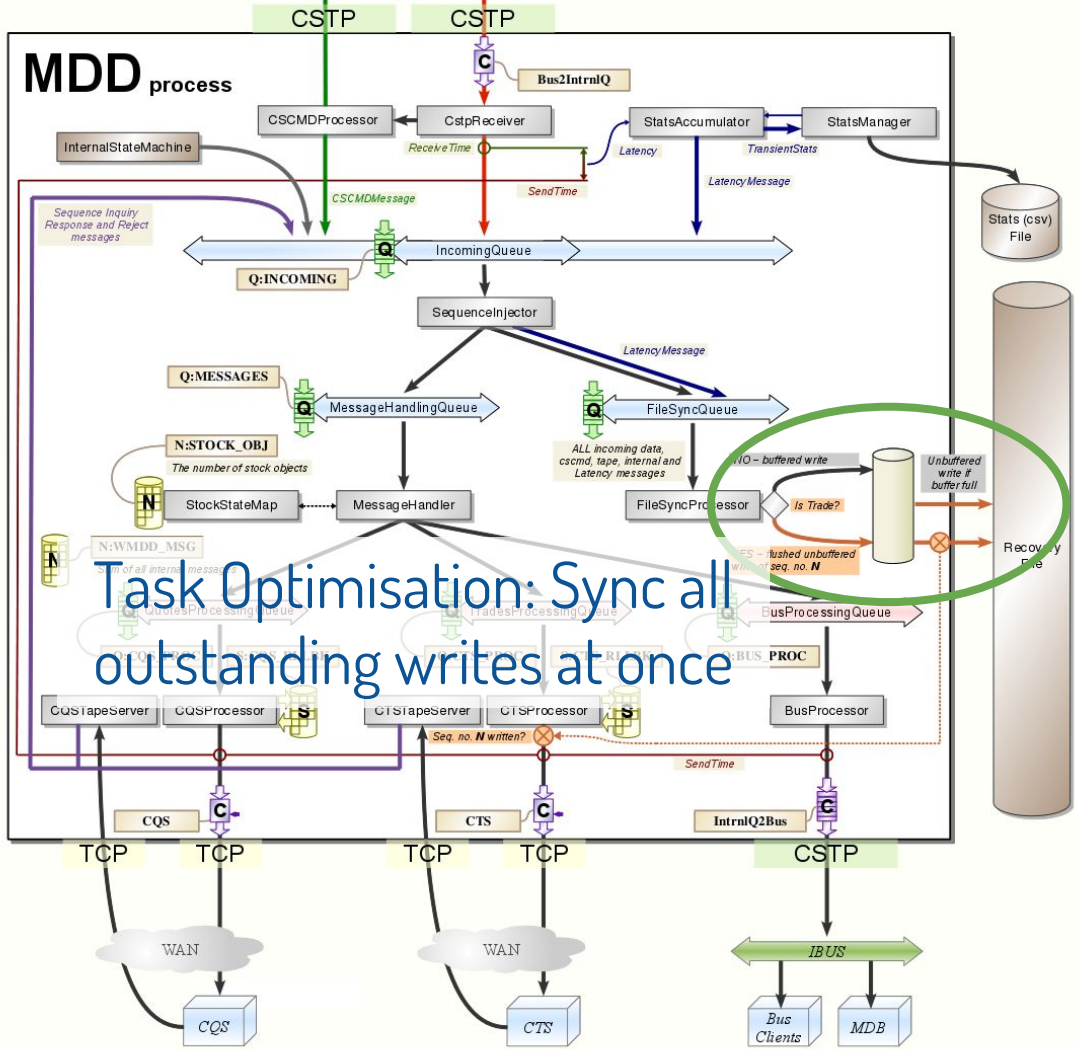
Let's Fix That...

3

...so only trades are affected

Requirement!!! Trades must not be lost and must not be duplicated





5

Task Optimisation: Sync all outstanding writes at once

There are a lot of things we
cannot tell from looking at
the diagrams

What about...?

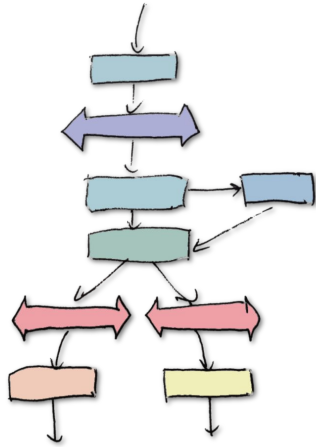
- How are stale quotes handled during a recovery?
- When and why are zero quotes published?
- Are the recovery requirements reasonable?
- Which version was in production at the time?
- Did the system behave correctly?
- Is there information to make that determination?
- How was memory managed?
- How many cores did deployment machines have?
- Details, details, details...

Reasons why...?

- Risk Averse Business
- Correctness the highest priority, then performance
- Ultimate priority was performance
- Worst case performance requirements
- Architecture should evolve to improve performance
- There were 2 versions live in production

