Since the global financial crisis and ensuing scandals around rate-rigging and tax evasion, accompanied by an avalanche of regulations, investment banks have had to reinvent their operating models to reestablish profitability and trust, comply with complex rules and requirements, reconnect with their existing client base, and attract new business.

One such change is the advent of social trading and the sharing of comments and trading ideas across a wide community and across all asset classes. It may sound a little avant-garde, but this trend has already permeated the investor sphere.

One example of this kind of change already under way on the sell side is UBS’ Neo platform, built by Hishaam Caramanli, global head of securities e-commerce. Neo is an online platform that integrates all of the bank’s global e-commerce capabilities into one client-facing offering. The project came about after the Zurich-based bank slashed thousands of jobs and made a number of structural and operational changes by cutting parts of its investment banking offering that were no longer sustainable. The cuts allowed UBS to start down the path toward recovery from the global financial crisis, although it knew that if it wanted to enhance the UBS experience, it needed to become more client-focused and address investors’ demands for a more holistic, flexible, and easy-to-use platform.

As regulations continue to reshape the global financial marketplace, single-dealer platforms are being forced to rethink how they operate. Influenced by ever-increasing consumer use of technology and social media, and determined to put their clients in the driver’s seat, investment banks are building hyper-connected platforms. Marina Daras looks at how some firms have invested time and money to make their platforms more ‘sociable.’
On top of offering a front-end for all aspects of its e-commerce offering, Caramanli integrated communication and social media directly into the platform, placing analysts and traders at the forefront of the business in order to lead with what he says is the expertise and knowledge of the bank’s best assets.

“UBS Neo is a place where our clients can execute trades, connect with our people and communicate with the best thinkers, the best analysts, and the data that we have,” Caramanli says.

Peer-to-Peer
Like UBS, Copenhagen-based Saxo Bank, which specializes in online foreign-exchange (FX) trading, also recently embarked on a digital and social media integration strategy, allowing users to connect with one another and with the bank across a number of different media. Saxo recently launched TradingFloor.com, an online cross-asset social trading portal that enables the investor community to share trading ideas.

“We have seen social media transform so many industries and we were wondering how we could efficiently apply that to the financial industry and change what is essentially a lonesome activity into a social event,” says Rune Bech, head of digital media and content at Saxo Bank.

According to Bech, the portal is designed to unlock and disseminate the knowledge of a crowd and helps investors benefit through having contact with and learning from one another. “The fact that you can see how you perform compared to other traders is a really interesting component,” Bech says.

TradingFloor also provides traders with real-time access to market news and data, insights, and trade comments from the bank’s research teams. A recent survey by OneMarketData shows that traditional news sources are being supplanted by social media as investors become more interested in the story behind the news as opposed to the news itself, comments that other investors have made in response to news stories, and historical or related analysis linked to one or more stories.

The portal has been rolled out as a standalone platform for the time being, although Saxo confirms that it will be integrated into the bank’s main trading platform in the coming months. “We are trying to see how we can reinvent the investment world by applying the wisdom of social media and the benefit of being part of a community,” Bech adds.

Later this year, Saxo also intends to introduce an automated copy-trading feature that will allow certain vetted traders—the suitability of whom will be determined by a test carried out by the bank—to automatically copy the positions of another investor they have selected.

In a report entitled One Touch, One World: The Future of Investment Banking, Rebecca Healey, senior analyst at the Tabb Group, says that only by creating an interactive network of people and content, and harnessing technology to resurrect the most important aspect of investing—the trusted relationship—will innovation in the capital markets continue to thrive.

Socially Oriented
Influenced by consumer behavior and investors’ personal use of technology, both the Neo platform and Saxo’s trading portal share characteristics with business-oriented social networking site LinkedIn. Clients can follow experts, analysts or traders’ profiles and be updated on all the ideas and comments they publish by visiting their profiles. All information posted on the platforms can also be retrieved via an enriched search engine.

