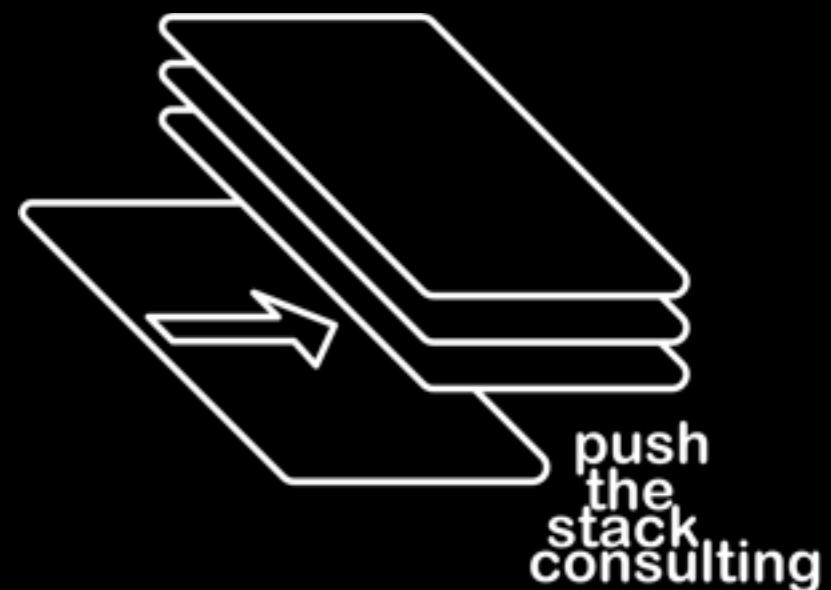


# security when nanoseconds count

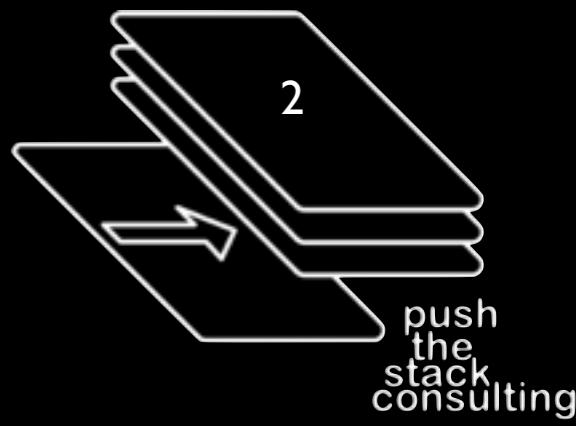
James Arlen, CISA  
DEF CON 19



# disclaimer

I am employed in the Infosec industry,  
but not authorized to speak on behalf  
of my employer or clients.

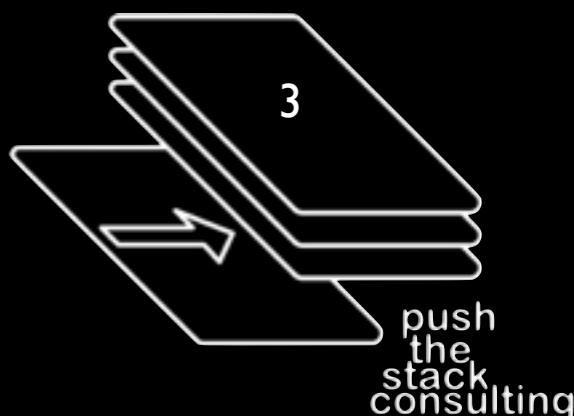
Everything I say can be blamed on  
the voices in *your* head.



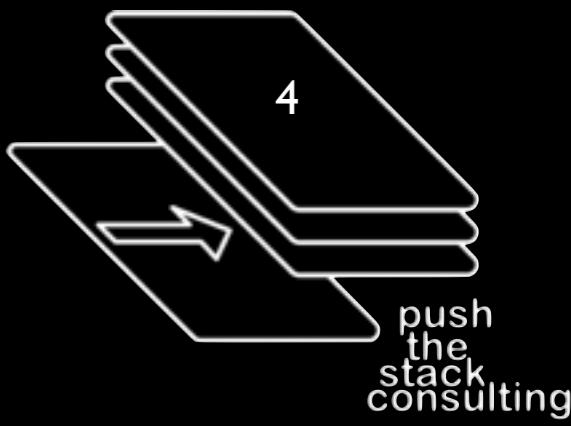
# credentials

- 15+ years information security specialist
- staff operations, consultant, auditor, researcher
- utilities vertical (grid operations, generation, distribution)
- financial vertical (banks, trust companies, trading)
- some hacker related stuff (founder of think|haus)

...still not an expert at anything.



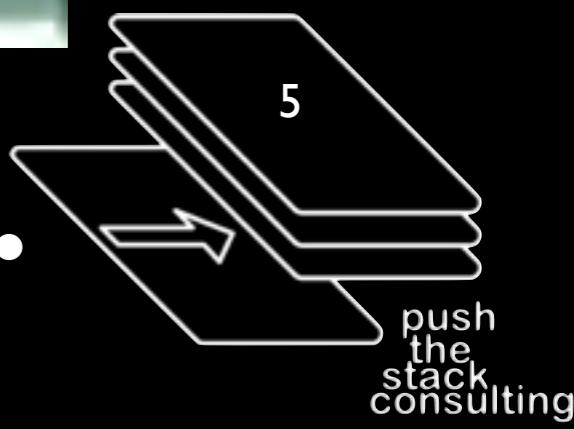
# nanoseconds...





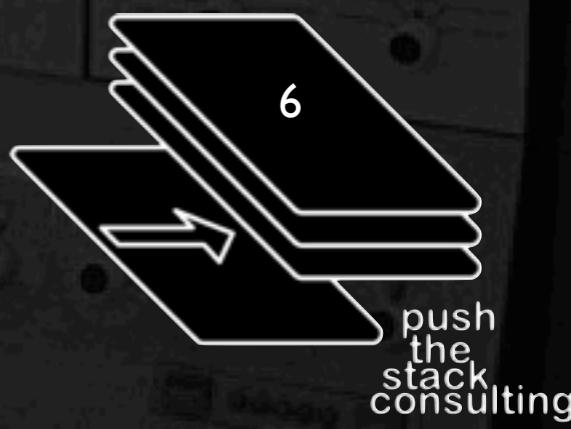
# Admiral Hopper says...

