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Sent: Thursday, July 8, 2010 6:27 PM
To: secretary <secretary@CFTC.gov>
Cc: colocation <colocation@CFTC.gov>
Subject: Comment Letter of Mr. Peter J. Bazil, SAVVIS, Inc. on Rulemaking Release on Co-Location/Proximity Hosting Services, Comment File No. 10-006
Attach: S35C-210070812370.pdf

Please accept for filing the attached comment letter of SAVVIS, Inc. on Comment File No. 10-006 "Co-Location/Proximity Hosting Services" 75 Fed. Reg. 33198 (2010).

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July 8, 2010

Mr. David Stawick
Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, N.W.
Washington, DC 20581

Re: Proposed Rulemaking on Co-Location/Proximity Hosting Services

Dear Mr. Stawick:

SAVVIS, Inc. ("SAVVIS") appreciates this opportunity to submit these comments on the Proposed Rulemaking on Co-Location/Proximity Hosting Services published by the Commodity Futures Trading Commission (the "CFTC" or "Commission") on June 11, 2010, 75 Fed. Reg. 33198 (the "Proposing Release"). SAVVIS is an information technology company founded in 1998 and headquartered in St. Louis, Missouri. We provide network and computer hosting services on an outsourced basis to a wide variety of businesses and government entities nationwide and around the globe. SAVVIS provides services that include managed hosting, co-location/proximity hosting, managed security, network and professional services. We operate 31 data centers around the world with approximately 1.48 million square feet of gross raised floor space, and a Tier 1 internet backbone with over 17,000 miles of fiber. Our customers range across many sectors including airlines, media and entertainment, software, government agencies, and securities firms and markets. Through our state-of-the-art data centers located around the country and abroad, SAVVIS provides a location for clients to conduct their data processing in a secure environment at an efficient cost.

SAVVIS is not a commodities or securities firm or market, and does not operate a trading market.

Our comments are focused on two issues. First, disclosures on latency are more complex and expensive to develop and document, not as simple, and the information that can be provided not as meaningful, as the Proposing Release would suggest. Because most of our customers are not interested in low latency, we question whether the cost and burden of creating and documenting the information required for the disclosures is justified by the limited usefulness to those customers who are interested in low latency. Second, we urge that the rule not allow a licensed market to regulate and stifle competition from data hosting centers under the guise of "obtaining information" for its "self regulatory obligations and other obligations under the Commodity Exchange Act and Commission Regulations."

We support the Commission's efforts through the Proposing Release to assure that electronic access to trading markets is provided on a fair and equitable basis to all qualified participants. Based on our reading of the Proposing Release, we understand that the Commission is not seeking to regulate or impose access, disclosure or pricing requirements on "Third Party Providers" such as SAVVIS.

Because Third Party Providers do not have a monopoly on electronic access to the licensed markets and trading centers, data hosting, co-location or proximity hosting, but instead compete with one another to provide these services at the best price and service quality to our customers, a regulatory check on our pricing and access terms would serve no purpose and would not benefit our customers, the markets or end users. Moreover, we do not monitor or control the use of our systems by our customers or collect information from our customers or report on their use of our systems. We urge that the Commission not adopt any regulatory requirements that would directly or indirectly impose such obligations upon us, as any such obligations would require major changes to our systems and methods of operation, and would fundamentally change both the role of Third Party Providers and our relationships to customers and licensed markets and trading centers.

We urge the Commission to coordinate its efforts in this area with the Securities and Exchange Commission to assure that the two agencies' respective requirements regarding co-location and proximity hosting are not in conflict, inconsistent or mutually incompatible.

Low-latency data and telecommunications access has been broadly used across a variety of industries for many years. Co-location and proximity hosting are broadly provided to make low-latency access occur in a low cost, non-discriminatory manner. Most of our data center customers are not interested in low latency. Rather, they seek to lower capital expenditures and operating costs by outsourcing their data sites. There are few barriers to entry into the data hosting business, with active competition and a demanding customer base that forces vendors to provide high quality, highly secure, low cost servicing and hosting. The fees charged by SAVVIS and other data site hosting services for proximity hosting generally are lower than those charged by exchanges for co-location access. Proximity hosting by third-party vendors provides a competitive check on the use of market power by licensed exchanges and market centers that might otherwise abuse the market power accorded by their licenses.

Latency Disclosures Expensive to Create and Document and Not Simple or Always Meaningful

The Proposing Release would require trading markets to provide monthly disclosures to the public of the longest, shortest and average latency for each connectivity option provided by the execution facility. To do so, the markets will need to gather and calculate data internally from their own systems, as well as from third-party providers such as SAVVIS.

This latency disclosure will not be as clear, or as meaningful, as the Proposing Release suggests. There are not at present generally accepted standards for calculating and disclosing latency. Total latency consists of a number of elements - propagation latency, or the amount of time it takes a signal to travel from the sender to receiver over a medium, serialization latency, or the amount of time it takes a computer or network device to create a bitstream on a network, and processing latency, or the amount of time it takes a network device to examine and route traffic across a network.

Propagation latency can be calculated by *distance / wave propagation speed*. Fiber optic cable, typically composed of aluminosilicate or germanosilicate (silica glass, or SiO₂, doped with Germanium Dioxide, GeO₂, or Aluminum Oxide, Al₂O₃) reflects light along the axis of its cylindrical dielectric waveguide core. In this medium, the wavefront propagates at around two-thirds c , the speed of

light, or about 200,000Km/s. This means that within the limited space of a data center, propagation delay is not a major contributor to latency. While it would take around 100 microseconds (.0001 seconds) for light to travel 20km, it could cross a 200 meter data center in around 1 microsecond (.000001 second).

