

# UNLOCKING THE FUTURE OF VOICE TRADING: CONNECTED APPS, ECOSYSTEM EXPERIENCES FROM ANYWHERE

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# Unlocking the Future of Voice Trading: Connected Apps, Ecosystem Experiences from Anywhere

## Introduction

COVID-19 has turned longstanding certainties of running a trading desk upside down and propelled traders into the new reality of remote working. Never conceptualised for the home office, due to concerns over security, financial crime, performance, reliability and productivity, the industry quickly had to adapt to the new normal.

Voice trading has traditionally depended on hardware-based turrets and has therefore had limited usage in offsite scenarios. The next generation of turrets, which offer both modern, physical hardware for the trading floor as well as software-based turrets for anywhere else, will boost digital resilience and future-proof trading for the digital era.

The future of voice trading will be influenced by five drivers:

- First, the focus on digital resilience has increased during the pandemic and mandates a fundamental review of traditional work and operating models. Driven by the need for flexibility, more integrated and automated workflows, user-defined personalisation and trader productivity, COVID has paved the way for new digital work models. Digital resilience also raises the bar overall for system and network performance, latency and availability in this new environment. New technologies such as cloud, smart automation, machine learning and analytics will be essential enablers of change.
- Second, digital transformation (DX) initiatives are pushing ahead full steam, as financial institutions struggle to acquire and retain the right talent and keep the workforce engaged, productive and safe. Digitalisation away from physical turrets to soft turrets is accelerating. Soft turrets enable the next generation of traders to work virtually and compliantly without compromising their ability to serve their customers or collaborate with colleagues.
- The third driver is the growing integration and interaction with an increasingly open ecosystem. Integrating third-party applications opens up considerable opportunities for productivity improvements. This way, specialised offerings can supplement each other and empower traders to simplify workflows, reduce the number of interfaces, ensure compliance such as automated call recording or voice to text translation, and overall expand functionality such as video streaming and internal/external team videoconferences with multiple participants.

### AT A GLANCE

#### KEY TAKEAWAYS

- » Trust, productivity and efficiency remain the pillars of successful trading desk modernisation.
- » Any trade desk that fails to keep pace with the rapid evolution of communication, or continues to bet on temporary fixes, will struggle to deliver the same levels of performance, reliability, security and trust as long as the pandemic continues.
- » The ecosystem offers rich functionality and enriches collaboration tools with analytical capabilities to increase productivity and reliability. Betting on the right partners to build the bridge into the ecosystem will be essential.



- Fourth, the modernisation of trading infrastructure. This ushers in the transformation to cloud-based infrastructure and digital platforms. Again, COVID has acted as a catalyst emphasising the benefits of managing infrastructures remotely, the ability to innovate faster and the flexibility to scale operations based on demand. At the moment, most FSIs are still in the process of defining and fine-tuning their cloud strategies. Therefore, it's all the more important to consider the modernisation of legacy infrastructures with an eye on cloud-agnostic, portable services that give customers choice over the application environment.
- Finally, cost efficiency remains a key priority. Many FSIs have looked for ways to reduce the cost of trading, which for some has led to the decision to outsource trading desks altogether. An alternative is the reduction of hardware-based turrets and migration towards software-based turrets to reduce cost. While hardware turrets will, and should, not disappear given their high productivity, IDC expects more trading desks to shift to a mixed approach of modern, customisable touchscreen hardware turrets in combination with flexible, scalable software turrets.

In summary, COVID, more than anything else, has been a catalyst to drive the transformation of trading desks towards a more digital, remote approach. Any trade desk that has not upgraded towards software-based turrets, or continues to bet on temporary fixes, will struggle to deliver the same levels of performance, reliability, security, functionality and safe work environment as long as the pandemic holds the world in its grip. Even beyond that, things are unlikely to go back to the way they were before, as the future of voice trading is crystallising into a hybrid model that combines the benefits of hardware and software turrets.

## Trends

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Capital market firms have been under pressure to adapt to the rapid change in their trading business for several years. COVID was merely a catalyst, forcing firms to eventually face up to existing challenges given the rapid onset of new ones. The reality is that both demanded a solution — yesterday.

This has forced capital markets to rethink their trading business, from digitising trade execution and trader collaboration, to exploring new ecosystem opportunities, such as sourcing innovation and productivity improvements, innovation of new data-driven product/services and new digital customer experiences.

New technologies will be an essential enabler and accelerator of this strategy shift. The growing maturity of data analytics enables smarter decisions and more reliable compliance monitoring. Machine learning and intelligent automation boost the ability to automate complex processes and tasks. Digital platforms and APIs push the limits of personalised user experiences and productivity on the back of existing legacy applications. And digital collaboration tools revolutionise the way traders can interact with colleagues, counterparties and clients.