A Story...
Not the Whole Story

Nice diagrams typically do not reflect the reality of a code-base



≠

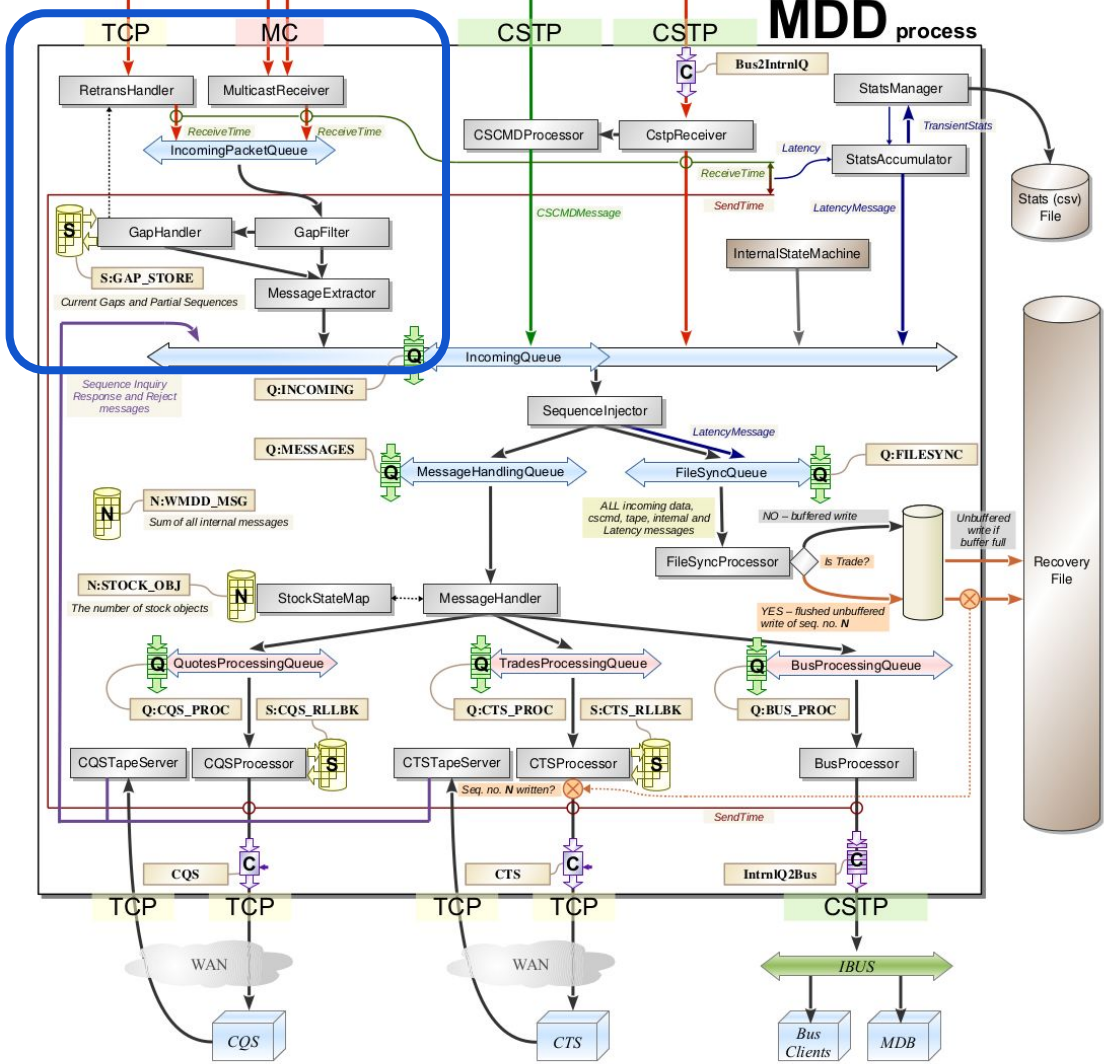
A screenshot of a code editor showing a large, dense block of code. The code is multi-colored (green, blue, red, black) and spans many lines, representing the 'reality' of a code-base. The code is dense and difficult to read, contrasting with the simple diagram on the left.

It would be nice if it did

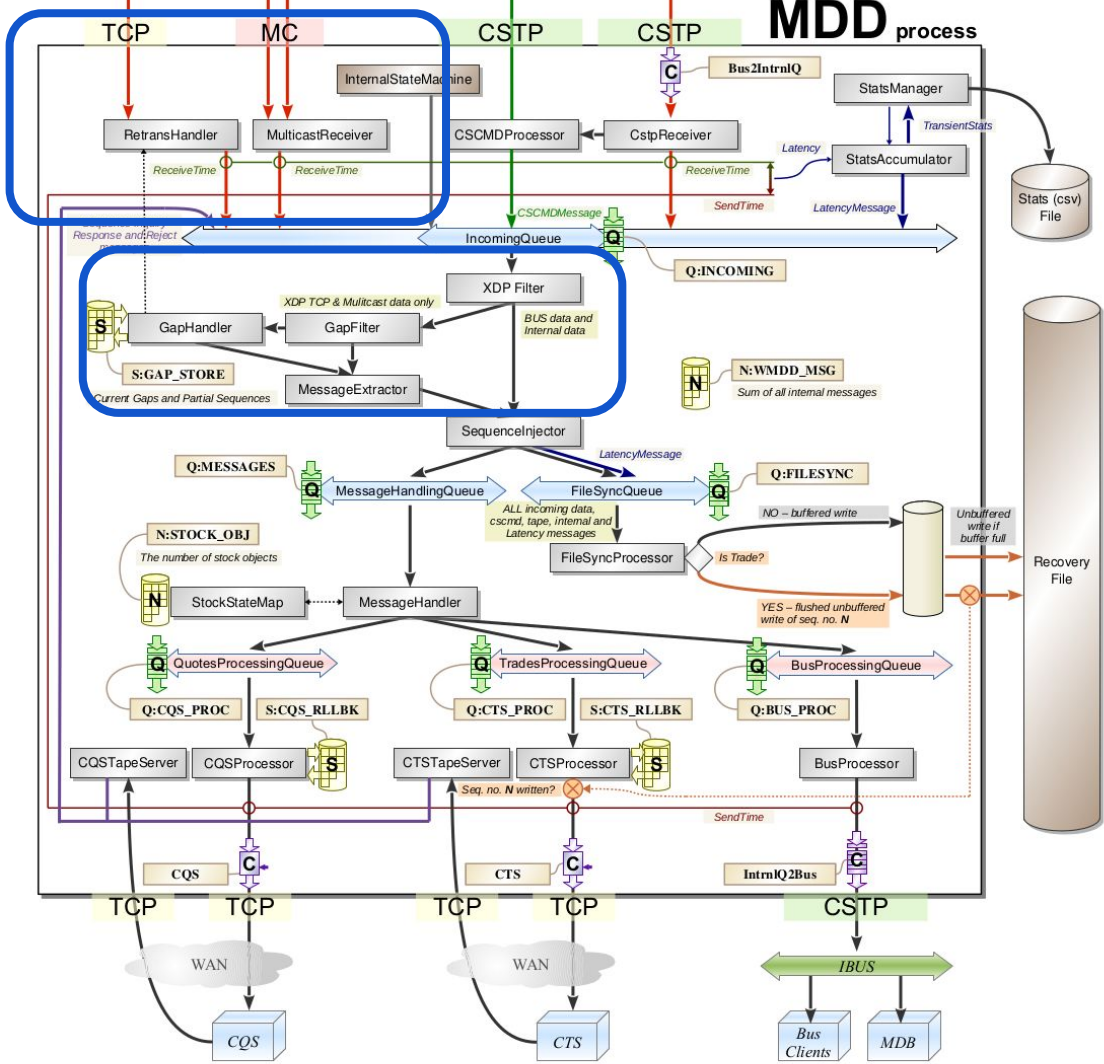
Some things we can conclude

- Performance improved by doing the right thing
- Not by optimising existing behaviour
- Local optimisation only done when solution good enough

