When news broke in early March that HSBC was forced to evacuate part of its trading floor in Canary Wharf after a worker tested positive for coronavirus, it became clear that this crisis was different. The days, even hours, that followed would see banks, brokers and buy-side split trading teams sending staff to work from home or at backup sites to ensure business continuity. At the same time, non-essential travel bans were enforced across the industry, exchanges were forced to shut trading floors and shift to electronic trading, short selling activities across Europe were massively curbed, and doomsday predictions of an impending global recession had already hit headlines. It has been dramatic, to say the least.

It goes without saying that traders have been adapting to working and trading remotely in the current environment. As countries mandate employees work from home due to the COVID-19 pandemic, traders have set up remotely while trying to continue to perform their roles and duties as normal.

Continues on page 3
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It’s impressive what science and technology can accomplish these days. Taken together, the open-source software revolution, affordable hardware and vast amounts of data have brought to life static equations from science books, previously accessible only to a numbered few. This has had a dramatic impact on distinct fields, ranging from bio-technology to education. Obviously, finance and trading are no exceptions.

Editor’s note:

With new dates now confirmed for TradeTech Europe 2020, The TRADE is delighted to present this preview version of the TRADETech Daily newspaper ahead of the event in October. Keeping you up-to-date with all the goings on in the equities trading world, our cover story [continued on page 4] is a deep dive into how buy-side traders, and indeed the industry, have coped with a new remote working environment. While it may be miserable for some, others have seemingly adapted quite quickly to the challenges they faced early on.

As a start to the year-long celebration of TradeTech’s 20th anniversary, we look at how the role of the buy- and sell-side trader has evolved since 2010 [page 18]. Elsewhere, TradeTech’s very own Susie Benaim discusses what delegates can expect to hear from the agenda [page 12] with the COVID-19 pandemic highly anticipated to dominate some discussions.

The TRADETech Daily will be back in October with its first on-the-ground edition, and you can expect more from the buy-side, as well as special editorial contributions from familiar faces and industry veterans. I’m certainly looking forward to the event - in my new role as editor of The TRADE - keep an eye out for our recently expanded editorial team too. We hope you enjoy this preview edition, and we look forward to seeing you all again in October in Paris.

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Traders adapt to life at home

Following the removal of live interaction within teams, systems being stretched and the ensuing market turbulence, among multiple other factors, Hayley McDowell finds traders could be more error prone and risk vulnerable.

“To be honest, working from home has been miserable.”

UK-BASED ASSET MANAGER HEAD OF TRADING

But the definition of normal has changed with trading floors closed, systems and technology tested and communication no longer occurring in-person. Early discussions with buy-side traders suggest that working from home is not ideal and more high-touch trading activity is taking place, as is often the case in times of market stress.

“To be honest, working from home has been miserable. But in terms of the set up for remote trading, the process so far has been quite smooth. The technology is so good these days,” says a UK-based buy-side head of trading speaking to The TRADE on condition of anonymity. “We’ve seen more high-touch trading as traders seek certainty and security in having an extra pair of eyes. As traders gain more confidence in the remote setup, I expect that will revert back to low-touch.”

Massive change

A recent study from Refinitiv, which surveyed 400 of its FX trading clients globally, found that 80% of banks in Europe have opted to have staff split their working time between home and a separate office or backup site. Refinitiv explained that this highlights the ‘still somewhat dominant dependency of sell-side staff on trading desks and trading floors’ to ensure connectivity, compliance and efficiency of execution that is needed to perform their order-taking and execution roles.

Business continuity plans may never have stretched as far to encompass a global remote working environment, along with subsequent market turbulence and a full technology carryover for employees. For teams used to information sharing in a live format, particularly in markets that do not trade electronically as much as others do, the remote working environment could hamper now dispersed desks.

“For those who work in a dealing room or a trading floor, working from home is a massive change,” says one European buy-side head of trading who spoke to The TRADE on condition of anonymity. “The use of a laptop PC is particularly challenging when you trade multi-asset order flow in a multi-platform environment. This challenge has been exacerbated by highly volatile markets. All our team is adapting and learning, and it is becoming more flexible under pressure, for example by using much more telephone than before or by improving and customising the order management system’s layout on smaller screens.”

A report from consultancy Aite Group, which outlined the challenges and opportunities caused by COVID-19 pandemic, depicted front-office or trading tasks as more challenging to perform at home, adding that a higher degree of trade breaks and compliance challenges are possible if functions are somehow excluded or reduced in coverage.

