

Headline: [Steps to Setting up Your Own Algorithmic Trading Desk](#)

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# Steps to Setting up Your Own Algorithmic Trading Desk

*Algorithmic trading has dawned in on a new age that is giving power to individual traders to trade skillfully using the power of maths*



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The journey of a trader to algorithmic trading hasn't been an easy one. Trading has evolved, and so has the trader. Today, trading has levelled the playing field, putting all the players in the same league. Coming from an era that was largely dominated by select few who had access to the markets, a trader today has far better access and can trade more efficiently than he could ever before.

Since the world went digital, computerised trading took over the driving seat and once again is getting replaced by Algo Trading. This has thus dawned in on a new age that is giving power to individual traders to trade skillfully using the power of maths, understanding of the markets and the technology tools at hand.

As the Bob Dylan song goes, *The Times They Are A-Changin'*

It is only natural that one keeps up with the times and adapts to flourish. The domain of Algorithmic Trading and Quantitative Trading is a lucrative one, thus spawning the idea of establishing own setups.

Here are the steps that can guide and help you set up your very own Algorithmic Trading setup:

### **Get those skills!**

If you have the knowledge and experience of the market, great!t. But for those who don't, or are new to it and want to become Algo traders, the best way to go ahead would be to learn about it. Today, there is a multitude of courses available that help you gain these skills, and provide you support and guidance. Don't let it stop you from getting on that Entrepreneur bandwagon!

### **Your philosophy of trading**

Traders live by rules and philosophy is what individualizes them. People often trade in stocks, futures, and much more, their affinity towards the type of trading, including the frequency and methodology makes a difference.

### **It is what is under the hood that matters**

In cars, it is the engine, and here, it is the equipment that you have architecture, your very own framework that could possibly make or break it. It would, of course, vary with your philosophy of LFT or HFT of which the latter requires a more sophisticated and expensive architecture.

### **Network your way towards it!**

Since everything related to individual retail trading is connected over the internet, one needs to pay attention to opt for the best network connections to trade fast that are capable of providing really fast speeds, without any breaks, disturbances or shortfalls. For professional traders, it is advisable to go for leased line connections with the relevant exchange(s).

## **Different type of Risk**

While manual trading mostly deals with market risk, algorithmic trading has a high degree of operational risk in it. Why? The primary reason being that the machines do not possess the power of common sense that a human mind has. So do make sure that you code that common sense in your algorithm before you take it to the market! Also, exchanges give a detailed checklist of risk management parameters that you must adhere to before you go algo.

## **To co-locate or not to co-locate - Is that even a question?**

People often have the misconception that opting for co-location would only ensure their enterprise to grow. But, that is not the case. Though it is essential for High-Frequency Traders, traders opting for Low-Frequency Trading may not face much impact as the target average profit per trade would be a lot higher for them as compared to an HFT desk, hence the latency due to the absence of colocation may not make a severe impact.

## **The law of the land**

Each country has different rules with respect to Trading, and they differ a lot. Countries like USA, or Japan where Algorithmic trading is widely practised, and countries like India where it is still developing, are entirely different examples of such a situation. It is highly advised to check with your broker for detailed guidelines before you Start!