



White paper

Exploring new
sources of Trading
room revenue
growth

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Executive summary

This paper will review innovative ways for delivering a new stream of revenues in the dealing room.

It will assess how to develop operational efficiency and revenue growing proactive processes and how to better leverage trader-client interaction, to ensure trading floor's continued success.

Banks and financial institutions are facing an increasingly complex trading environment. Regulations, client expectations and growing competition are intensifying the pressure.

The impact is strongly felt in trading floors where speed, instant analysis and receptiveness to client demands is critical to the bottom line.

Here interactive communication drives trading. Big deals are made or lost in seconds. Every single customer call must be handled with the highest possible care.

To date trading rooms, in their bid to improve results, have focused predominantly on finance management solutions such as; risk management, order management, market data management and more...

FTL proposes a paradigm shift in revenue growth – We believe that future potential for significantly increasing trading room revenues, resides at the point of trader–client interaction.

FTL offers a new set of solutions to leverage the potential of this interaction point. After analyzing trader-customer interaction and learning its scope, we identified revenue growing blind spots, previously overlooked. In response we developed new processes, workflows, tools and technologies to generate a revenue boosting environment.

For instance, to date traders mostly exercise a client-responsive mode of customer interaction that is void of pro-activity. We believe proactive processes (as opposed to current reactive ones) will enable traders to take advantage of new revenue growing opportunities and will generate greater customer satisfaction.

Today any next generation trading room solution must expand their arsenal to include new processes and tools designed to make use of the potential of trader-client point-of-interaction. Implemented into the workflow, they have the capacity to reduce number of misdeals, increase customer retention and significantly grow trading room revenues.

FTL assessed these next step developments in trading room operations hand-in-hand with dealing room managers following years of working together on trading room solutions. The paper reveals the outcome of this partnership with a particular focus on trading room revenue growth.

Understanding the Trading room environment

Apart from the financial journalist, the trader is the second person in the world to get wind of breaking news.

Traders need to observe news streams and statistics carefully, focusing only on data relevant to their firm and clients. **Reading information takes up 45% of a dealer's work day.** They also need to follow announcements, often unrelated to screen displays, from the trader's dealer board.

Traders sit in front of dealer screens observing waterfalls of data.

The screens may be flat, but data is abundant. The actual trading experience is more like flying through data, rather than simply sitting in front of it.

As far as trading room managers are concerned, their staff need to function like a well-trained battalion, with fine tuned tools and intricate patterns of client interaction. They need to execute complex maneuvers while interacting with their clients in a rapidly changing environment.

Extreme business environment - At the extreme, the future is only two seconds away. Traders refer to trade information that is fifteen minutes old as "historical data."

To navigate successfully is to recognize patterns, act on them in real time while applying intuition when communicating with customers on the phone.

To do so the trading rooms need to be equipped with collaborative integration tools and technologies that can help traders drill down instantly into vital information and analyze it on the spot, while managing the customer call.

Without this powerful synergy, trading room profitability is compromised on a minute-by-minute basis resulting in misdeals, dissatisfied customers and lost revenue.

Assessing the key challenges

To execute trade deals with greater success trading rooms must first come to terms with these main challenges:

- An abundance of financial management tools on one hand and lack of customer-trader interaction tools on the other
- The sheer volume and velocity of data that traders need to manage while interacting with customers and closing deals
- The difficulties in distilling trade data relevant to each specific customer
- The perpetuation of client-responsive processes vs. proactive processes
- The lack of auto-integration tools between voice, data and the trading room infrastructure

Assessing the key aspects of Trading room success

Operational efficiency – Today banks and financial institutions are under pressure to increase operational efficiency in every facet of their operations. Pressure is particularly growing on the trading floors where the potential to generate high turnover is widely acknowledged.

Access to information – Increasingly, dealing room managers recognize the need to automatically capture and effectively display relevant market and customer data, to help traders deliver a better offering.

Voice trade - dealing room managers also acknowledge that voice trading is here to stay, yet still to date voice and customer data operate independently. The need to integrate voice and data with the Trading Room IT infrastructure is beginning to gain recognition.

The automation of voice and data integration is vital for increasing productivity. It enables the trader to interact more quickly and smoothly.

Customer interaction management – Until recently trading rooms invested substantially in financial management solutions including; order management, risk management and more... Recently, the importance of customer interaction management and the need to streamline it into the trader workflow is gaining momentum.

The shift in focus is directly linked to the need for Trading rooms to find new ways to generate revenues.

Increasingly dealing room managers are realizing well managed trader-client interaction positively impacts client loyalty and increases trading room revenues.

Next generation Trading room solutions - What will it take?

Traders need functional tools customized to their unique customer interaction settings. They need to swiftly tune into customer call data and resulting trades. They need to capitalize on market trends to execute complex maneuvers. And they need to accomplish all these tasks, simultaneously, while skillfully handling customer interaction.

Status Quo

- The trading room is an extreme business environment with its own dedicated suite of solutions
- Existing systems, forced to integrate with trading rooms have a hard time meeting its complex demands
- Call center and traditional CRM software simply cannot cope with the distinctive needs of trader-client interaction
- Many trading room managers face difficulties finding a suitable solution

Considering the complex nature of this isolated island, revenue growth analysis can be truly achieved only following strong cooperation with trading managers. To this end, FTL partnered with leading dealing room managers to assess together the needs of the future trading floor.

