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News Analysis: Grid Computing to Bolster Web Services in 2004

NEW YORK—Grid computing, the method of linking multiple back-office servers to perform intensive computing tasks, will play a critical role in financial firms' Web services-based trading operations in the coming two years, according to predictions by an industry analyst and industry players.

At last month's Data Grid Users Group Conference, a quarterly symposium sponsored by various distributed computing solution providers, financial technology analyst Larry Tabb, founder and CEO of The Tabb Group, says that grid computing will evolve from performing high-end risk calculations and portfolio models to powering and managing the Web services in financial firms' back offices. Tabb left the TowerGroup in April 2003 (TTW, April 21, 2003).

"In the past two years, grid computing has been used for intensive calculations, usually by risk analysts. In the coming two years, it will be the engine behind many investment banks' Web services," says Tabb. "Web services are difficult to manage because they're made up of a mishmash of different and complex applications. No technology that is delivering Web services is operating as planned. Grid computing will be the new way to manage them because Web services standards are not robust enough to do it all."

Representatives from grid solution providers agree, but add that several large investment firms with distributed computing practices in place are still performing the more typical, high-end calculations.

"With Web services, there's still a lack of standards even though they've been around for over two years now. It's hard to build something that can manage Web services when so many standards are not set in place," says Steve Yalovitser, chief technology officer (CTO) for Integrasoft, a New York-based financial technology solution provider that offers its Integrasoft Grid Fabric product. Integrasoft and Sybase co-sponsored the Data Grid Users Group event, where Tabb spoke.

Yalovitser adds that financial firms' adoption of grid computing for Web services is "pointing at two years into the future for mass industry adoption."

Grid computing software providers are already releasing versions of its software that embrace a Web services-enabled grid. DataSynapse's GridServer 3.2, formerly named LiveCluster, is being used by a number of current GridServer clients, according to representatives from the software company.

Last June, TTW reported that BankOne and Bank of America were clients of DataSynapse (TTW, June 16, 2003).

"We're looking at two breeds [of grid usage]. The commodities side's grid use for high-value analytics and risk calculations is a no-brainer. The data side, as well, will take off for operations. We will see that happening more in 2004," says Yalovitser.

Tabb also predicts explosive growth for grid investment in the coming two years. He says firms invested roughly \$60 million in grid infrastructure in 2003 and he expects that figure to balloon to \$683 million by 2008. "And these estimates are low compared to those of other analysts," he says.

Tabb also says that CIOs have been impressed with the reliability and performance of grid computing, and many are eager to use it for other back-office operations.

The coming year will see greater grid adoption, because the prices of the servers needed to power the grid have dropped dramatically thanks to the industry's move to Linux-Intel, says Tabb. One financial firm, which Tabb declines to name, is already investing in fewer hardware purchases from systems manufacturer Sun Microsystems. "One financial firm has spent \$60 million with Sun on servers in the past," he says. "Now it's down to \$1 million."

Sun has responded with hardware offerings that support the Intel and AMD chip architectures, and run on the Linux open-source operating system.

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