Matt Simon, author of the report at Aite Group, explains that for traditional asset management firms, workflow of idea creation to trade implementation is often the result of a group interactive effort. Front-office staff must have regular meetings with both internal investment professionals and external companies and trading counterparts to guarantee optimal results.

Simon warns however, that replicating any of these tasks in a virtual-only environment reduces the number of interactions, and will most likely negatively influence human decisions that would be a part of the overall decision-making process.

Some asset managers have been quick-off-the-mark in terms of planning to ensure that traders can continue working from home without disruption, which was carried out rather smoothly. As Simon alludes, communication is key to this process. Matthew McLoughlin, head of trading at Liontrust Asset Management, says his trading desk has been able to operate as normal. Echoing the thoughts of the European buy-side trading head on the increasing importance of picking up the phone, McLoughlin adds that in the current environment, execution is now taking longer.

“There has been more communication as I was very keen that we keep communication channels open and ensure there are no misunderstandings between teams or individuals,” McLoughlin tells The TRADE. “That being said, I have seen a large switch from phone to instant messaging across the market over the past few weeks, which has worked very well. Email traffic has increased too, but I have encouraged my team and others to pick up the phone if ever something needs clarifying as it just makes life easier and quicker.

“I have felt that despite everyone’s hard work, interactions on trades can take longer to happen, particularly on the more high-touch side of the business in both equities and credit. With people working from home, it just takes longer for a salesperson to speak to their trader and then feed that to a client on the other side and for all of that information...”
to then eventually flow back to me. It hasn’t prevented us from doing business, and those partnerships that we enjoyed before are still there and still fruitful, but it just takes that little bit longer to do business on occasion.”

**Increased costs**

Not only is execution taking longer, it is also more expensive. According to a study from the brokerage and analytics division at Virtu Financial, following a spike in volatility and wider spreads in March, trading costs as captured by its ‘Global Peer Universe’ spiked significantly, with every region seeing a large increase in the first quarter this year. Virtu found that US trading costs surged 42% in the first quarter compared to the quarter prior, with March costs increasing to a high of -63.7 bps. At the same time, trading costs in the UK surged 76% during the period, 55.2% in Europe – excluding the UK, and 78% in Asia Pacific – excluding Japan.

Ben Springett, head of European electronic and program trading at Jefferies, tells The TRADE that the shift to remote working combined with unprecedented levels of market volatility has driven a number of changes to the trading landscape, including in costs of trading.

During the most volatile periods, data from Jefferies shows a rise in the cost of execution by more than three times, despite an explosion of liquidity. Spreads more than tripled while volatility more than quintupled, and liquidity at the touch was down by a third, suggesting a reduction in market maker activity. Springett categorises the challenges with remote working into being infrastructure-related, and the other

“Getting complacent is not an option. If you haven’t been monitoring and reporting on your activity you will be in trouble.”

MATT SMITH, CEO OF STEELEYE
behavioural.

“Home working for traders was a rarity in the City prior to this, and as such, a huge amount of hardware was required to be sent to peoples’ houses to ensure they had remote access to trading capabilities and telephone,” Springett explains.

“Once the physical capability is in place people need to adapt their working practices to ensure that they can be as effective in a geographically fragmented organisation. Person-to-person directed communication is straightforward, but a significant value of trading floors comes from being immersed in conversations going on around oneself. It is the benefit of information being gleaned from these, as well as the ability to contribute to them, that is much harder to re-create at home.”

As the Aite Group report highlights, when putting together business continuity plans, few asset managers and banks ever dreamed of the implications of portfolio management or trade and trade-support scenarios all having to be done from a home office. Simon adds that given the volume of orders, messaging and trading, firms are clearly more error prone and risk vulnerable.

Echoing Springett’s concerns around the loss of vital information that could be used for investment and trading is John Ashworth, CEO of trading software provider Caplin. He explains that while this is less relevant due to the electronification of markets, the repercussions in the near-future could see the industry adopt a ‘new normal’ in remote working and trading.

“In days gone by, when trading rooms were noisy places, there was a huge amount of subliminal information contained in background noise that individual traders would absorb to inform trading decisions,” Ashworth explains.

“That effect is minimal nowadays since there’s so much electronic trading, but is still felt to some extent and will be missed amongst the very largest global banks and some super-regional. My personal belief is that this enforced ‘new normal’ will lead to a dramatic change in the way managers manage, and how people view remote working.”

