



Trading and the impact of technology: Questions & Answers

On Wednesday the 15th November 2006, between 6pm and 10.30pm, in the auditorium at Bloomberg's offices in Hong Kong, there was a great deal of discussion by 60 plus industry professionals focusing on the shape of trading now and in the future.

As a follow up to the May 2006 Broker Dinner (see the "Telling it like it is" report in the Asia Pac Section of FIXGlobal Issue 11 or at www.fixglobal.com), FPL in Asia Pacific (represented in this case by HSBC's Joel Hurewitz, Bloomberg's Endre Marcos and Cora Lee, EBroker's Thomas Choi and FIXGlobal's Edward Mangles and Stephanie Lawton) invited a cross section of electronic traders, connectivity experts and technologists to a 'town hall' style, question and answer session.

The discussion topics were grouped by different industry perspectives, which included The Management, The Sales Traders and The Clients, in both the buy side and sell side firms. Below FIXGlobal seeks to highlight the key points made by the group.

The Management:

- How to best sell management on the concept, the commitment of resources and the continued support for growing the initiative, without any quantifiable returns in the start up phase?
- What parts of management/the business require internal sales?

- For those new to electronic trading, it is a chicken and egg situation, whereby it's difficult to promote investing in FIX to management without having institutional clients to justify it, and if you don't have FIX, you can't win institutional clients.
- For the sell side, knowing your client (or prospect) and taking a client-centric approach will push management towards adoption of electronic trading capabilities.
- For sell side early adopters in Asia, the growth in their electronic business speaks for itself.
- For the buy side, the move towards broader use of electronic trading stems from compliance, especially as you can show you are providing best execution.

Firms represented at the event included:

- 2GoTrade
- ABC Multiactive
- ABN Amro Asset Management
- Bear Stearns Asia
- Bloomberg
- BNP Paribas
- BT Radianz
- Cantor Fitzgerald
- Cameron Systems
- Citic Securities
- Citigroup
- Credit Suisse
- Daiwa
- Deutsche Bank
- Ebroker Systems
- E*Trade
- Franklin Templeton Investments
- HSBC
- JPMorgan Chase Bank
- Kingsway Securities
- Lehman Brothers
- Liquidnet
- Merrill Lynch
- Nami Nori
- ORC Software
- SG
- Shenyn Wanguo Securities
- Sun Hung Kai Securities
- South China Brokerage
- State Street Global Advisors
- SWIFT
- Thomson Financial
- Thomson Tradeweb
- TimberHill Securities
- Ullink
- Ward Ferry

- As technology is constantly advancing, firms continually have to justify ongoing development and investment.
- Firms need to look at what clients you will lose if you don't have electronic trading capability / FIX. Albeit it's a tough sell if you don't already have the big clients.
- Also very importantly the IT people may not like the infrastructure, so you need to work with them very clearly on the concept.
- For local brokers it is not easy to compete for institutional business. Identifying your FIX clients is crucial, but understanding how your service offering can add value to your prospective clients is more important.
- There is a misconception that FIX is very expensive, however, by breaking the costs down into components, the costs become very transparent and can be shaped according to budget. There is no single right answer to FIX implementation.
- FIX Networks are relatively expensive, (although competition is pushing prices down). FIX over a VPN is free, so can be a potential start point to help sell the overall investment in FIX to management.

The Sales Traders:

- How is and will electronic trading in Asia Pac affect the make-up of the trading floor?
- How to change the perception of electronic trading with Sales Traders, and educate them that it will not cannibalise their business but provide opportunities?

- For Sales Traders to continue to add value to their clients' knowledge is very important; - know your client!
- FIX cuts down trading errors and so by definition, the Sales Trader can do a better job for his client.
- For those firms with the electronic trading expertise, they need to ensure that the Sales Trader understands the value offered to the client by the electronic trading desk.
- Sales Traders must continually ask their clients what they want now, and what they are looking for in the future.
- Clients will pay more for the ideas the better Sales Traders are able to offer.

The Clients:

- What capabilities do clients want and expect from today's trading?
- How to educate clients on the opportunities of electronic

trading?

- Selling electronic trading to clients and attracting prospects: actively promote your solutions or simply provide better/more competitive execution?

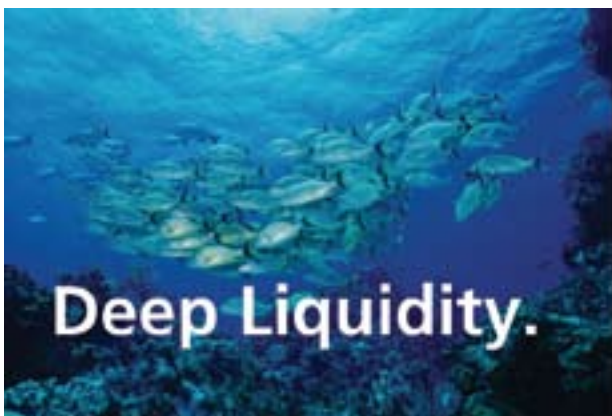
- The buy side clients often need Sales Traders to be their eyes and ears across the markets.
- From a client's perspective, electronic trading has changed the parameters of the search for liquidity and particularly in Asia, this is where the Sales Trader comes in.
- While the demand for Traders will diminish as technology over takes much of their role, there will increasingly be a need for the smarter sales traders.
- You have to offer Sales Trading and all the other services.
- The buy side will increasingly need different tools on their desks to help achieve best execution, (for their clients).
- For local brokers looking to compete for institutional flow; the Client will look at what benefits they can provide, But must have FIX otherwise the largest buy side players in Asia will likely say "call me back when you have FIX".
- The Client will pay for tools and also research, which work in conjunction with each other.
- In Asia, local / regional brokers have an opportunity to offer Clients local knowledge and contacts, as well as often provide better anonymity for clients' trades.

In order to keep the dynamic evening on schedule and after about 90 minutes of industry discussion, the conversations were moved outside to continue over a glass or two of wine, where they continued long into the evening!

After the success of this interactive evening the remaining topics on the agenda, focusing on implementation issues for FIX and electronic trading, will be raised at a future event. We will keep you posted.

Many thanks to Bloomberg for their hospitality in hosting the event and also to HSBC's Joel Hurewitz, for his keen industry insight when preparing the agenda for the evening. **FIX**

*Any thoughts on this or other articles?
Please send any comments, referring to
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