From an interview segment by Morley Safer in 1982



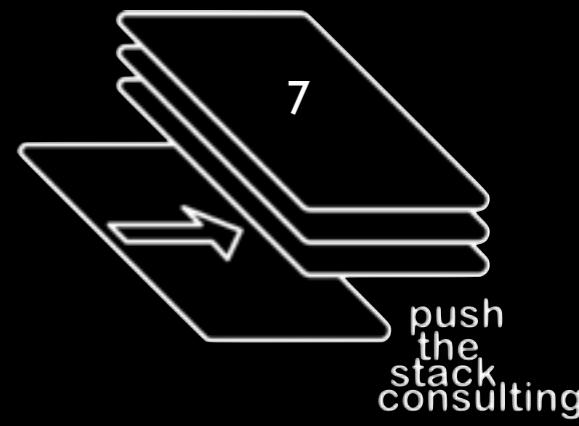
# $\$=c$ (speed of light matters)

- distance light travels in a:
  - millisecond ~300km (~186 miles)
  - microsecond ~300m (~328 yards)
  - nanosecond ~30cm (~1 foot)



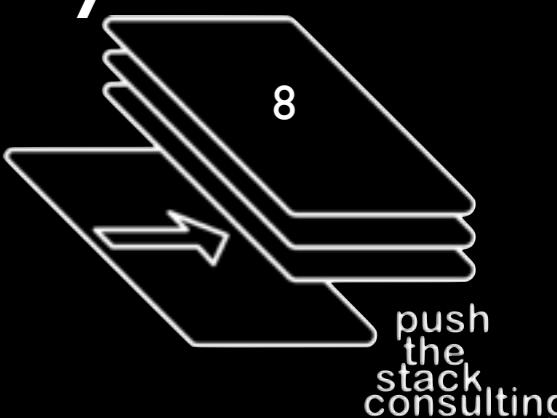
# before you ask...

- This is a talk about... \$\$
- I'm not going to mention any of those things on your buzz-word bingo card:
  - SCADA
  - APT
  - PCI - DSS
  - wikileaks
  - (anti-|lulz)sec
  - hacktivism
  - ...insert more here.



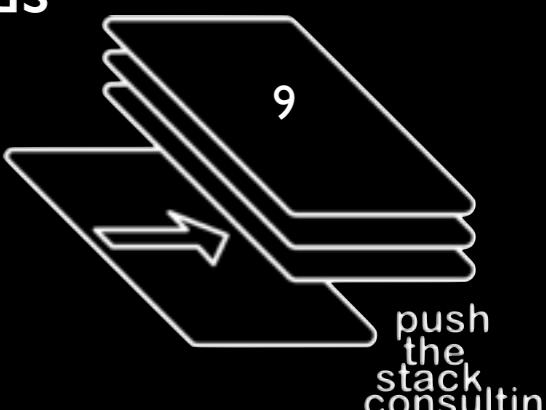
# finance at DEF CON?

- You know it!
- DEF CON is all about offensive and defensive techniques and technologies
- Sometimes, knowing that a vulnerability exists to be exploited helps to focus attention.
- Sometimes, people like me tell you things that sound completely crazy but have a history of coming true.



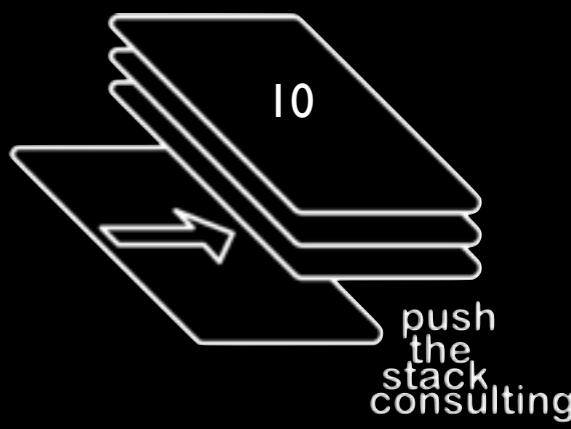
# trading history

- 1200s - Commodity and Debt trading
- 1500s - Inter-market trading
- 1600s - Equity trading
- early 1800s - Reuters uses carrier pigeons
- late 1800s - electronic ticker tape (market data feeds) become widespread
- mid 1900s - quotation systems (next price rather than last price) become widespread
- late 1900s - computers are used to maintain the records of the exchange
- early 2000s - computers begin trading with each other without human intervention



# definitions

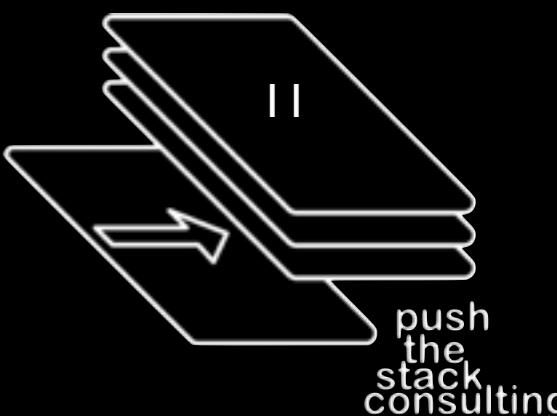
- high speed trading: committing trades on a scale *faster* than human interactive speeds
- algorithmic trading: trades based on the mathematical result of incoming information from external sources (news, market data, etc.)



# arbitrage

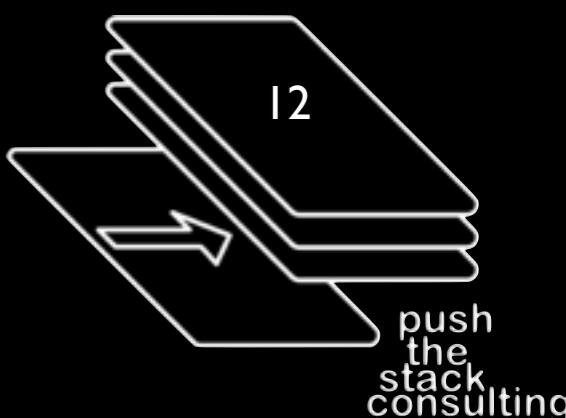
*the practice of taking advantage of a price difference between two or more markets: striking a combination of matching deals that capitalize upon the imbalance, the profit being the difference between the market prices.*

- in space - between two geographically separated markets
- in time - between the moment information is available and the moment information is widely known

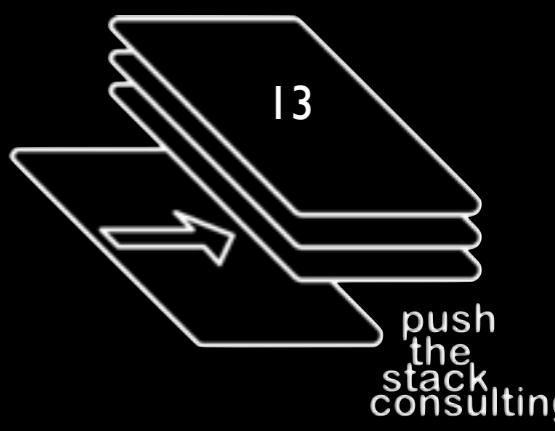


# time

- when markets were new (middle of last millennium) trade times were measured at a very human scale
- late 1800s brought trade times to minutes
- 1900s brought trade times to seconds
- 2000s bring trade times in 100s of microseconds
- *Future trade times may well involve tachyon emissions*