Complacency is not an option

But rules and regulations are still as important for traders working remotely as when they were in the office. UK market participants have been urged by regulators to continue capturing records and data as firms moved staff to alternative sites or working arrangements. Compliance technology provider Cappitech has warned on the risks and importance of maintaining regulatory obligations as traders are working from home.

“Working from home has become the most common approach for firms to mitigate the spread of the virus in their offices,” Cappitech said. “Although working from home is an option, it does have its pitfalls. Most financial regulators include telephone and electronic messaging record requirements. As such, companies need to confirm that remote work options include methods to comply with existing regulatory standards… The reality is that even the most prepared firms will have gaps in their contingency plans. One way to spot regulatory functions that aren’t being completed or that will need to be fixed in the future are through control tools.”

Regulators have provided various temporary relief measures globally for reporting and auditing, but they have been clear that the environment should be established by the trader or support staff as a means of ignoring ethical practise and securities rules. EU authorities have delayed best execution reporting requirements in Europe, while uncleared margin rules (UMR) and the Securities Financing Transactions Regulation (SFTR) have all been postponed as firms focus on handling the new business environment.

“Getting complacent is not an option. If you haven’t been monitoring and reporting on your activity you will be in trouble,” Matt Smith, CEO of compliance and data analytics provider SteelEye, tells The TRADE.

“Regulatory reporting and crucially, market abuse monitoring, still needs to be done, especially during this time. In fact, financial crime is more likely during uncertain times and we are seeing some very strange behaviour and non-standard trading patterns in the market. To combat this, the regulators have been very clear about the fact that firms are still firmly ‘on the hook’.”

“Despite everyone’s hard work, interactions on trades can take longer to happen, particularly on the more high-touch side.”

MATTHEW MCLoughlin, HEAD OF TRADING, LIONTRUST ASSET MANAGEMENT

“Home working for traders was a rarity in the City prior to this... a huge amount of hardware was required to be sent to peoples’ houses.”

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Trading costs globally have surged following increased market volatility during the coronavirus pandemic, and despite declining recently they remain higher than before the crisis, according to data from Virtu Financial.

A study from the brokerage and analytics division at Virtu Financial, seen by The TRADE, has revealed that following a spike in volatility and wider spreads in March, trading costs as captured by its ‘Global Peer Universe’ spiked significantly, with every region seeing a large increase in the first quarter this year.

US trading costs surged 42% in the first quarter compared to the quarter prior, with March costs increasing to a high of -63.7 bps. At the same time, trading costs in the UK surged 76% during the period, 55.2% in Europe – excluding the UK, and 78% in Asia Pacific – excluding Japan.

Spreads for the S&P 500 have since decreased significantly from the highs in March, with market impact costs for a 500mm portfolio in the index starting to drop after hitting 14.4 bps on 9 April, down from 19.95 bps in late March. Virtu added that a 500mm portfolio in the UK’s FTSE 100 remains the most expensive.

While spreads globally have fallen from the highs seen in March, Virtu Financial said they remain elevated compared to January due to the ongoing sense of uncertainty and volatility in equities and currency markets, that will most likely continue.

Virtu’s Global Peer database uses proprietary transaction data from asset managers encompassing more than 20% of all institutional equity trades globally. The firm has seen increased demand from clients to produce market impact models in light of the recent volatility. Virtu provides quarterly ‘Global Cost Review’ reports for clients to analyse execution costs.

“More and more clients have incorporated market impact models into their trading process directly so it’s critical that their models adjust dynamically,” Virtu said. “We’ve been writing several mini pieces to answer these client questions which clients are in turn using to adjust trading strategies, communicate to senior management internally around prevailing market conditions and to manage portfolio managers expectations around trading cost outcomes.”
Europe’s unbundling regime continues to take hold of buy-side globally

A report from Liquidnet reveals that number of buy-side implementing unbundling policies globally is continuing to grow.

Asset managers are increasingly adopting Europe’s MiFID II unbundling regime for their businesses globally to manage operational processes more efficiently, according to a recent report from Liquidnet.

A survey of buy-side conducted by Liquidnet found that just 12% of respondents have ring-fenced European operations for unbundling, while 70% of respondents have implemented a global unbundling policy, up significantly from 53% in 2018.

For asset managers headquartered in the US, 38% have implemented global unbundling procedures, with more than a third stating they are paying for research from P&L.