This partnership led to powerful insights into ways to transform trading room operational efficiency and productivity.

Below we outline the resulting key developments. We believe these findings pave the way to significant trading room revenue growth.

Converging voice and data in Trading floors:

Trading is all about information and the key to successful trading is **delivering the right information at the right time to the right person.**

Given the abundance of screens and data flowing through, the need for a central dashboard view that could automatically display relevant data as soon as a call comes in, became clear.

Taking it one step further, if you could converge trading room voice and client data with the IT structure you could instantly capture relevant client information as soon as a customer calls.

Accelerated access will speed up trader's reaction time and cut customer call time.

The domino effect will help to secure more deals and better deals in less time.

Empowering the human factor

Every second of customer interaction and how successfully its managed, significantly impacts the deal.

The dealing room is a complex hub of trading, settlement, ordering, clearing, risk management and compliance, but in the end profitability pivots around trader - customer interactions.

Despite the recent increase in automated and algorithmic trading, the human touch continues to play a crucial role in financial trading.

Integrating the trading room's voice system and IT systems in real time **and introducing new proactive processes will help to strengthen the human touch and and create a better customer experience.**

Concurrently a 360° customer portfolio view **will help to increase trader resposnsiveness and improve customer retention levels.**

Business Intelligence

We identified a growing need for a system that could help managers act on market events and correlate trends with client data, to capitalize on opportunities and support their team.

Dealing room managers are under intense pressure to make quick but accurate judgments and execute them swiftly. The outcome of cross-referencing customer interactions, and correlating these sources with finance and market data, will result in improved manageability and better decision making.

It could be realized through a drill-down dashboard that provides managers with Key Performance Indicators (KPIs) of trading floor activities, displayed in easy-to-follow reports with pictographs.

Client information could be used to improve future trading by correlating finance information with non-financial information like customer calls, customer data, customer history, customer behavior patterns, misdeals etc...

A business intelligence dashboard will also enable managers to easily compare performance of traders or desks by calls, tasks and other non-financial productivity and performance measurements. To date performance evaluations are limited to transactions, sales, volume, commissions and market volatility.

Proactive trading

A new proactive process resulting in trader outbound calls will generate a new source of revenue growing trade.

Today trading room deals are mostly conducted through responsive trading. Due to the nature of responsive trading, client-trader interaction is mostly prompted by the client and only then, followed by the trader's reaction.

Changing the approach from a reactive to a proactive trade flow can provide improved results. Technology enabled proactive processes could help traders, seeking to capitalize on market events, to generate new deals.

By cross-referencing client and market data, traders could identify new trade prospects and proactively approach clients to act on market opportunities.

Built-in market event triggers could be automatically correlated with client's profiles, their deals patterns and orders.

Equipped with this new source of knowledge, traders could be mobilized to contact customers most likely to be affected rather than waiting for the customer to call them.

Proactive processes could significantly increase trading rooms' competitive edge. They could drive traders to create a new environment with a new source of substantial revenue, empowering them to drive more deals.

Risk reduction

On high volume days, calls come in thick and fast. Misdeals are often inevitable. To make it worse, markets are increasingly unpredictable. There is mounting pressure to minimize misdeals at all costs.

Traders operating in a high-pressured environment can miss out on accessing the right information at the right time. Unfortunately these knowledge gaps can result in misdeals.

FTL identified and earmarked such trading incidents as risk factors that need to be managed. The risk of misdeals can be reduced during the trade cycle by streamlining significant data to a centralized view.

A system interaction log could automatically record all calls, negotiations and deals. Alerts on missed calls combined with instant access to customer portfolios, orders and history could help traders react immediately to calls that slipped away.

Concurrently, FTL identified a need to minimize the risk of losing valuable knowledge and expertise when traders move on. A knowledge base could help preserve trading room expertise even when traders move onwards

FTL recognized a third risk factor jeopardizing the trading room - Contact verification. Regulations require trading rooms to implement client verification in a bid to reduce malpractice. Client verification can be managed through a biometric voice verification application. The dual advantage is; it saves the client from experiencing unnecessary identification procedures while meeting regulatory and security demands.

Trading room interaction management workflow

Access to the right information at the right time will serve to streamline trading room processes and improve the entire workflow.

A trading room interaction management system streamlined into the trader's workflow will help to define successful business trader – customer processes without burdening the organization with another system.

It will provide a set of methods for stimulating a new source of trade activity and by doing so help realize a new stream of revenues.



FTL – Background

Financial Technologies (FTL) was founded by a group of trading room technology experts who teamed up to deliver innovative solutions for the financial environment. The FTL team identified new opportunities for increasing trading room volume and value and in response, harnessed innovative technologies to realize the vast potential. FTL was established in a bid to design and develop a technology platform that could support the team's vision.

The FTL team drew on their in-depth experience in implementing dealing room solutions within Magalcom for over 25 years. Magalcom nurtured partnerships with the leading global trading room vendors - Orange Business Services (Etrali), NICE and Wey Technology to deliver trading room system integration and installations including; video switches and telephony systems.

After building a strong relationship with its Trading Room customers, the natural next step was to respond to a growing need to develop revenue growing solutions.

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