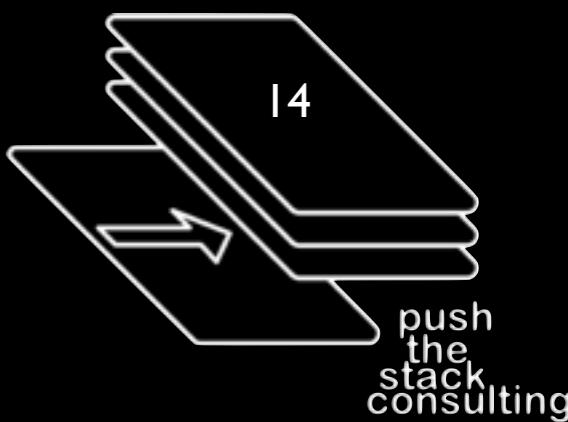


# architecture



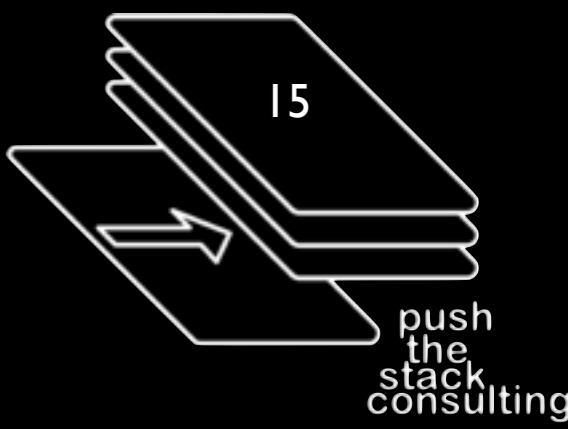
# how fast is fast?

- seconds: you have no position
- milliseconds: you lose nearly every time
- sub-millisecond: big players regularly beat you
- 100s of microseconds: you're a bit player and missing a lot
- 10s of microseconds: you're usually winning



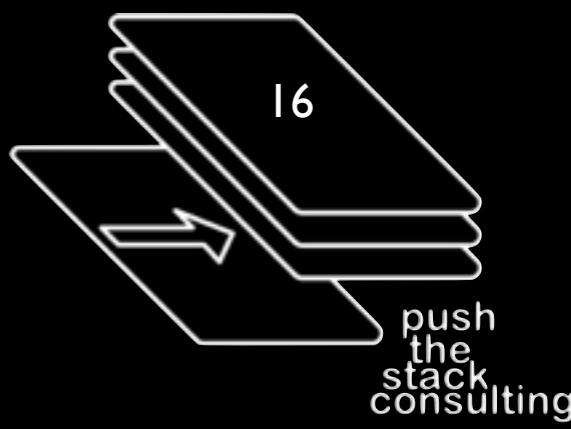
# predictability

- Almost as important as sheer speed is predictable speed.
- Enemies are: jitter, packet loss, inefficient protocols (tcp)
- Dropped packet is dropped cash



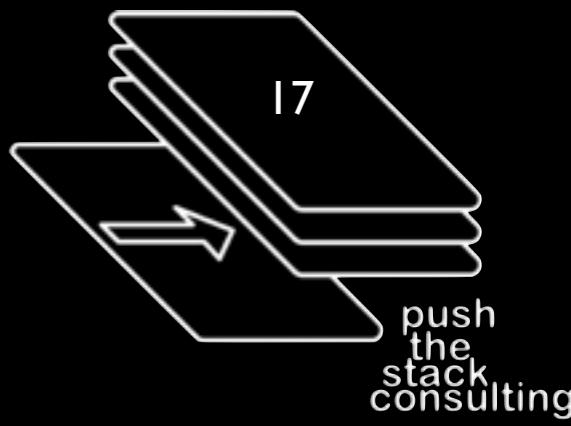
# proximity

- Proximity relieves many of the speed/latency/jitter effects
- You're on the LAN, not the MAN or the WAN



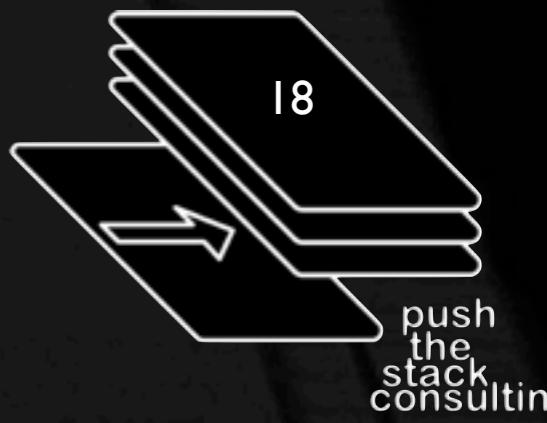
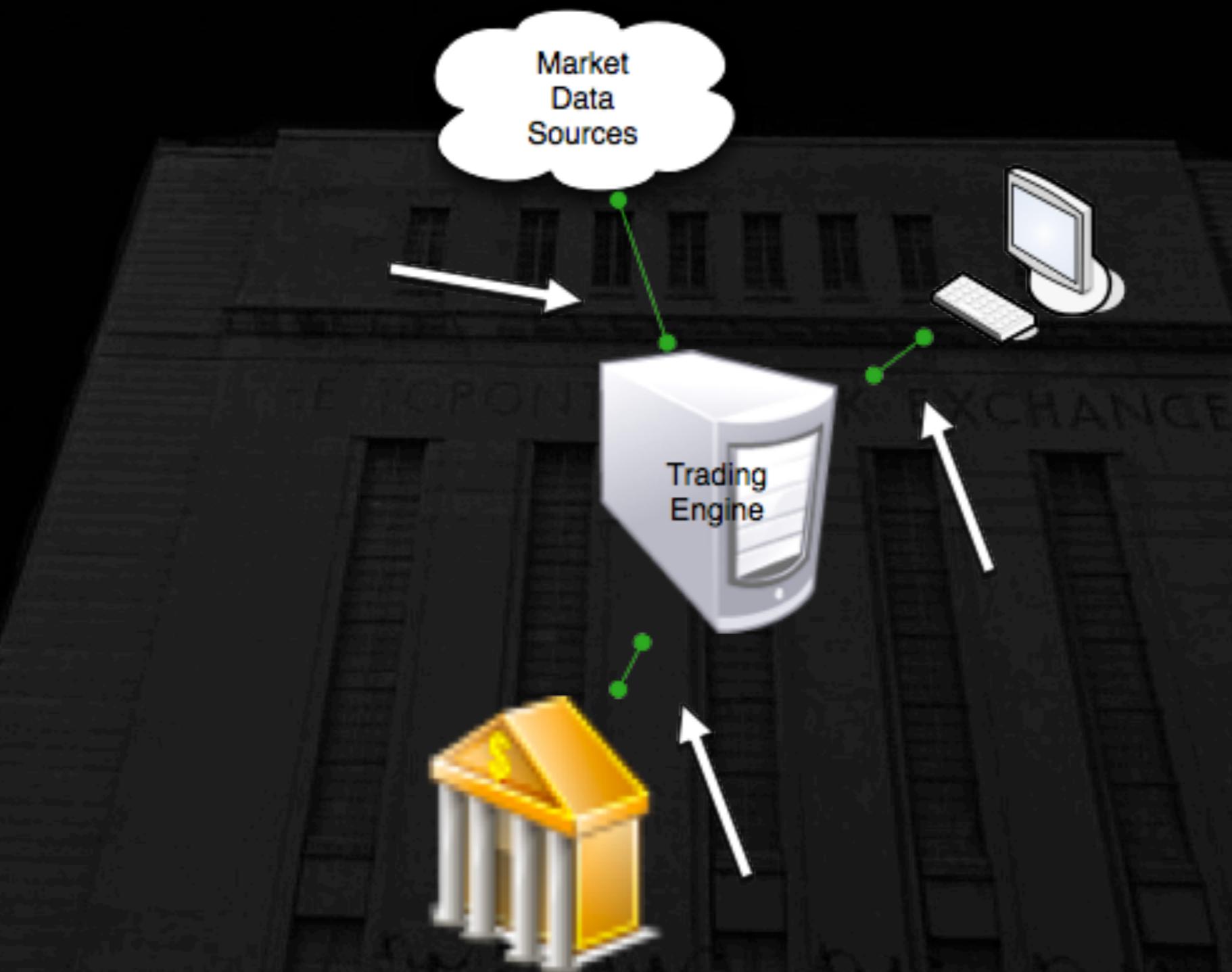
# latency costs \$