Recently, the US Securities and Exchange Commission (SEC) extended a no-action letter which allows brokers to continue charging clients separately for research until July 2023. The SEC’s chairman said the regulator needed more time to evaluate the impact of unbundling under MiFID II. Analysis has suggested that US buy-side are increasingly in favour of the rules, with many highlighting greater transparency and clarity around research requirements.

Liquidnet’s report suggested that the quest for best execution has been a key driver in the adoption of unbundling globally, particularly in the US, as it can be harder to attain best execution when paying for research with bundled commissions. The firm added that unbundling has highlighted the sell-side firms that are not keeping on top of investments in trading technology.

“Unbundling no longer equates to whether or not UK asset managers pay for research from their P&L, it represents a fundamental global shift in how data and the digitalisation of investments will revolutionise the asset management industry and those who can best service them in the Information Age,” Liquidnet said in its report.

Short selling ban extended across Europe

Restrictions in short selling in Austria, Belgium, France, Greece and Spain have been extended despite warnings of unintended consequences.

Five European countries have extended a ban on short selling due to the ongoing coronavirus pandemic, despite warnings from exchanges and hedge funds that the move could harm markets.

Regulatory authorities in Austria, Belgium, France, Greece and Spain have all confirmed that the restrictions on short selling, which were implemented throughout last month as markets became increasingly volatile, will be extended until 18 May, with the possibility for further renewal.

The European Securities and Markets Authority (ESMA) welcomed the extension in a statement, adding that the measures can be lifted before the deadline if risks of a loss of market confidence are reduced.

“ESMA considers that the proposed measures are justified by current adverse events or developments which constitute a serious threat to market confidence and financial stability, and that they are appropriate and proportionate to address the existing threat to market confidence in those five markets,” the EU markets regulator said.

A blog post published prior to the extension from Bryan Corbett, the chief executive and president of the Managed Funds Association (MFA), which represents hedge funds, argued that authorities should let the ban expire.

“The initial results from bans imposed in recent weeks already point to problems: Bid-ask spreads for affected shares widened more than 15 percent compared to unrestricted shares since the imposition of the bans,” Corbett wrote.

“That means the gap between the price at which someone will sell and the price at which another will buy grew because of the restrictions. This spread widening is effectively a tax on all investors trading the affected securities and diminishes liquidity at a time when markets need it most desperately.”

Similar warnings have been echoed by exchange group’s and central counterparties, with the World Federation of Exchanges (WFE) warning soon after the bans were implemented that the move would produce unintended results.

“Banning short-selling interferes with price formation, thereby increasing uncertainty. That can only artificially amplify volatility and probability of default, the opposite effect to that claimed, and hampers the ability of markets to serve the real economy. It is not – and never has been – true that bans have any other, positive effect on market activity or price levels,” said Nandini Sukumar, CEO of WFE.
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TradeTech’s Susie Benaim updates delegates on 2020 agenda

After postponing TradeTech Europe due to the coronavirus pandemic, Susie Benaim, TradeTech Europe content director at WBR, tells the TRADETech Daily about what delegates can expect from the event in October.

How has the TradeTech team adapted to working from home in the current environment?

Susie Benaim: As with most companies, we are now all working remotely. Luckily our business lends itself well to remote working and many of the producers are and have been remote for a while.

One of the biggest challenges with working from home is managing that work life balance. The workdays seem to merge into the evenings, as do the weekdays into the weekends, so finding a good balance between work and when to stop is much more of a conscious effort.

Our whole team are more accessible, which is great, and I’ve found that communication is definitely on the up - maybe as people are conscious to prove that they are really working! It will be interesting to see how these workplace changes continue, and what this will mean for the normal working day post COVID-19.

How did you and the team feel when you realised you would have to postpone it? What were the challenges in reorganising?

SB: It was a sad day. There’s a huge of amount of work and time that goes into producing and organising such a big event. Our team are a very dedicated group of individuals that have worked on the event for a long time, so are emotionally invested in its success.

Many of us know the speakers, sponsors and attendees very well and it’s really unfortunate to break such news when so many find genuine personal and business value in attending the event. We are lucky however to have such a solid team that source our venues and manage our event dates.

As soon as the pandemic news broke, they were already working on alternative dates and locations. Given the compression of many other events and business activities into the latter third and fourth quarter of the year, it was very tricky to confirm a date that fitted the majority of our audience’s calendars, but we feel happy and confident that this new date will work.

Should delegates expect changes to the current agenda? What are the main themes, and will we hear about any new topics?