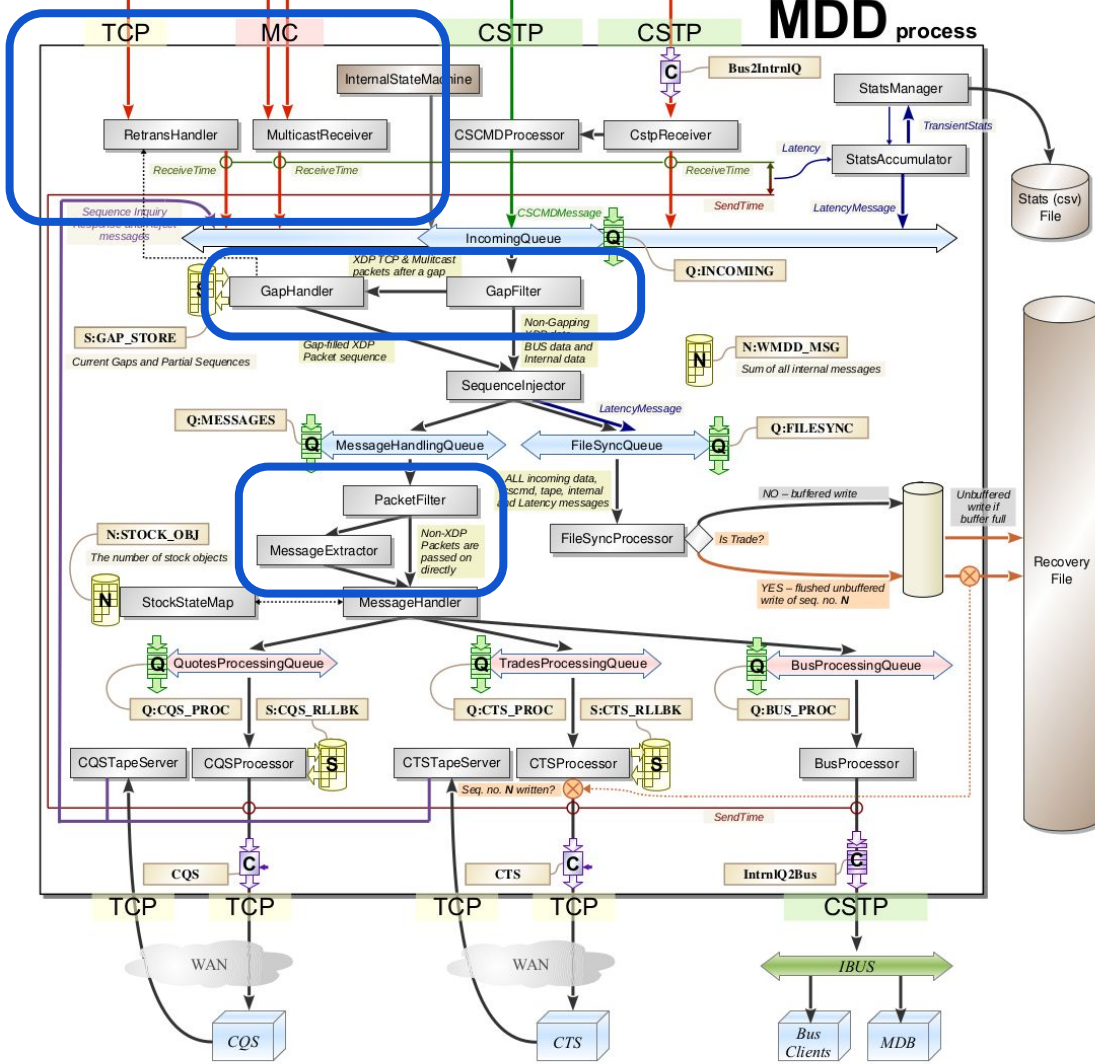
Let's look at some possible
future systems that all do
the same thing...



6



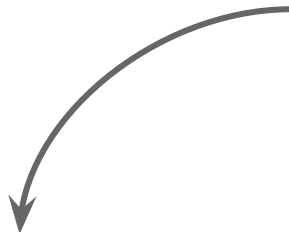
7



8

The same thing in a
different way with
different trade-offs:
Performance trade-offs

Improving Performance

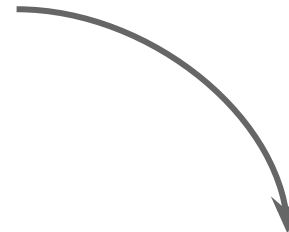


Do the current thing better/quicker

Task Optimisation Approach

Bubblesort $O(n^2)$

DFT $O(n^2)$



Achieve the same thing in a different way

Algorithmic Optimisation Approach

Timsort $O(n \log n)$

FFT $O(n \log n)$

Sorting

Frequency Analysis

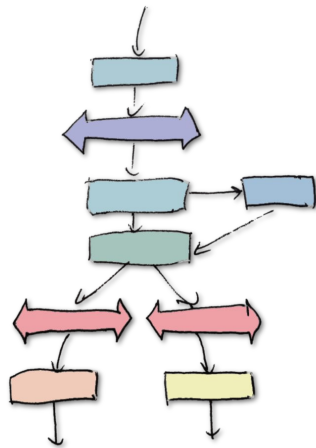
Prefer to optimise at the
highest level possible
The fastest way to do
something is not do it at all

Environmental Influences

- Architecture for wicked problems typically a “**mess**”
- Many stakeholders and evolving problem domain over time adds “**wickedness**”
- Decomposing and understanding interactions difficult
- Such architecture, good or bad, is often hard to reason about in a way that maps directly to code
- Favours **Task Optimisation**

We want to reason about this...

But we can only see this...



What we really want is an Architecture that

- 😊 favours algorithmic optimisation
- 😊 has a clear mapping to code
- 😊 allows an optimal solution
- 😊 is adaptive to a changing environment

an “Algorithmic Architecture”

Relies on being able to
decompose the Architecture
into discrete elements
treating them as Building
Blocks

We Achieve This By

- Exposing a Vocabulary *that can map to code and is*
- Decomposable
- Composable
- Independently Orderable
- Compactible
- Substitutable

1

Expose a vocabulary

the first step in moving towards an algorithmic architecture is to identify a vocabulary suitable for the domain

- implies decomposability
- implies extensibility



Must be a **common** vocabulary

A common vocabulary's primary concern is not ensuring the best use in the description of a possible solution—rather it is focused on ensuring that all stakeholders can communicate sufficiently their position within it—it is **shared**

Must be **domain specific**

The vocabulary must support natural domain specific terms as understood by most stakeholders—it is not sufficient to simply adopt a general vocabulary based on general design patterns (but they help)

Identify **concepts**

Focus on identifying **concepts**
over specific realisations.