- latency has a \$\$cost associated with it - measurable and therefore fundable

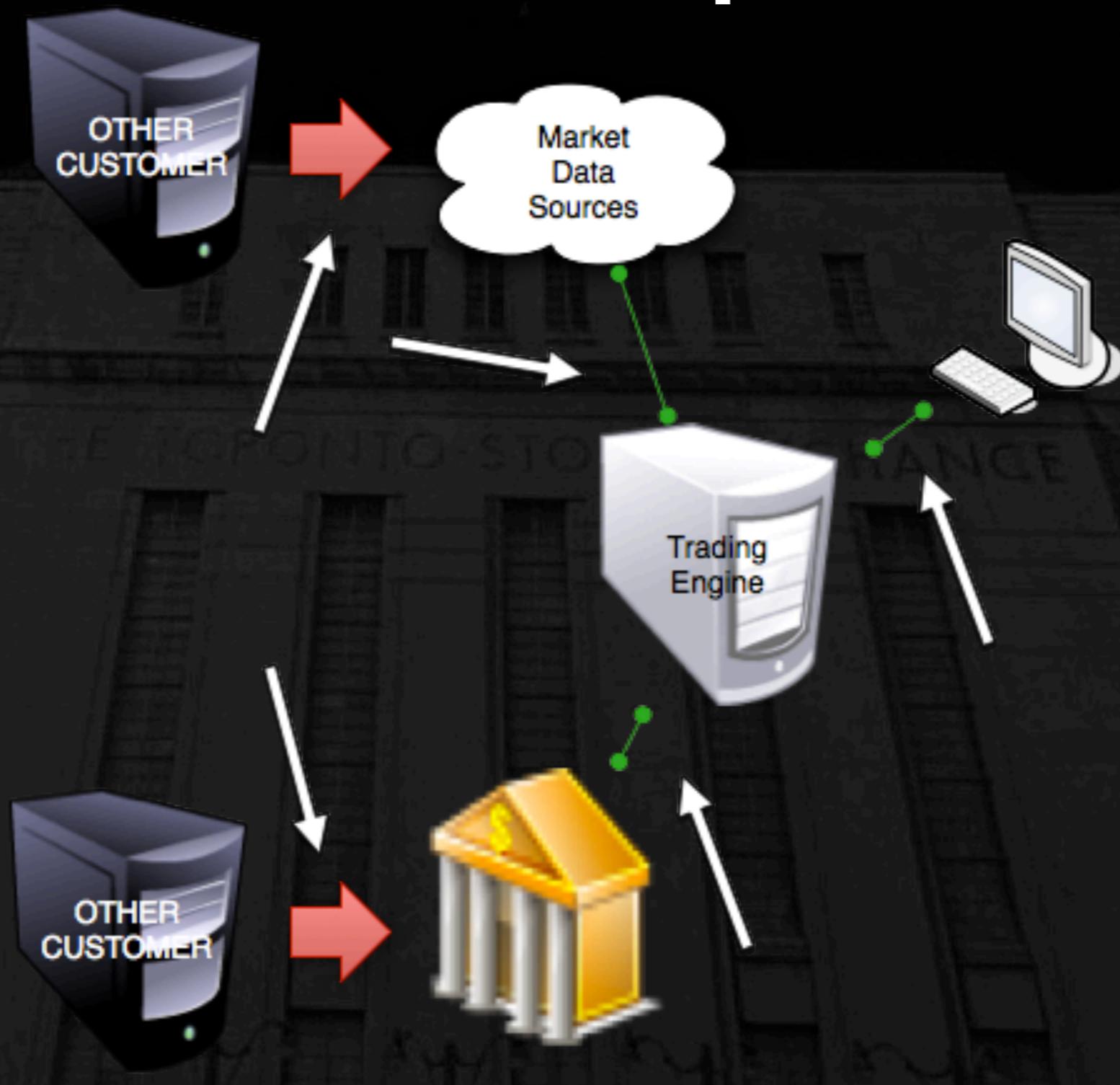


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consulting

# missing?

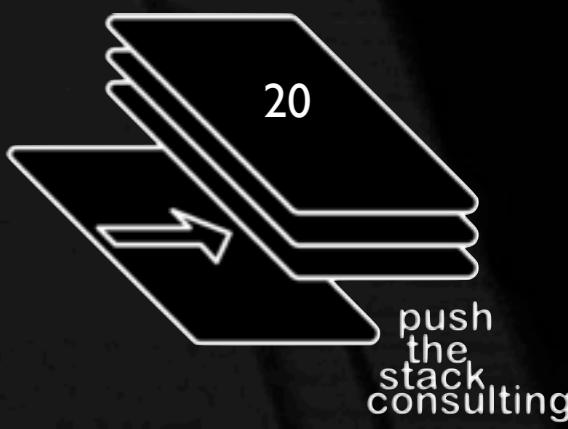


# oh crap.



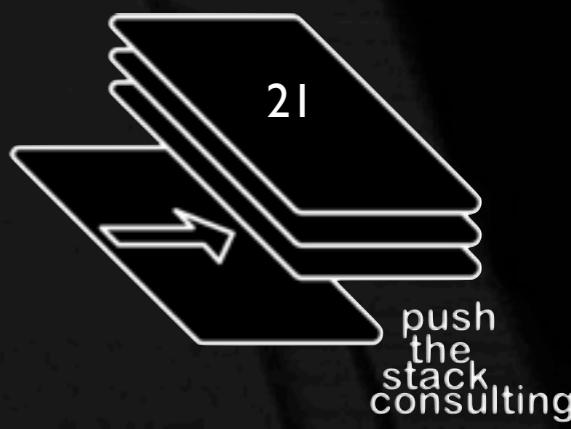
# dude, where's my firewall?

- no firewalls...
- they add latency (a lot of latency)
- latency costs \$
- risk < cost < profit



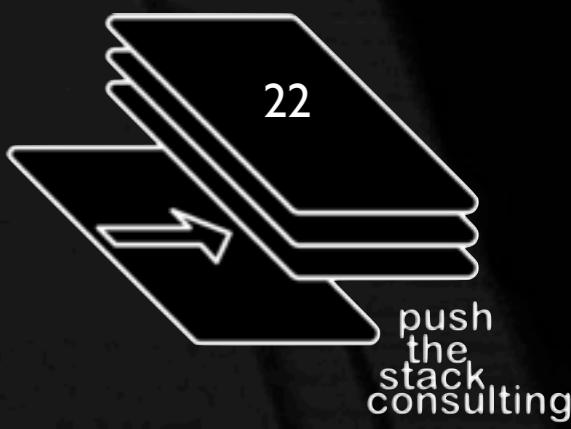
# acl me please?