The way people interact with technology on a personal level is also influencing investment banking. “The need for a divergent but complementary technology is winding its way into financial services,” Healey says. “Asset managers are looking to replicate the way we shop and the way we use mobile phones for multiple tasks in their working environment. The challenge in all of this is that it will require crucial behavioral changes. The industry has been brought up on proprietary models and still remains very siloed in the way it works. Getting people to collaborate in this way will be harder to achieve, but those who can cross the barrier will reap the rewards.”
Trading Platforms

“The changes we are seeing now will completely reshape investment banking as we know it and the integration of social media is just one element of this change.” Anna Pajor, GreySpark

Client-Driven
Technology facilitates real-time access to content, empowers users and enhances their productivity by embedding the information flow directly within the investment cycle. GreySpark lead consultant Anna Pajor says it is important to put the client at the center of the relationship and to make the e-commerce offering about clients first and not the bank.

“UBS has done what every other bank will be forced to do but haven’t done so far, which is to bring all their e-commerce offerings together, and to approach it from a client perspective, putting their clients at the center of the relationship,” she says.

According to Healey, the ability to access relevant information whenever and wherever required from a single point of contact and at the touch of a screen will radically impact workflows and the type of interaction between the buy side and sell side in the near future.

New Focus
The two consultants say, however, that the social media aspect of banks’ trading portals is just the tip of the iceberg. “The changes we are seeing now will completely reshape investment banking as we know it and the integration of social media is just one element of this change,” Pajor says.

Banks are at a crossroads: For many, their infrastructure is not fit for purpose anymore and their platforms are too complex and costly to operate and maintain.

“As liquidity becomes more constrained, asset managers will have to look at investments in a more holistic fashion rather than through siloed asset classes,” explains Healey.

While platforms are usually an amalgam of different proprietary applications and systems, often specific to one asset class only, the challenge lies in keeping things simple and straightforward. The initial goal for the Neo platform was to break down the complexity of its structure and to make its platform a simplistic experience.

“We used to have 94 different client systems, which made it complicated to navigate. Reducing complexity and making things insanely simple is definitely a value that is appreciated by our UBS people and clients,” says Caramanli.
Low-Touch Environment
With more of the investment process being automated, there is a real need for high-touch, collaborative tools to complement the increasingly low-touch environment the buy side has been heading toward for some time now. According to a Tabb Group study on European equities, 96 percent of participants anticipate a continuation or increase in their use of trading algorithms this year, compared to only 16 percent in 2005.

UK-based telecommunications giant BT, which provides a range of capital markets technologies and services, recently launched a touch screen turret device that acts as a control center for collaboration between traders and clients. The device—reminiscent of Apple’s iPad tablet in both design and its ease of use—allows traders to rapidly access all of their trading applications, market news, and data feeds via a secure cloud-based network, and to share market information with their clients through voice, video and conferencing services.

“As firms are increasingly willing to adopt a more complex range of trading strategies across a number of asset classes, they require more human collaboration, especially at a pre-trade level, to complement the low-touch electronic environment they evolve in,” says Tim Furmidge, head of product management in financial technology services at BT.

In the future, empowered investors will ask for more collaborative, intuitive, and easy-to-use technologies, influenced by their personal use of devices and social media.

As single-dealer platforms continue to move away from their historic, siloed approach toward fully embracing a cross-asset and holistic perception of the market, the focus has now shifted to the convergence of high-touch and low-touch trading platforms.

But it takes a lot more thinking to build a simple, intuitive and user-friendly trading interface than it takes to let the garden grow, and there will certainly be hiccups along the way.

While UBS’ Neo platform and Saxo Bank’s TradingFloor portal have made significant strides in terms of folding social media and everyday functionality into their client-facing trading applications, this process across the sell side has really only just begun.

Other banks will ultimately be forced to follow their lead through a mix of push and pull factors—inter-bank rivalry pushing them and client demands pulling them—creating a new model for the investment banking universe. The next generation of trading platform is likely to find the right balance between empowered human investors and technological innovation. As Pajor describes it, simplicity is the ultimate form of sophistication investment banks should be aiming for.

“UBS Neo has been a deliberate investment in keeping things simple. We used to have 94 different client systems, which made it complicated to navigate. Reducing complexity and making things insanely simple is definitely a value that is appreciated by our UBS people and clients.”

Hishaam Caramanli, UBS