Refinement to more concrete
terms is best reserved for
supporting substitutable
elements in an architecture

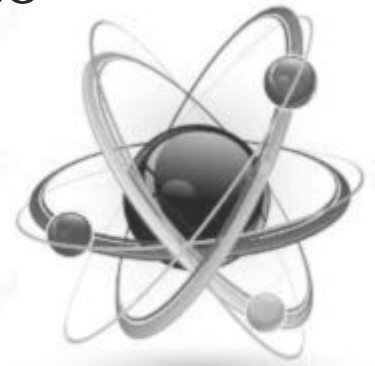
Vocabulary Checklist

- must add in clarity of communication
- should have consensus on basic meanings
- does not need to be complete
- but should be sufficient to model basic systems
- may capture concepts at **different** levels in a system
- should be possible to describe a system
- vocabularies can grow and evolve

2

Decomposable

it should be possible to decompose the architecture into vocabulary elements that communicate the intent of the system



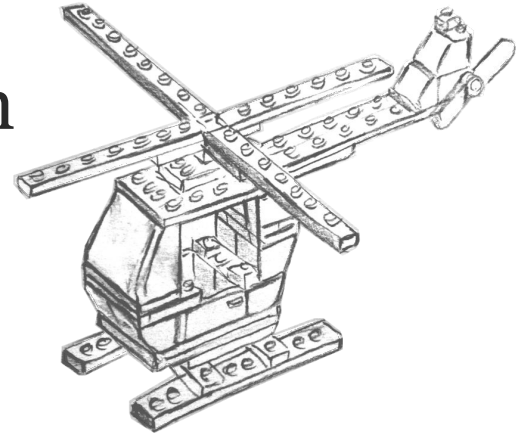
- implies partitioning interfaces

3

Composable

composable components can be assembled together to complete more complex tasks

- implies common approach to communication

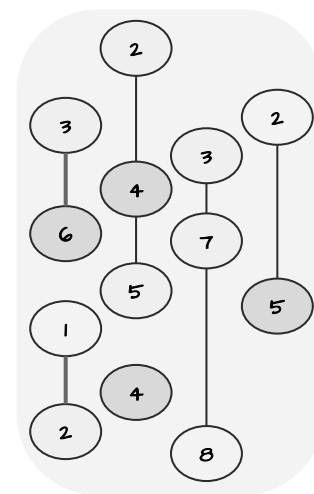


4

Independently orderable

it should be possible to re-order components of the architecture that do not have an ordering relationship

- implies loose coupling

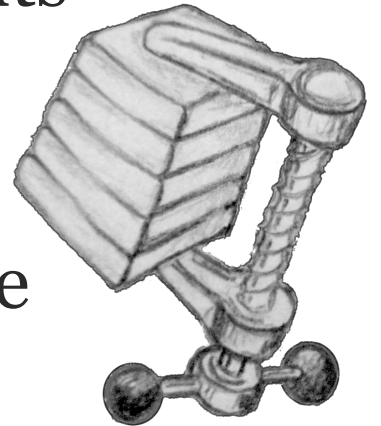


5

Compactible

it should be possible to compact the architecture such that placeholder vocabulary elements can be optimised away

- implies facilities to offset the cost of abstraction

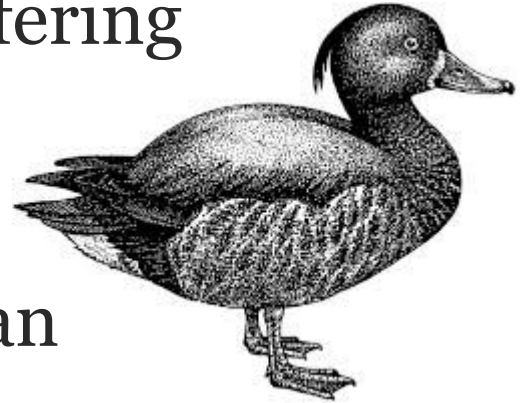


6

Substitutable

vocabulary elements should be replaceable by differing implementations with differing performance trade-offs

- implies consistent, clean interfaces



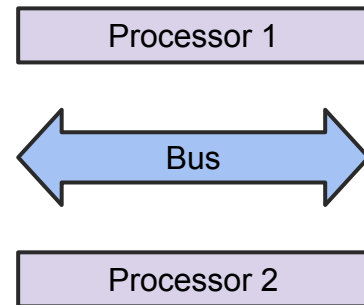
Recommendations

☺ Define **building block vocabulary elements**

```
template<class DataT>
void process( const DataT& Data );

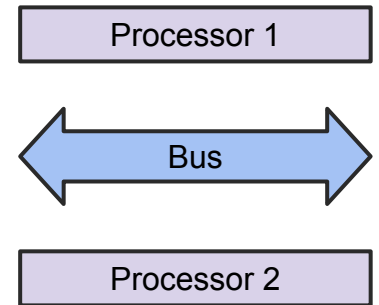
template<class DataT>
void push( const DataT& Data );

template<class ProcessorT>
void connect( ProcessorT Processor );
```



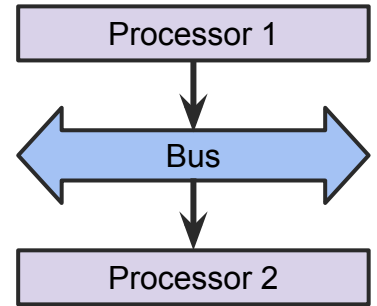
Recommendations

- ☺ Define building block vocabulary elements
- ☺ Avoid **shared state**



Recommendations

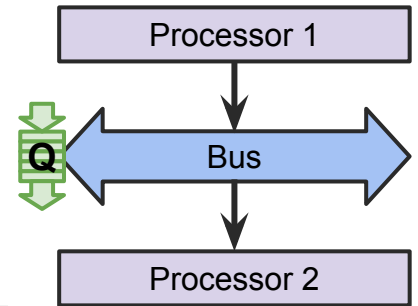
- ☺ Define building block vocabulary elements
- ☺ Avoid shared state
- ☺ Favour **message passing**



Recommendations

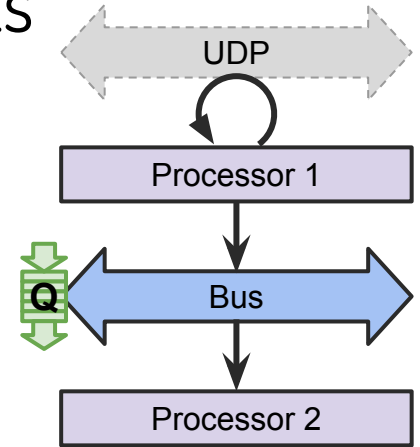
- ☺ Define building block vocabulary elements
- ☺ Avoid shared state
- ☺ Favour message passing
- ☺ Make **synchronisation points explicit** in the architecture

Synchronisation points are not composable. If you hide them you run the risk of concurrency hazards such as livelocks, starvation, deadlocks, and convoying