- no acls
- they add latency
- (most) switches can't cut through switch while acls are on
- risk < cost < profit



# harden this...

- no (*meaningful*) system hardening
  - reduced system loading (stripped bare)
  - largely custom interfacing code (ethernet / infiniband / PCIe)
  - and the usual complaints about maintainability and problem resolution



# Specialized Systems



**RED KITE**  
AMERICAS

SUNGARD

**Extol**



**B2BITS | <epam>**

NYSE Euronext

**MACD**

**TradingScreen**  
Simplifying Global Markets®

**FIXNETIX**  
*The ultimate trading advantage*

**ETNA**  
SOFTWARE

**ACTUARE**  
SOFTWARE

**JET•TEK**  
abaxs



Wall Street FPGA

**Fidessa**  
Trade / Invest / Inform

**abcmultiactive**

**PRIMARY**  
SERVICES, SOLUTIONS AND TECHNOLOGY

**activ**  
FINANCIAL

**EZX**

**Pravega**  
Low Latency, Performance Driven

**SNiXS.BIZ**

**CAMERON**

**Assimilate**  
Technology

**FIXFlyer™**

**koe.**  
**nts**

**DEVEXPERTS**

**PANTOR**  
ENGINEERING

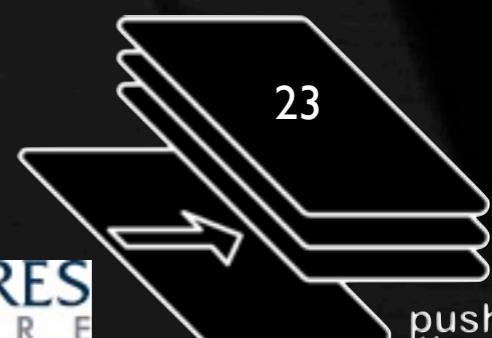
**patsystems**  
powers trades. builds exchanges. manages risk.

**4SIGHT**  
FINANCIAL SOFTWARE

**ullink**  
Connect. Trade.

**FIRST FUTURES**  
SOFTWARE

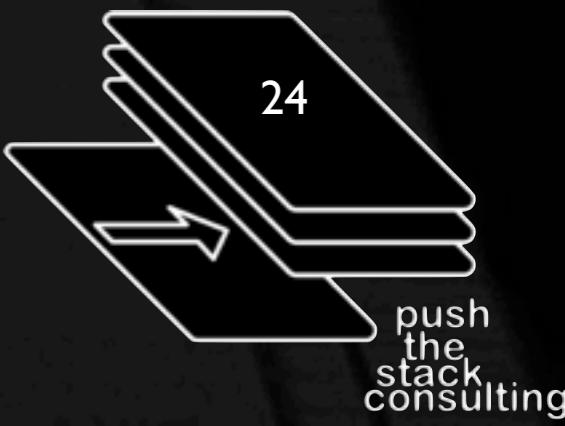
23



push  
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consulting

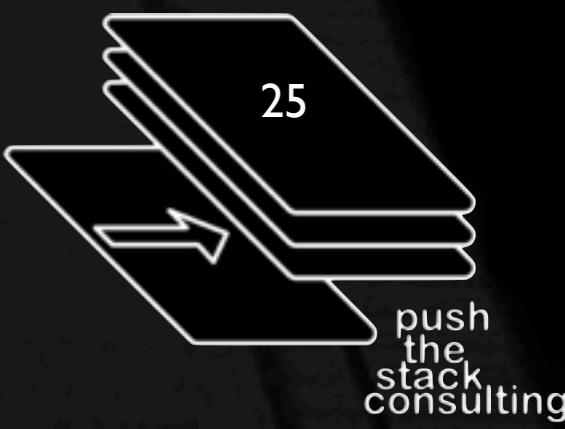
# threat modelling

- we know what's missing in our usual suite of controls
- how do we describe it?
- how do we determine what is a reasonable threat to build protective measures against?



# THREAT: vendors

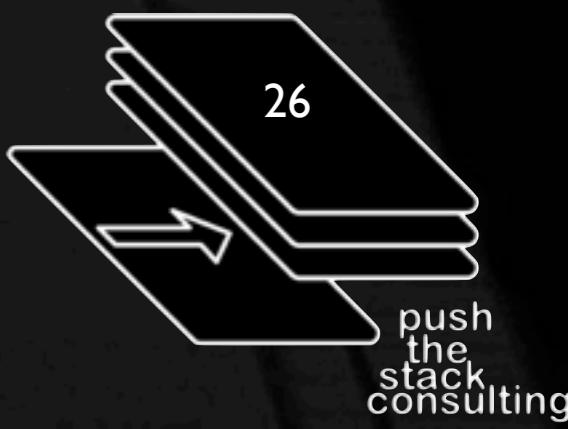
- You're trusting that the marketing slick is what you'll get.
- You're trusting that they haven't hired any bad guys.



# MAYBE: vendors

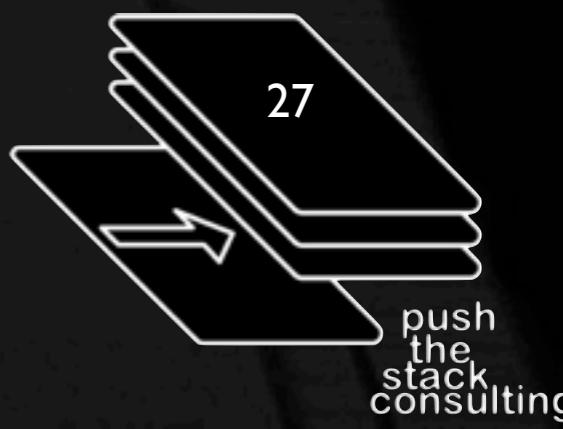
- How about a vendor developer who alters the patches you receive so that the Precision Time Protocol (PTPv2 - 802.1AS) has a different concept of a microsecond from the one everyone else is using?