SB: I am looking to cover as many of the agenda topics previously confirmed in the TradeTech 2020 agenda, however there...
is no escaping how COVID-19 is and will completely disrupt markets and working practice.

Conversations have evolved and are now more weighted to three main areas: 1) the evolving workplace ecosystem, 2) communication technology and light infrastructures and 3) finding value in the current market.

COVID-19 will inevitably be a component of all the previously confirmed discussion panels and presentations. There will be a heightened focus on how day-to-day business will evolve, how businesses are embracing the increased pace of change and market volatility, and how strategically businesses will have to adapt to compete in a hugely competitive market.

Which panel sessions are you most looking forward to?
SB: I’m biased and believe they are all not to be missed sessions! However, if I’m pushed, I think I am most looking forward to some of the newer topics around leveraging data science in trading and investment, with some great speakers.

These include Paolo Puggioni, director of data and innovation at BlackRock, Florent Garcin, head of data science at Pictet Asset Management and the world-renowned Manoj Narang, CEO/chief investment strategist at Mana Partners, as part of our brand new ‘Data Science in Asset Management’ day, which will be really exciting sessions. I am also delighted to have foreign editor at the Economist, Robert Guest, give a macroeconomic update, which will be especially important given current markets.

We also have an out of industry keynote session from Thomas Bjørn, who is Europe's Ryder Cup Captain and a professional Golfer himself, talking about how to build a winning team. There are too many to list, but these are a snapshot of what can be expected later this year!

It’s really unfortunate to break such news when so many find genuine personal and business value in attending the event.
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Bottom line is, this cutting edge sub-class of artificial intelligence – as well as others - is here to stay and, if used properly, can definitely help to quantify market uncertainty and act optimally in the face of uncertainty.

With so much available, we seem to be limited only by our own knowledge and creativity; core assets for the next generation of this business. Combined properly, these factors will produce novel features that will deliver results, independently of market conditions, for years to come.
Guilherme Demos
PhD, Trading Algorithm Developer

Guilherme Demos is currently a Trading Algorithm Developer at Vontobel. Prior to joining Vontobel, he was a Post-Doctoral researcher on Quantitative Finance at ETH-Zurich Risk Center / Chair of Entrepreneurial Risks. Guilherme's research was published on a number of peer-reviewed journals such as Quantitative Finance, Royal Society open science, Journal of Investment Strategies, Physica A, Math. Finance Letters & others. He co-founded the fintech startup Veezoo and received his PhD from ETH-Zurich on 2017.

Matthias Schiesser
Head of Electronic Trading Solutions

Matthias Schiesser heads the Electronic Trading Solutions department in the Platforms & Services unit at Vontobel. He is responsible for the distribution of Vontobel's electronic Low-Touch Trading Platform, Global Custody and FX products. Matthias's previous employers include UBS, Kepler and Julius Bär where he held various roles in the field of Electronic Sales/Trading. He holds a Diploma of Advanced Study of the University of Berne and Rochester in Banking and Finance.

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LEVELING UP
As a new decade begins, Chris Hall looks at how the role of the buy- and sell-side trader has evolved since the flash crash of 2010, and finds that while the buy-side has levelled up with brokers, progression has not always been smooth.

It was 2010 when electronic trading first hit the headlines. Trade automation was hardly new. Technology-driven innovations had been accommodated in the US and Europe under Reg NMS and MiFID respectively. But execution algorithms and high-frequency trading (HFT) were still a mystery to senior executives at asset management firms, not to mention their institutional and retail clients.

This changed on May 6, 2010, when a combination of factors - speed, structural weaknesses and a looming European sovereign debt crisis - ignited the ‘flash crash’, a brief but alarming collapse in US stock prices. The Dow Jones Industrial Average plunged almost 1,000 points, only to rapidly regain composure, leaving regulators, traders and investors to wonder: what on earth just happened?!

First, a poorly parameterised index futures order from a mid-market fund manager was identified as the trigger. Later, the finger was pointed at Navinder Singh Sarao, the ‘hound of Hounslow’, an autistic amateur trader who played the markets from his bedroom.

Closer to the truth was author and ex-bond salesman Michael Lewis, whose 2014 expose, ‘Flash Boys’, suggested the flash crash was an accident waiting to happen. Exchanges, regulators and brokers had facilitated a new form of high-speed market-making and the entry of a new breed of market participant, allowing revenues to flow, particularly since MiFID II. Access to more detailed data has not only solid evidence, independent of selection bias,” he explains. “By coupling specific stock characteristics, we can automate more trades in small size, whilst the human traders focus on orders with larger ADV (average daily volume) or complexity.”