Recommendations

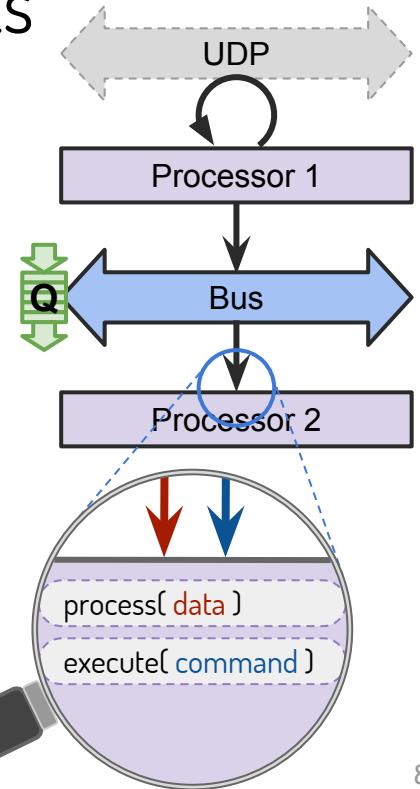
- ☺ Define building block vocabulary elements
- ☺ Avoid shared state
- ☺ Favour message passing
- ☺ Make synchronisation points explicit in the architecture
- ☺ Support **push** and **pull** models



```
enum class read_policy{ on_data, poll };  
template<class ProcessorT>  
void connect( ProcessorT Processor, read_policy Read );
```

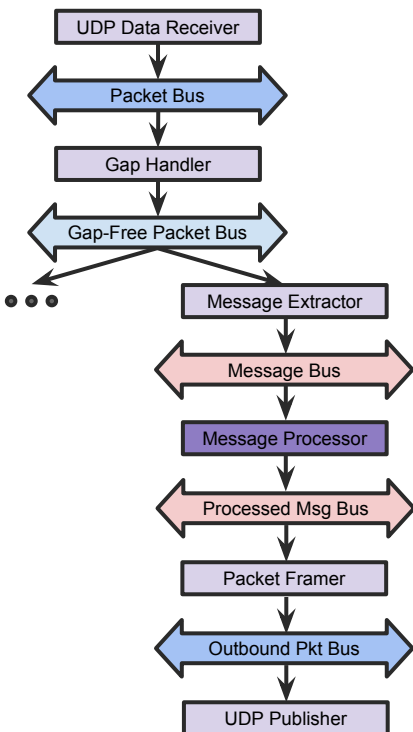
Recommendations

- ☺ Define building block vocabulary elements
- ☺ Avoid shared state
- ☺ Favour message passing
- ☺ Make synchronisation points explicit in the architecture
- ☺ Support push and pull models
- ☺ Separate Data and Command paths
- ☺ Static Polymorphism for Performance

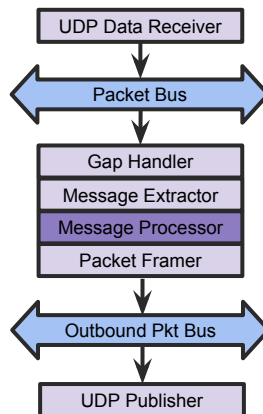


Simple Example

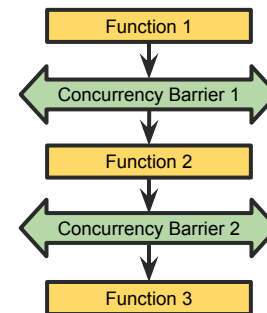
1 Design Using a Real Vocabulary of Real Components