<http://www.ieee802.org/1/pages/802.1as.html>



# THREAT: developers

- In most algo-trading, the developer isn't a traditional developer with all of the usual SDLC controls
- The developer is probably a trader or a trader underling who has live access to the production algo engine and can make on-the-fly changes

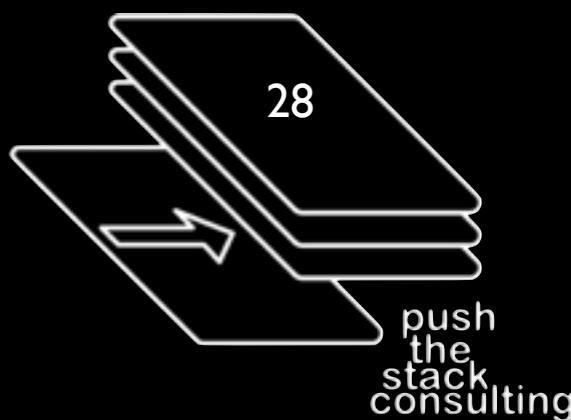


# YES: Developers

- Sergey Aleynikov  
July 3, 2009  
<http://www.wired.com/threatlevel/2009/07/aleynikov/>
- 32 MEGABYTES of code from Goldman Sachs
- sentenced to 97 months in prison (8 years 1 month) and \$12,500 fine

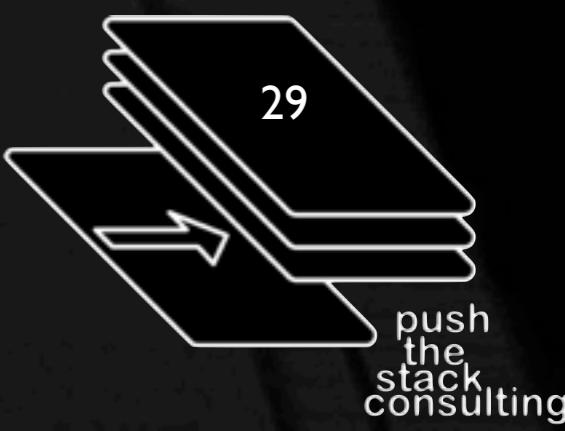


<http://www.facebook.com/group.php?gid=123550517320>



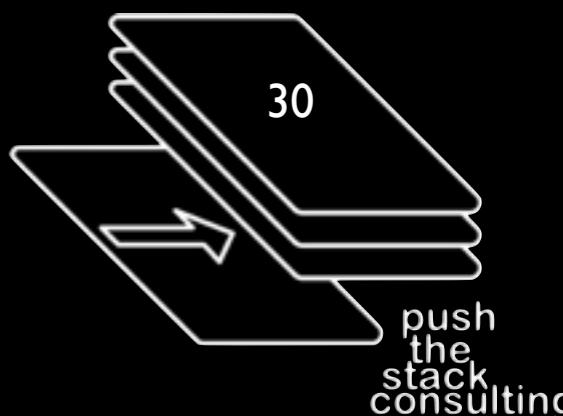
# THREAT: the insider

- not \*that\* kind of insider
- how do you deal with a trader (or administrator) who is utilizing access to market data networks or exchange networks to cause negative effects on other participants?



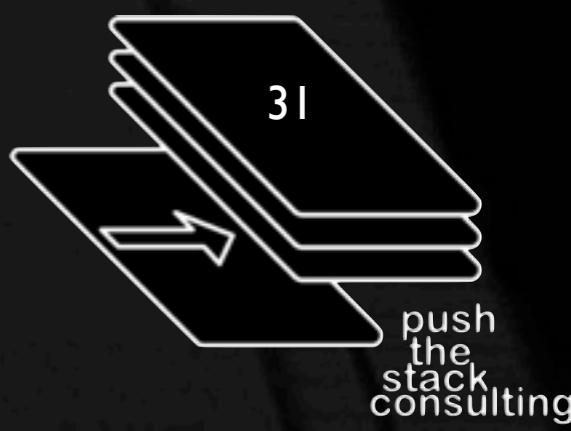
# YES: Traders

- Samarth Agrawal  
April 16, 2010  
[http://www.wired.com/threatlevel/2010/04/  
bankerarrested/](http://www.wired.com/threatlevel/2010/04/bankerarrested/)
- several hundred pages  
of code from Societe  
Generale
- sentenced to 3 years  
in prison + 2 years  
supervised release +  
deportation



# THREAT: the market

- This is an odd kind of technical threat
- Can the market itself cause issues with your systems?
  - malformed messages
  - transaction risk scrutiny
  - compromised systems

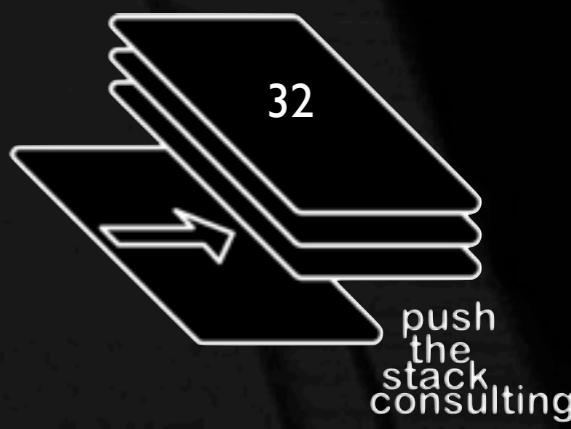


# YES: Market



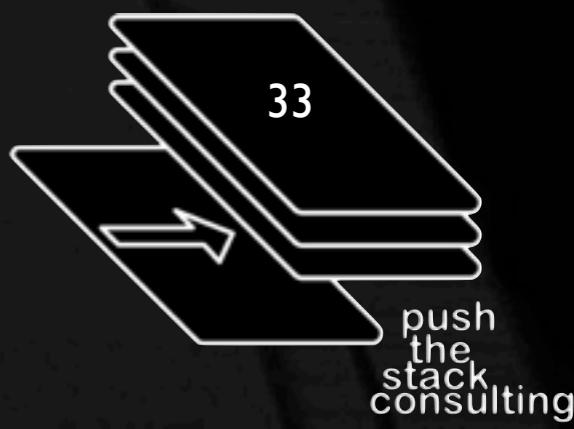
- 2010-05-06 - DJIA drops 900 points in minutes -- THE FLASH CRASH
- Report from Nanex

[http://www.nanex.net/20100506/FlashCrashAnalysis\\_PartI-I.html](http://www.nanex.net/20100506/FlashCrashAnalysis_PartI-I.html)



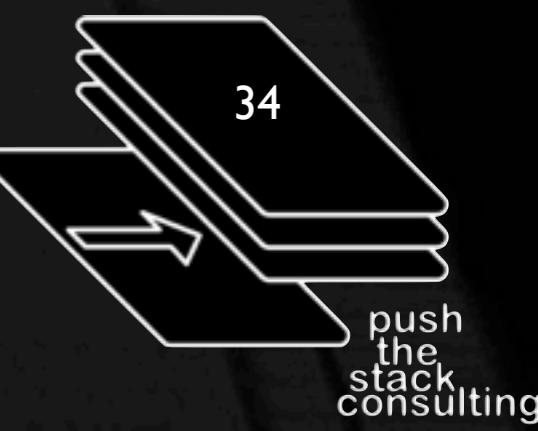
# Ed Felten's Summary

1. Some market participants sent a large number of quote requests to the New York Stock Exchange (NYSE) computers.
2. The NYSE normally puts outgoing price quotes into a queue before they are sent out. Because of the high rate of requests, this queue backed up, so that some quotes took a (relatively) long time to be sent out.
3. A quote lists a price and a time. The NYSE determined the price at the time the quote was put into the queue, and timestamped each quote at the time it left the queue. When the queues backed up, these quotes would be "stale", in the sense that they had an old, no-longer-accurate price --- but their timestamps made them look like up-to-date quotes.
4. These anomalous quotes confused other market participants, who falsely concluded that a stock's price on the NYSE differed from its price on other exchanges. This misinformation destabilized the market.
5. The faster a stock's price changed, the more out-of-kilter the NYSE quotes would be. So instability bred more instability, and the market dropped precipitously.