The transformation of trading desks is driven by the following five macro trends:

**Digital resilience builds on extended human and machine collaboration.** Given the ongoing lockdowns, the pressure on trading desks is growing, to move beyond makeshift fixes and address the reality of a digital and remote work environment. In the early onslaught of the pandemic, most firms focused on enabling traders to work in a remote environment, which led to a prioritisation of foundational issues, such as procurement of mobile devices, network security, data access and data sovereignty, bandwidth and digital collaboration tools. This meant that other areas, such as trader productivity and performance, user experiences and personalisation, process and user interface simplification, as well as end-to-end security, were sidelined. These, however, are now resurfacing as remote working appears to be here to stay.

At the same time, long-term trends such as the rise in data analytics and automated trade execution are maturing to guide smarter decisions and free staff to focus on value-generating rather than mundane tasks. For most firms, the focus of automation is about efficiency and staff augmentation. While machines will carry out the heavy lifting, such as data consumption and analysis as well as automated trade execution, humans will focus on working with customers to identify nuanced opportunities and negotiate and manage relationships. Less manual tasks and processing will enable portfolio managers, analysts and traders to spend more time on generating ideas and working with clients.

**Workforce transformation.** The era of the "Masters of the Universe" has passed. On the contrary, the overall appeal of the industry has suffered over the past decade as younger generations have different priorities towards work-life balance, purpose, social responsibility and personal motivation. At the same time, the industry is digitally transforming, requiring different sets of talents and capabilities to address changing customer expectations, regulations and tech and ops evolution.

This transformation is complex as it requires fundamental changes to work culture, a strategy for a hybrid workforce and new approaches to space and mobility. Technology is often the starting point, as it is considered the low-hanging fruit. This means implementing and integrating digital collaboration tools, focusing on automation and staff augmentation and increasingly performance monitoring to improve productivity despite the limitations of legacy systems or the home office. Specifically for voice trading this means digitalisation away from physical turrets to soft turrets. Soft turrets enable the next generation of traders to work virtually and compliantly without compromising their ability to serve their customers or collaborate with colleagues.

Moving beyond technology, however, is where initiatives often get stuck, particularly if they were triggered by external factors, such as the pandemic. In the first lockdown, digital workforce transformation initiatives were implemented in a hurry to keep operations going. To succeed, however, a larger workforce transformation strategy, including the next wave of refinement and supplementing these new capabilities, is needed. Workforce transformation is not just a necessity to survive the pandemic — it is essential to future-proof firms in the race to acquire the best talent in the years to come.

**Building trusted relationships in a connected ecosystem.** Essentially, capital markets are still, and will continue to be, run by people for people. This is unlikely to change, even in an increasingly automated and digital operating environment. It is human relationships that lay the foundation of trust and it is the exchange of thoughts that leads to the next "big idea." This holds all the more true in an interconnected ecosystem, which is characterised by rapid expansion, new partnerships and alliances, new operating models (e.g., a connected flow model<sup>1</sup>) and new platform models changing the dynamics of the industry.

Communication with customers, counterparties, clients and the larger ecosystem in general is therefore becoming a critical success factor for trading desks in the digital era. Communication and automation are core to creating trust in a digital ecosystem. This makes it urgent to modernise communication infrastructure and collaborative tools, particularly in today's crisis environment and in the new reality brought about by the pandemic.

Any disruption to voice trading can have a considerable impact on revenues and, worse, can disrupt the trust of clients and counterparties. This is particularly problematic in times of crises, when market volatility surges and reliable, timely and productive communication becomes more important than ever.

Successful trading floors will not only embrace new features, they will also seek to seamlessly augment trader voice conversations into the applications used by traders. Incoming calls can be augmented with context, such as customer profiles, and presented to the trader instantly. Or conversations can be converted back into the traders' CRM application through speech to text translation.

**Infrastructure modernisation and cloud.** Infrastructure modernisation has been an ongoing challenge and priority for the financial services sector. What has changed today are the toolsets, solutions and infrastructures that capital market firms have at their disposal, such as digital platforms, microservices architectures and the cloud. Over the past two years, IDC has observed a growing openness towards and appreciation for the cloud to inject much-needed agility, scalability, flexibility and innovativeness. COVID once more has acted as a catalyst.

The benefits of cloud have become obvious in the new normal, enabling the accelerated adoption of digital collaboration tools, the ability to source and drive innovation through SaaS models and the migration of compute, data-intensive and regulatory reporting workloads to IaaS and PaaS models. Momentum is also building to migrate parts of core trading, risk management and post-trade processing applications to the cloud, but migrating mission-critical applications and systems to a public cloud infrastructure is still a challenge in many organisations.

Data security, services availability and data sovereignty are among the key concerns, but differ widely by region. While North America and parts of Western Europe are moving quickly to the cloud, less mature markets, particularly in EMEA, East Asia and Southeast Asia, are falling behind in cloud adoption.

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<sup>1</sup> <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Financial-Services/gx-fsi-future-of-investment-management.pdf>

**Cost management.** This remains a critical focus for trade desks. Continuously evolving regulations are forcing firms to build out support functions or outsource them to compete with digitally advanced peers and emerging competitors. Stricter regulations, especially MiFID II, are placing costly obligations on firms, forcing them to open up to greater scrutiny of execution quality, interaction tracking and commissions.