2 Compact Architecture by removing conceptual components

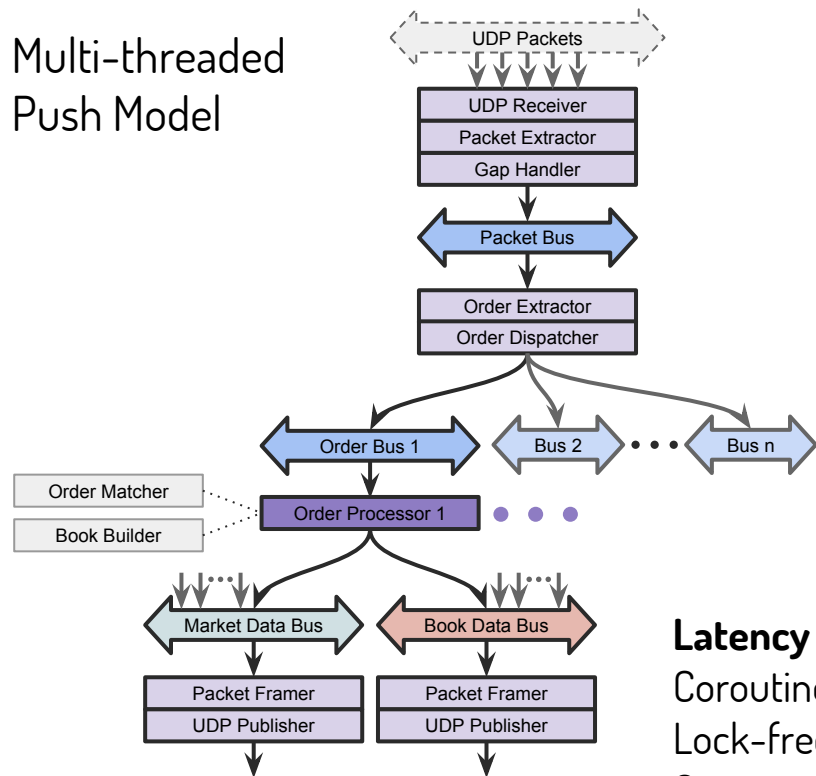


3 Compile to Optimised Implementation with zero abstraction cost

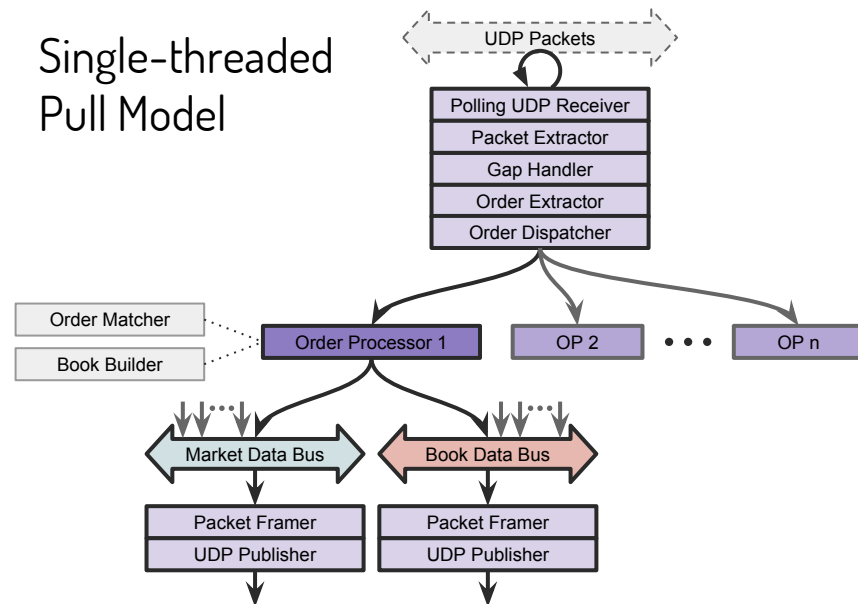


Different Performance Trade-offs

Multi-threaded Push Model



Single-threaded Pull Model



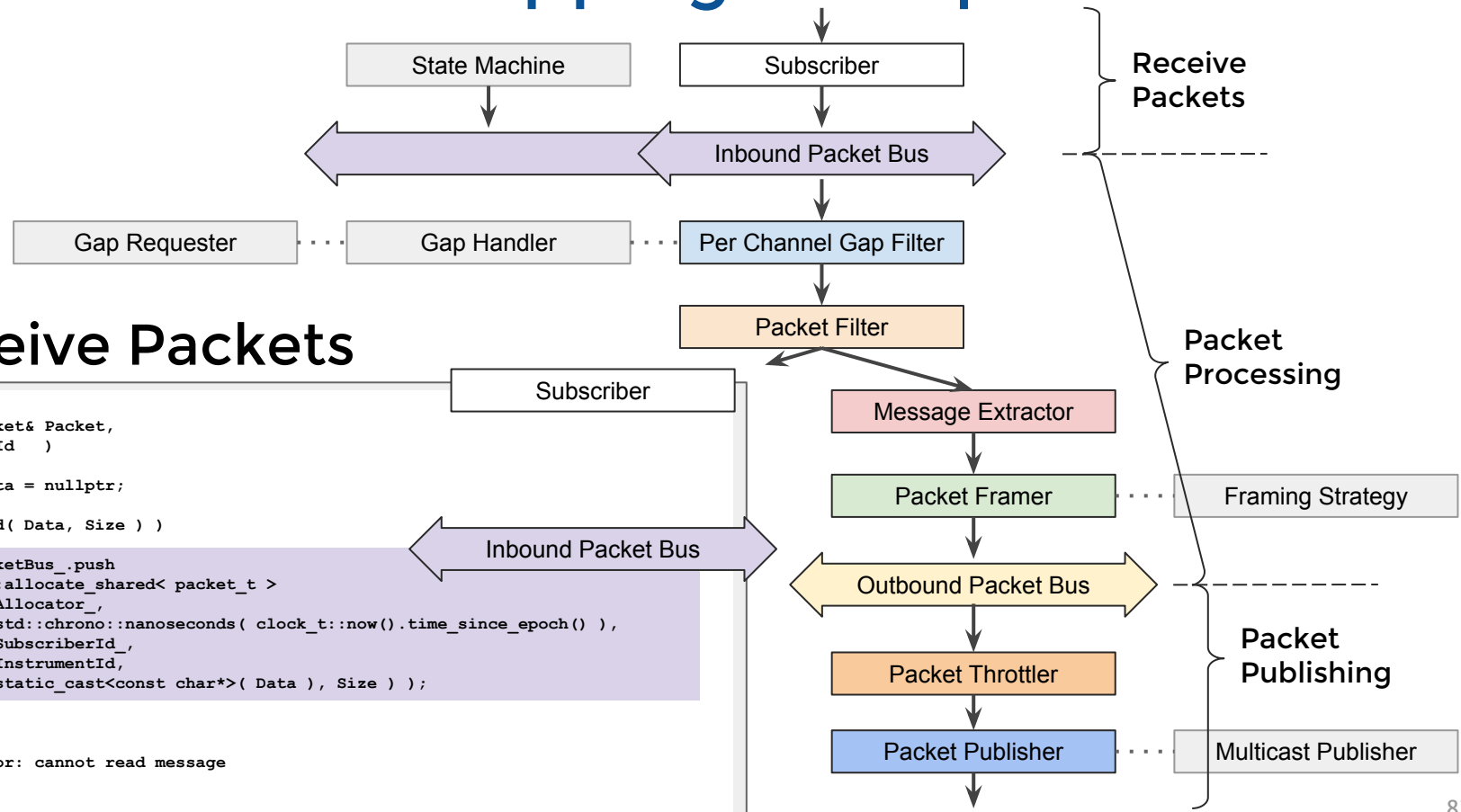
Latency Agnostic

Coroutines?
 Lock-free Queues?
 Context-switches?

Scaling Agnostic

Single Process → Multiple Processes?
 Single Core → Multiple Cores?
 Single Server → Multiple Servers?

Code Mapping Example



Receive Packets

Packet Processing

```
void process( const shared_inbound_packet& InboundPacket )
```

```
{
```

```
  if( InboundPacket->seq_num() == ExpectedSeqNum )
```

```
  {
```

```
    ExpectedSeqNum = InboundPacket->seq_num() + InboundPacket->header().num_msgs();
    GapHandler_.update_expected_seq_num( ExpectedSeqNum, ChannelId );
```

```
    if( InboundPacket->header().num_msgs()
        && InboundPacket->header().delivery_flag() == format::delivery_flag::original_message )
```

```
    {
```

```
      while( shared_message_t Message = InboundPacket->pop_front() )
```

```
      {
```

```
        if( FramingStrategy_->incoming_message_triggers_send( OutboundPacket_->size(), Message->size() ) )
```

```
        {
```

```
          SeqNum_ += NumMsgsInPrevPacket_;
          LastFrameTime_ = clock_t::now().time_since_epoch();
          OutboundPacket_->assign_seq_num( SeqNum_ );
          OutboundPacketBus_->push( OutboundPacket_ );
          NumMsgsInPrevPacket_ = OutboundPacket_->header().num_msgs();
          OutboundPacket_ = std::make_shared<outbound_packet_t>( format::delivery_flag::original_message );
        }
```

```
        OutboundPacket_->push_back( Message );
```

```
        if( FramingStrategy_->packet_requires_immediate_send( OutboundPacket_->size(), Message->last_message_in_packet() ) )
```

```
        {
```

```
          SeqNum_ += NumMsgsInPrevPacket_;
          LastFrameTime_ = clock_t::now().time_since_epoch();
          OutboundPacket_->assign_seq_num( SeqNum_ );
          OutboundPacketBus_->push( OutboundPacket_ );
          NumMsgsInPrevPacket_ = OutboundPacket_->header().num_msgs();
          OutboundPacket_ = std::make_shared<outbound_packet_t>( format::delivery_flag::original_message );
        }
```

```
      }
```

```
    }
    else
```

```
    {
```

```
      // send command::category::notification - packet_discarded
```

```
    }
```

```
  }
  else if( InboundPacket->seq_num() > ExpectedSeqNum )
```

```
  {
```

```
    ExpectedSeqNum = GapHandler_.handle_unexpected_packet( InboundPacket, ExpectedSeqNum, ChannelId );
```

```
  }
```

```
  else if( InboundPacket->seq_num() < ExpectedSeqNum )
```

```
  {
```

```
    // log and ignore
```

```
  }
```

```
}
```