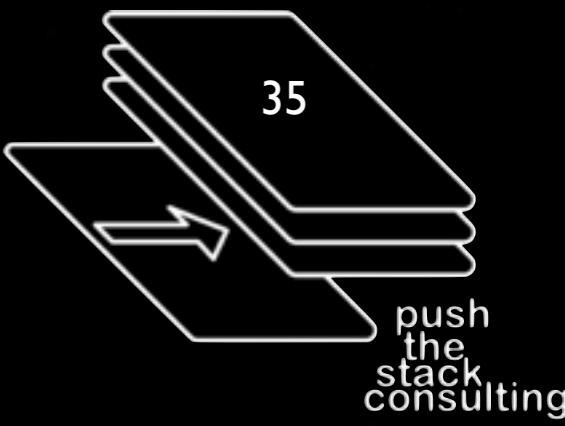
# questioning trust

- is it even possible to trust within this framework?
- how to ensure that you monitor the threats?



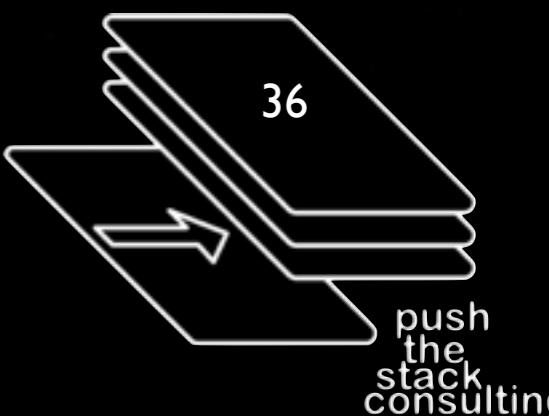
# traditional security fails

- 100,000 times too slow
- unwilling to learn that this is a fundamentally different world
- still focused on checkbox compliance



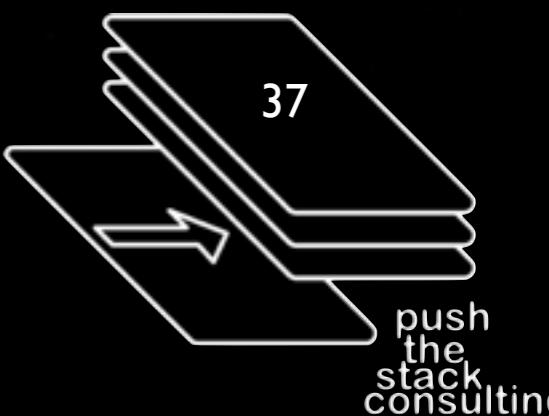
# answer the hard one - later

- how to secure custom everything?
- how to be fast enough
- how to make the case that security efforts reduce risk and preclude disaster



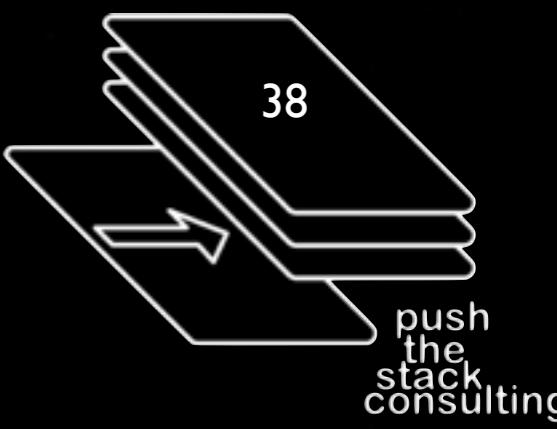
# do something!

- I'm not talking about hard stuff like code review, custom application level firewalls, mysterious FPGA stuff...
- Party like it's 1999 --  
**NETWORK SECURITY BASICS**
- even a little bit of Layer 4 goodness would help

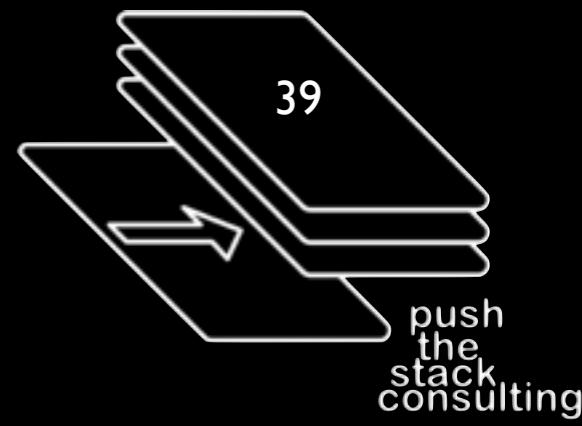


# ITSecurity:TNG

- where's the next next generation...
- juniper and cisco are a start...
- weird severely custom stuff is a start...
- why aren't we aren't keeping up?

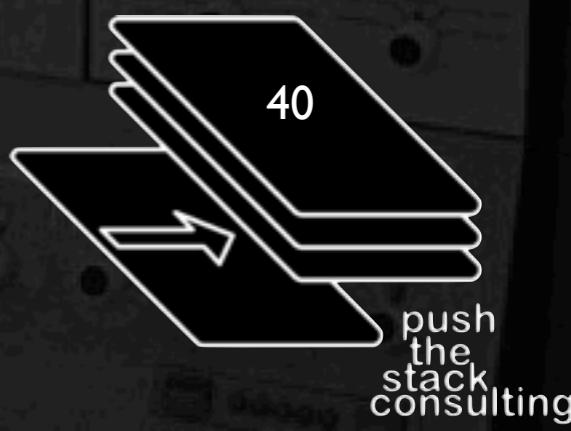


Well, thanks.  
What now?



# DO ANYTHING

- at this point - step up - do *anything*
- it sounds so terrible to say that but even developing an architectural understanding is better than nothing
- make friends and influence people



# DO ANYTHING

## Most IT Security Pros Disabling Security Functions In Favor Of Network Speed

New survey shows dilemma faced by organizations over performance trade-offs with network security products

Jul 21, 2011 | 10:03 AM | [1 Comments](#)

By Kelly Jackson Higgins  
*Dark Reading*

- you're on the record as saying that you'd choose performance over security...

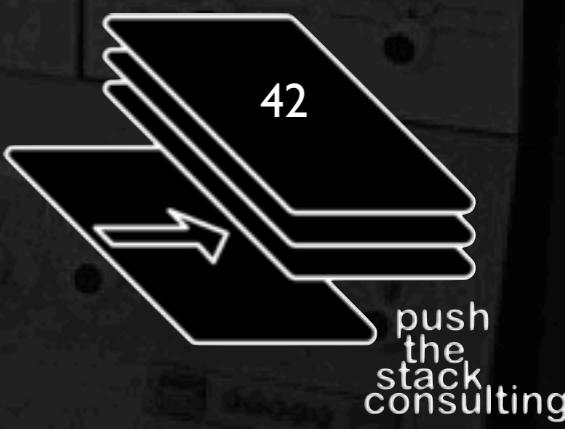
<http://www.darkreading.com/vulnerability-management/167901026/security/perimeter-security/231002280/most-it-security-pros-disabling-security-functions-in-favor-of-network-speed.html> (July 21, 2011)

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push  
the  
stack  
consulting

# product vendors...

- time to challenge your vendors
- you want more than checkboxes
- there are other markets besides credit card compliance
- there is money to spend on whatever exotic thing you want to develop



# product vendors...

- Some product vendors are getting this.
- Most aren't.
- Because we're “not asking for it”!??!

