

As markets become more electronic, some have questioned the need for voice systems. But trading remains a relationship business, and increased integration of voice and trading technologies will ensure that the squawk boxes will not be silenced.



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Voice Trading: Back to the Future

The proliferation of electronic trading platforms in every part of the market, combined with the sweeping financial reforms of the OTC derivatives market in the US, has led to a great deal of speculation into the future of voice trading. The vast profits being seen from new and alternative trading venues are giving those on the buy side a host of different options to consider when making trades, and some have argued that voice trading has perhaps had its day.

So what does the future hold? Have the squawk boxes squawked their last?

When considering the role of voice on the trading floor, it is important to remember that trading is essentially a relationship-driven business. Voice communication plays

a crucial part in establishing, enriching and building client relationships, as well as enabling traders to use their private lines to keep in close contact with their broker.

In a sea of technology, the value of speaking to another human being should not be underestimated. Trust is a key issue in the execution of a deal, especially when individuals are under pressure, and a conversation is often the best way for traders and brokers

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to avoid miscommunication and be confident about their decisions.

And it's not just the client relationships which hinge

upon voice contact. Traders continue to rely on voice solutions for sharing information and discussing trades between themselves and other experts within the organisation. This is an increasingly relevant point as the market becomes more and more competitive and as the margins decrease, making these relationships even more vital.

The Future Will Be Mixed
It is not just the needs of the

traders that have a bearing on the importance of voice communication, but the requirements of the trades themselves. By nature, derivatives

trading is very complex. Traders must talk to their broker throughout the process leading up to the deal in order to get a sense of the market and build out all the data needed to put together the actual trade.

So while these high-monetary-value trades might ultimately be processed electronically, a certain amount of voice interaction is required to help the multiple parties come to a decision on the preferred process. Voice communication in this instance is integral to the successful implementation of the trade, and even in markets dominated by electronic trading, such as derivatives and equities, the inclusion of a voice element has become increasingly commonplace.

The Compliance Question

Compliance is another key factor in the use of voice trading. Whether you are a trader or a compliance officer, as each trade moves through its lifecycle from the front office to the back office, it touches multiple individuals. While the worst of the financial crisis is generally acknowledged to have passed, it has left in its wake an increased demand for transparency within financial services firms. It has also led to an increased emphasis on efficient and direct communication across the trad-

ing floor and the enterprise as the traders establish strategy and execute deals. In the high

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stakes world of voice trading, optimised voice communications technology and streamlined workflows help enhance efficiency and collaboration within trading teams.

Although voice recording is compulsory in the UK, Europe and most of the Asia Pacific region, it is only required in the US for OTC trades, which only accounts for about 30% of cases. Most financial institutions in the US have the technology to record transactions, though many fear the increased liability this brings, and so choose not to. However, as regulation becomes stricter and more complex, requiring a growing number of risk and compliance monitors in each trade, proof of transparency and collaboration between the front and middle office will become increasingly valuable to financial firms in the US and elsewhere. A recording of the conversations associated with a deal is perhaps the best way to ensure the necessarily accurate transcription of events, should a dispute arise.

The Future for Voice

In terms of regulation, the

ultimate goal is transparency, though regulatory bodies haven't yet worked out

the best strategy to achieve this. However, the above arguments highlight why voice trading is far from being eliminated in favour of the electronic alternative.

Rather than fading out, voice communication on the trading floor will continue to evolve and adapt, cementing its value as a trading tool. While there is currently little integration between the turrent and the trader's PC, this will almost certainly become an additional element in the future of voice trading.

This intelligent system would integrate electronic and voice communication, potentially using technology to prompt the trader to make a call if there are changes in the market, and updating correspondence on the PC (to name just a couple of possible examples). This consolidation of data would allow traders to be more productive and responsive, reducing the time it takes for them to make a decision on a trade.

Rest assured, the squawk boxes will not be silenced. |