Since most firms within a data center are connected directly to each other via copper or fiber optic cable, the latency within the data center is simply not very significant. The average latency for the fastest market centers to fill or acknowledge an order is around 200 microseconds. There is a risk that the proposed new disclosures will simply confuse customers and market participants with information that is spuriously precise and simply not relevant to the actual latency of access through the end user's system or the methods of operation of the end user. SAVVIS does not charge a price premium for a customer who is in the data center to take advantage of low latency when compared to a customer who is using the data center for convenience to their home office, nor do we charge a premium for an area of the data center adjacent to a matching engine, compared to space on another floor.

Many technical questions arise in describing latency, such as between what two points should latency be disclosed? There are many factors not related to the data center itself that are inherent in the customer's own systems and data back-up locations, internal resiliency in linkages and external telecommunications routing and other variables, that greatly affect latency and that make it difficult to compare and disclose latency in a standard way that would not further confuse the matter. Providing information to the degree of precision required by the proposal will be quite a complex and expensive undertaking which would impose significant new and unnecessary costs.

Moreover, the majority of SAVVIS' data center customers are not interested in low latency. Though some take advantage of the low latency connectivity available at the facility, many of our customers are taking advantage of the cost efficiencies that data center and IT outsourcing provides them. An unintended consequence of the proposed disclosures is that they could result in higher costs for all customers, including the majority that have no interest in low latency.

The market and demand for outsourced data centers has evolved over the past decade for reasons unrelated to low latency. There are strict requirements for data centers related to security, and continuous access to power and telecommunications links. Historically, many data systems used by the securities and financial services industry were located in lower Manhattan, and were moved to New Jersey or elsewhere in the aftermath of the September 11 terrorist attacks and an increased business and regulatory focus on business continuity and disaster recovery. Through scale efficiencies, outsourced data centers were also able to provide customers with greatly reduced operating and telecommunications expenses, which has played a large role in recent years in attracting customers from a variety of industries to data centers.

SAVVIS does not charge additional fees for those customers whose interest is low latency, we do not sell preferred latency to some customers, and we do not monitor the types of use by our customers of the servers in our data centers.

Between the difficulty and expense to trading markets and third party providers in gathering, calculating, updating, and documenting the information required for the proposed latency disclosures, and the limited usefulness of the disclosures to most or possibly all clients, if not carefully formulated and tailored from a technical perspective and provided in a context that will assist the customer in understanding its relevance to the customer, we question whether the proposed latency disclosure will be worth the cost and effort involved in preparing it. SAVVIS would be pleased to work with the Commission and trading markets to start to define the kind of latency reporting that would be required and provide technical information and practical insights from a systems perspective on how the objectives of the Commission embodied in the Proposing Release can be delivered.

Licensed Markets Should Not Regulate Third Party Data Services Providers

The Proposing Release would require licensed markets to “ensure that it obtains on an on-going basis all information necessary from those third-parties to carry out its self-regulatory obligations and other obligations” under federal commodities laws. Certain commodities and securities markets are expanding into providing data hosting and other data services. Government-granted licenses and self-regulatory authority of licensed markets give them a degree of market power and monopoly over access to their systems and trading market. Third-party data service providers operate in direct competition with these data hosting and other services offered by those licensed markets, and help assure that high quality data services are broadly available at a low cost. SAVVIS does not believe it is appropriate to give one competitor regulatory oversight over other third-party data hosting services and providers. Such an arrangement would give the licensed markets the power, directly or through more subtle means, to stifle competition, reduce innovation and quality, and raise pricing for these services.

We note that the licensed markets are playing a dual role in this policy debate. As practitioners of co-location, they are mounting a strong and articulate defense of the practice. But as regulated entities that are both customers and competitors of data centers, they appear to be seeking a measure of regulatory oversight over third-party data centers. The motivation of some may in part be to impose barriers to entry and to restrict competition that may undermine their ability to charge higher fees to commodities or securities firms for co-location.

Conclusion

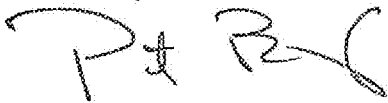
Disclosures of latency as contemplated by the Proposed Rulemaking will be more complex and expensive to develop and document, and not as meaningful to customers, than is suggested by the proposal. Because most of our customers are not interested in low latency, we question whether the cost and burden of creating and documenting the information required for the disclosures is justified by the limited usefulness to those customers who are interested in low latency. We would be pleased to provide technical and systems insights to the respective staffs of the Commission and the trading markets to start to define the kind of latency reporting that would be required and advise on the practicalities of how this can be delivered in a way that is cost effective and meaningful to end users.

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Vendors such as SAVVIS provide a competitive counterweight to co-location services provided by licensed markets that helps keep access equal, fees low and service quality at a high level. Licensed markets should not be granted supervisory authority over data hosting services, because that dual role poses conflicts of interest between the market's role as an SRO and the market's interest in maximizing revenues from its own data hosting business.

We thank you for the opportunity to comment on the Proposing Release and for your consideration of these views.

Sincerely,

A handwritten signature in black ink, appearing to read "P. J. Bazil". The signature is stylized and written in a cursive-like font.

Peter J. Bazil
Vice President, Associate General Counsel

cc: The Honorable Gary Gensler, Chairman
The Honorable Michael Dunn, Commissioner
The Honorable Jill E. Sommers, Commissioner
The Honorable Bart Chilton, Commissioner
The Honorable Scott D. O'Malia, Commissioner