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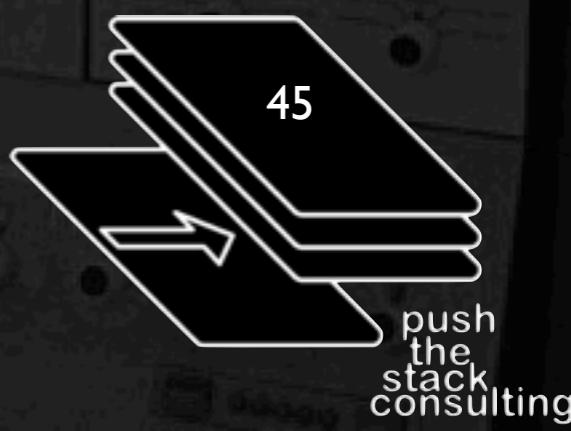
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# risk / process / policy / grc

- work with your business folks
- they understand risk - probably better than you do
- they have a different tolerance for risk
- understand how to use their knowledge to help you make good decisions
- do not blindly follow dogmatic statements

# risk / process / policy / grc

- You're not going to be able to change their minds about the cost of latency.
- You can work with them to change your understanding of how to do things.
- Just because you did it that way last year doesn't mean that's still the best option.



# compliance

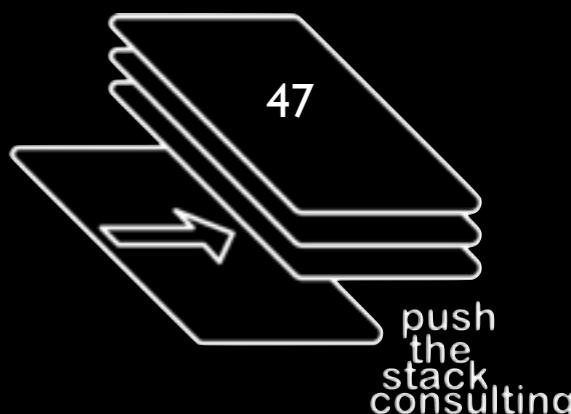
- IT compliance people, meet the financial compliance people - you have things to talk about.

# compliance

- The SEC is taking an active interest
- July 26, 2011 announcement of the Large Trader Reporting Rule (13h-1)  
<http://sec.gov/news/press/2011/2011-154.htm>
- There is more to come - other regulators are watching.



The image shows the official seal of the U.S. Securities and Exchange Commission (SEC) on the left, featuring an eagle with wings spread, perched on a shield with stars and stripes. To the right of the seal is a blue horizontal bar with white text. The top part of the bar reads "Home | Previous Page". Below that, the main title "U.S. Securities and Exchange Commission" is displayed. Further down, there is a blue banner with the text "SEC Adopts Large Trader Reporting Regime" in white. Underneath this, it says "FOR IMMEDIATE RELEASE" and "2011-154". At the bottom of the banner, there is a statement: "Washington, D.C., July 26, 2011 - The Securities and Exchange Commission today". To the right of this statement is a small grey box containing the text "Video: Open Me".



# in the trenches

ORIGINAL RESEARCH

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the  
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# in the trenches

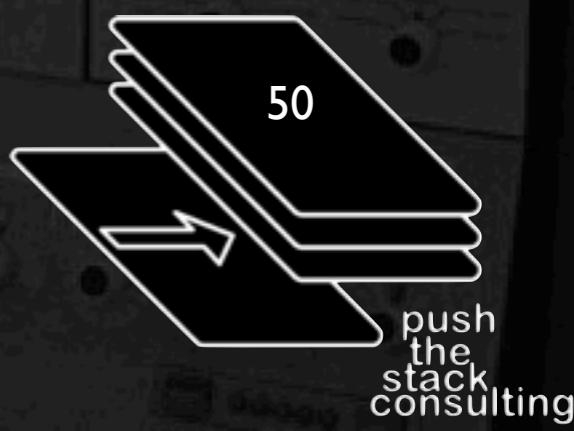
- understand your business partners' needs
- look for solutions
- build PoC rigs to test

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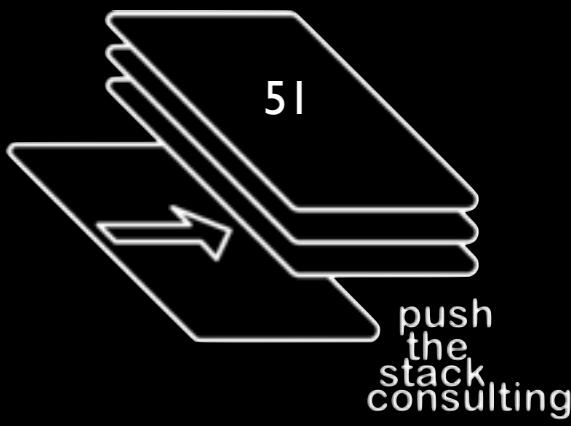
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the  
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# in the trenches

- encourage vendors to get with it
- spend time looking at the truly weird stuff
- be prepared for the continued downward pressure on transaction times

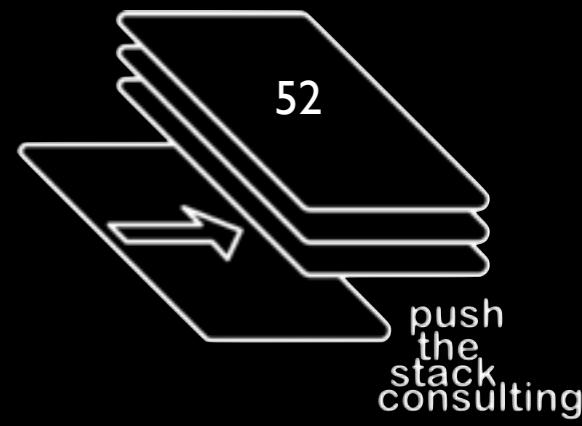


# Don't Panic



# Q & A

twitter: @myrcurial  
james.arlen@pushthestack.com



# Credits, Links and Notices

**Thanks:** All of you,  
The Dark Tangent & the DEF CON team,  
My Friends, My Family

**Colophon:** twitter, wikipedia, fast music, caffeine, my lovely wife and hackerish  
children, blinky lights, shiny things, angst, modafinil & altruism.

**Me:** <http://mycurial.com> <http://doinginfosecright.com>  
<http://securosis.com> <http://liquidmatrix.org>

**Credits:** Chicago Board of Trade Image: [Daniel Schwen](#)  
IBM Mainframe Image: [ChineseJetPilot](#)  
New York Stock Exchange Image: [Randy Le'Moine Photography](#)  
Toronto Stock Exchange Image: [Jenny Lee Silver](#)



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