For Neil Joseph, head of equities trading for EMEA at JP Morgan Asset Management, the story of the decade is a shift from automating execution to automating a wider range of workflows between traders, PMs, and the sell-side: “This has helped our EMEA team to execute 50% more orders per trader than three years ago, whilst reducing trading costs by 20% over the same period,” he says.

Examples of technology-assisted workflow innovation include the automated generation of targeted notices of liquidity signals from the sell-side. As at Schroders, Joseph’s team work closely with dedicated technologists to develop, test and implement incremental improvements, then measure their impact.

“...there were a tacit understanding that the sell-side would supply infrastructure and other execution-related services. Today, if you want it, you pay for it.”

CARL JAMES, GLOBAL HEAD OF FIXED INCOME TRADING, PICETT ASSET MANAGEMENT
on execution performance. “Technology teams are co-located on the trading desks around the world. This enables us to develop using agile methodologies, we now deploy multiple new releases per week,” he says.

**Growing up**

These changes make for different requirements on - and relationships with - the sell-side. Trust in the ability of an individual sales trader to find liquidity has given way to a more forensic, data-driven approach.

“My 2010, broker relationships based on personal franchises and networks were already eroding. In light of MiFID II’s unbundling and best execution requirements, these relationships are now highly strategic, based on compatible approaches to electronic trading,” says Carl James, global head of fixed income trading at Pictet Asset Management, noting a broad-based increase in transparency.

“The buy-side has had to grow up. In the past, there was a tacit understanding that the sell-side would supply infrastructure and other execution-related services. Today, if you want it, you pay for it.”

Sales traders have had to change just as much as their buy-side counterparts, according to Mark Goodman, president of UBS MTF: “Today’s electronic sales trader helps the client to navigate the market, advising on how to get the best outcome. This role was only just emerging in 2010, when the priority was just getting the trade done,” Goodman observes. “A strong relationship is not going to get broker A the business if the data says broker B can get a better outcome for a particular order.”

Accordingly, provision of data, analytics and other decision support tools is as central to serving the buy-side today as access and liquidity. Progress has not always been smooth. In an era of low margins and high transparency, it is harder to justify the more labour-intensive services still valued by the buy-side, such as research, market colour and capital commitment.

Highly-automated central risk books have been developed by larger brokers, whilst some buy-siders are paying high-touch prices to maintain access to sector-specific insights, despite executing via low-touch channels. As such, today’s sell-side service model is based on execution choice and support. Known primarily for its buy-side liquidity pool, Liquidnet’s offering has expanded over the decade, for example, encompassing a broad, flexible set of tools.

“We may be seeing the emergence of a mid-touch sell-side model, where trader expertise and experience in certain sectors is allied with services that provide insight through data-driven analytics,” says Jackson. “And as buy-side desks reengineer their processes to achieve better outcomes, we need to have the skills and analytics to support them.”

**Revolution**

If the central story of the decade is one of buy-siders levelling up with brokers and HFT firms, enhancing technology and skills to improve the efficiency and accuracy of their trading activities, two caveats are necessary.

Schroders’ Dalley insists the human element is still important, from generating liquidity in mid-market names to observing etiquette to preserve long-term relationships. At Pictet, James says the data revolution has barely begun.

“We won’t recognise the front office in three-to-five years’ time. We might not have seen much change yet, but the hiring of data scientists is the start of a journey of discovery. Traders will increasingly oversee trading operations, becoming portfolio strategists,” he says. “If one considers the fundamental changes in how investment ideas are generated, it’s clear that the old model is dead and we’re now in an exciting new phase.”

Some things changed even less. Despite MiFID II’s measures to bring more trading back onto lit trading venues, off-exchange volumes have stayed remarkably steady. The battle between exchanges and brokers that first opened the door to HFT goes on.

Barely a week after Sarao finally learned he would not serve jail time, the European Securities and Markets Authority unveiled proposals to reform MiFID II. Plans to restrict dark trading and periodic auctions and increase SI pre-trade transparency are designed to ease the introduction of the consolidated tape, still much desired by the buy-side.

But they are also seen as a response to political dissatisfaction at MiFID II’s failure to boost on-venue volumes. As Rosenblatt Securities noted, “Exchanges on the continent will likely push for SI restrictions and further limits on dark trading, while banks and buy-side firms will fight to keep a more diverse competitive landscape.”

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