Inbound Packet Bus

Per Channel Gap Filter

Packet Filter

Message Extractor

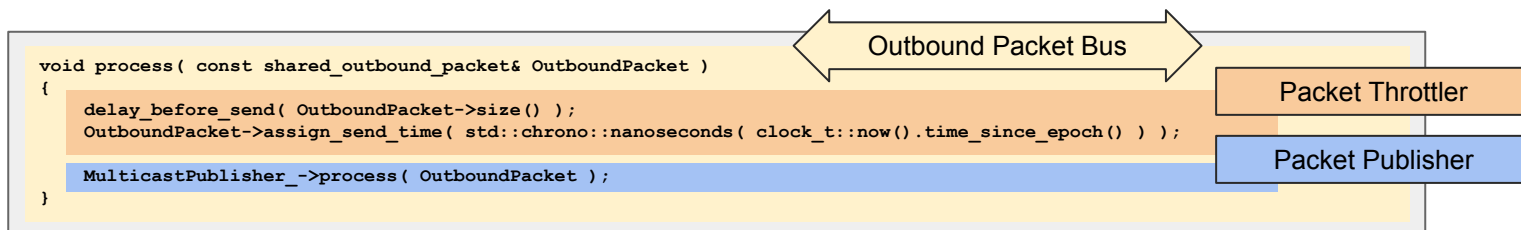
Packet Framer

Outbound Packet Bus

Outbound Packet Bus

Lastly...

Publish Packets



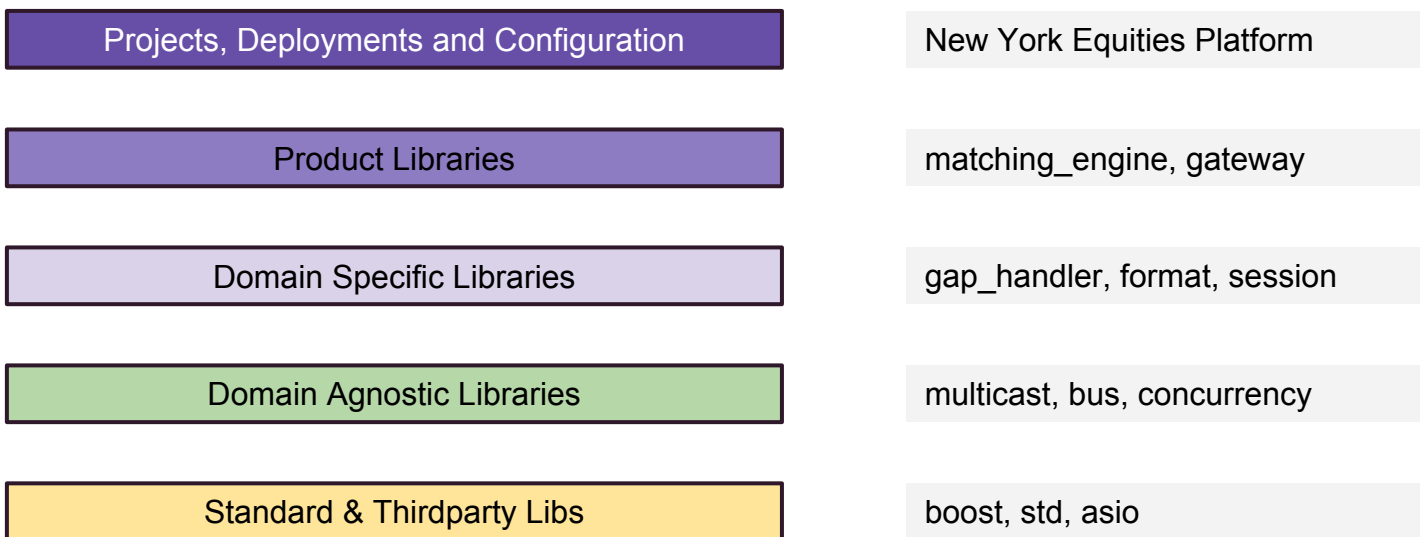
Vocabulary elements map directly to code

- Code still lives in separate 'modules'
- Maintained and tested separately
- Communication through building block interfaces
- Abstraction cost removed but clarity retained
- Easy to change, fix, replace

Additional Benefits of a Common Vocabulary

Common Vocabulary → Tiered Structure

Source code is arranged in tiers facilitating a layered development structure and allowing critical code to retain high quality and performance



