

TADVANCED TRADING

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Voice Trading in Derivatives Is Not Dead: Long Live the Squawk Box!

Sweeping financial reform of the OTC derivative market targets aspects of voice trading, however today's traders rely on voice solutions more than ever.

By Jonathan Morton, IPC Systems



Recently, President Obama signed into law the most sweeping overhaul of Wall Street regulations since the 1930s. One of the main focus areas targets the trading of over-the-counter (OTC) derivatives. Although the trading of OTC derivatives products, from commodities options to credit default swaps, has traditionally been linked to voice

trading, electronic platforms are now springing up in every part of the market. In order to underscore the need for transparency in trading these financial instruments, regulators have recommended exchange-type electronic trading for derivatives.

It has been hypothesized that this could lead to a sharp decline in voice trading on many trading floors. On the contrary, the role of voice communications will continue to play a significant part in the trade lifecycle long after the reforms have taken place. If the trading of OTC derivatives is moved to new swap execution facilities, traders will still need to rely on voice solutions for sharing information and collaboration between traders and other experts within their organizations.

As electronic trading increases, whether it is across the derivatives or the bond market, there is still a tremendous amount of voice traffic that takes places even if the trades are ultimately processed electronically. By nature, derivatives trading is very complex. These high-monetary value trades demand a certain amount of voice interaction from multiple parties in order to come to a decision on an execution process.

A trading floor communication system is designed to operate as a finely tuned machine. There is an extensive array of

required capabilities, ranging from voice facilities such as intercom and archival systems, to integration with the PC applications traders use, such as CRM, OMS, and market data applications. More and more, integration with other systems and applications using industry and open standards is critical to allowing traders to work efficiently and maximize their productivity.

Whether you are a trader or a compliance officer, as each trade moves across the trade lifecycle from the front office to the back office, it touches multiple members. And with the increasing demand for transparency with the compliance teams, there is a growing need for more efficient and direct communication across the trading floor and the enterprise to establish strategy and work out responses. In the high stakes world of trading, optimized voice communications technology and streamlined workflows help enhance efficiency and collaboration within trading teams.

Systems that provide the middle-and-back-office staff with access to the private lines used by traders help enhance voice communication with traders. Using industry standards, line sharing between the front and back offices enables traders to instantly access the appropriate team members on a call. This in turn provides greater transparency for compliance team members as they can easily be kept "in the loop" on each trade by connecting more efficiently to traders within their firm. Another facet of voice communication on the trading floor is the importance of client relationships established by traders over the phone. In this relationship-driven business, voice communications help enable, enrich and build client relationships. As the market gets more and more competitive and as the margins decrease, relationships become more vital than ever.

To that end, there is a need for voice trading solutions that

provide more client-facing information, and provide it through an interface that a trader can grasp at a glance, because traders simultaneously watch multiple market data screens and may also be using instant messaging for communication with colleagues while checking incoming calls and determining what action to take next. Solutions that extend turret/PC integration to an enterprise's customer relationship management (CRM) applications provide a holistic view of a client's portfolio and trade history. Having this knowledge at their fingertips enables traders to serve their client's better and ultimately help to increase their revenue by relying on efficient and strategic information delivered by their

voice communication solutions. Furthermore, business managers are also able to analyze trade communication history that could be combined with customer-revenue history to help better organize their trading floor.

The recent regulatory reform has shed a light on a number of trading processes that will be refined over time. As electronic trading continues to grow, the complexity of derivatives trading underscores the need for voice communication collaboration within the trade lifecycle. It is this collaboration that will help build stronger client relationships and ultimately improve a trading firm's operations.