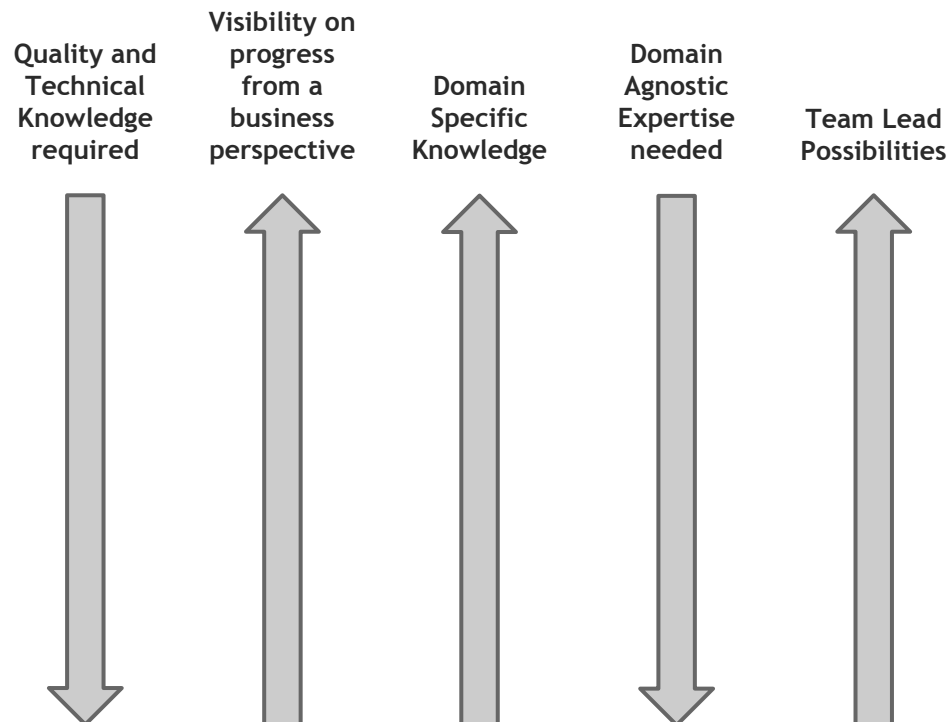
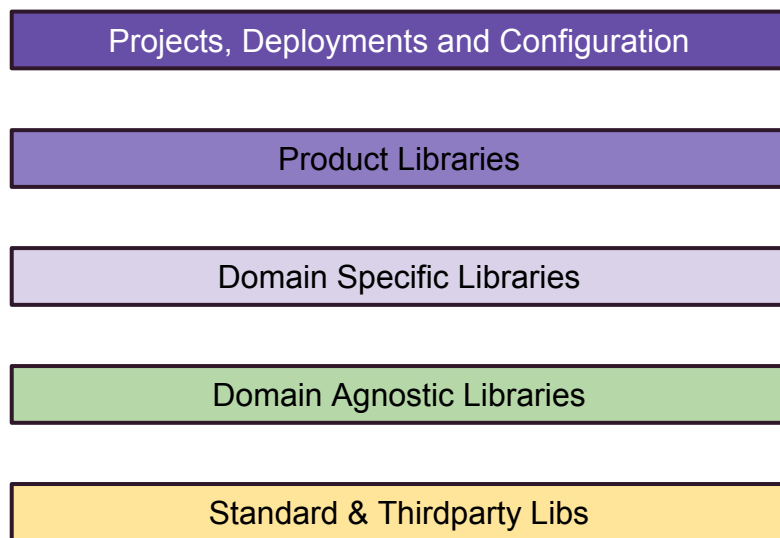
Stable Foundations

Tiers form a pyramid of code with the foundations formed by re-usable components and libraries of well tested code

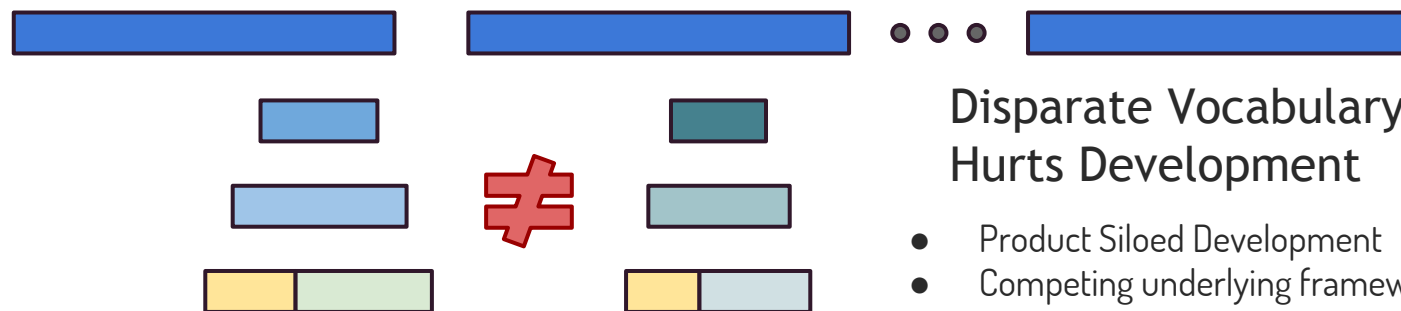


Developer Growth

- Allows different experience and skillsets to be catered to throughout the team
- Provides clear opportunities for progression and personal growth — minimising turnover and helping attract the best developers



Contrast with Disparate Vocabulary



Disparate Vocabulary Hurts Development

- Product Siloed Development
- Competing underlying frameworks
- Explosion of Code

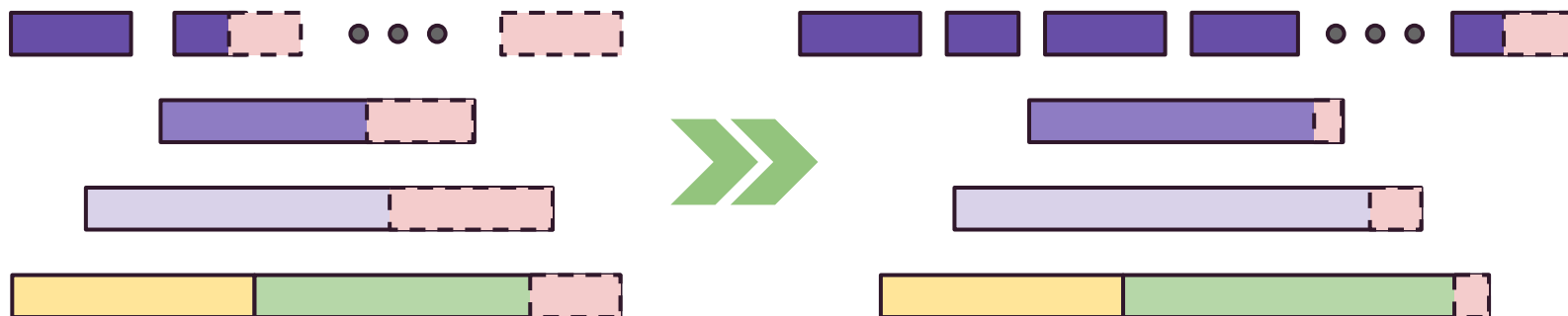


With A Common Vocabulary
Less is More

- Possible to adopt a Core Framework
- Product Building Focused more on Assembly
- Scales across Teams and Geographies
- Developer and Business share the vocabulary



Accelerated Development



Products based on shared framework

- Development rate increases over time
- Framework stabilises over time
- Developer turnover less impact

Minimal Toolchain possible

- Hiring Easier
- Maintenance Easier
- Faster Learning

C++ (core language, high perf, servers), **Python** (web-server, scripting, builds, test),
Javascript (web-clients), **SCSS** (presentation), **Postgresql** (data storage)

Favour a more holistic view
of development — one that
puts people as a central
aspect of architecture


Final Thoughts

In a highly regulated, ever-changing, environment with extreme performance constraints it is increasingly difficult to avoid full system rewrites to meet changing requirements

Algorithmic architecture is primarily about adhering to certain principles and concepts where the goal is to facilitate clear understanding within complex and changing problem domains

The goal of those principles is to allow optimisation (and general improvement) of an architecture to occur at the highest level possible—the architecture itself—allowing adaptivity and evolution

Thank you for Listening

A background image showing various financial charts, including candlestick and line graphs, overlaid on a dark grid. The charts are rendered in shades of teal and orange.

Questions?



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