Clients have also become more demanding when it comes to execution costs and cost versus value. Not only are trading desks faced with smaller margins, but they have also been forced to invest ever larger amounts in technology and data to increase trading performance and responsiveness. A 2019 report from consulting firm GreySpark<sup>2</sup> found that the cost savings of technology efficiencies at banks had been more than offset by the rising costs of data and analytics.

Voice trading has not remained unscathed from this cost-saving drive. The cost associated with hardware turrets has moved onto the radar of some firms, given the high cost of hardware and maintenance. The cost/benefit analysis of reducing the number of hardware turrets and supplementing them with modern software turrets is turning in favour of a more flexible and optimised strategy — to reserve/limit hardware turrets to power users, for instance.

## Benefits of Next-Generation Voice Trading Solutions

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The focus on digital resilience, trust, customer experience and trader productivity permeates most transformation and innovation initiatives of trading desks around the world. Voice trading modernisation, given its central role across all these drivers, has not only turned into a competitive advantage in the new normal, but also future-proofs and empowers trading for the needs of the digital workforce.

Essentially, next-generation voice trading platforms offer more flexibility and digital resilience by supplementing traditional hardware-based voice trading turrets with software-based turrets, enabling traders to communicate securely with clients, colleagues and counterparties from anywhere. These platforms are also becoming more open to enable participants to collaborate more productively and to integrate new ecosystem solutions and partners at speed.

**Productivity benefits.** The biggest advantage for early movers onto next-generation voice trading platforms is, without a doubt, business continuity. Large parts of the industry were not prepared for a remote work environment and today's makeshift solutions lack the productivity of a physical trading floor. The benefits of simply switching from a hardware turret to a software turret built on secure, scalable, reliable and tested infrastructure are obvious.

The next generation of voice trading is open and built for improved performance (e.g., number of calls and participants on calls). It features richer functionality, such as team calls, private lines, stronger auditability and modern security features such as encryption and active directory log-ins. User-defined personalisation and intuitive user interfaces are an additional advantage to improve trader productivity. Drag and drop functionality, multiple screen switching or resizing,

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<sup>2</sup> <https://www.greyspark.com/smart-data-analytics-realising-the-value-of-untapped-opportunities>

touchscreens and swiping gestures make the execution of tasks more efficient and improve employee performance and satisfaction.

Improved compliance monitoring is another advantage, particularly in a remote work environment. This means functionalities such as voice detection, sentiment detection and the recording of any voice trades. Also, in the era of videoconferencing, a video compliance tool enables the automated detection and prevention of rogue trades through non-verbal communication, such as gestures, written messages and posters.

**Ecosystem benefits.** Given the growing importance of ecosystem partners to drive innovation and improve productivity in combination with the continuous trend towards ecosystem partnerships and open data exchange, new platforms rely on APIs and microservices to accelerate, standardise and secure the integration of third-party solutions and internal systems. This enables firms to source best-of-breed solutions for new value-adding functionalities, such as voice-to-text transcription, videoconferencing and streaming, online collaboration tools and new capabilities around cognitive or machine learning to automate processes and ensure compliance.

This facilitates the automation and monitoring of traditionally manual or at least work-intensive tasks, such as regulatory or client reporting, and increases visibility and control over the ecosystem.

**Infrastructure benefits.** The future of capital markets is in the cloud, but not every organisation is ready or comfortable enough to move yet. As a result, firms must prioritise partners that offer choice over preferred deployment models, no matter if this is in a public or private cloud or on premises. Infrastructure-agnostic solutions enable firms to move at their own pace and keep the options open to move workloads in any direction based on the organisation's needs and strategy. Cloud deployment comes with a wide range of benefits, such as centralised upgrades and maintenance, continuous improvement of the platform, scalability and flexibility and speedy integration of ecosystem solutions, but there remain valid concerns around limitations due to local regulations or internal risk policies, as well as the fear of getting boxed in by a particular cloud provider.

Given that most capital markets firms are still in the early stages of their cloud journey, the benefits of flexibility and choice must not be underestimated.

**Cost benefits.** Hardware turrets bring major benefits in terms of performance and productivity, but these come at a price. The cost of a hardware turret and its maintenance is almost double the cost of a software turret license. For trading desks with hundreds of traders, a hybrid approach that prioritises hardware turrets for power users while transforming towards a more flexible work model will aid cost savings.

## Vendor Profile

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BT is one of the world's leading providers of voice trading solutions. With over 40 years' experience in delivering voice trading solutions globally, BT has acquired a deep understanding of the needs of trading organisations and the traders themselves.

Flexibility is key to delivering voice trading solutions to meet advanced customer requirements and deliver an exceptional trading experience. BT's approach to continuous improvement ensures that as technologies, regulations and trading itself change, the BT Trading solutions evolve to meet these challenges.

BT's approach to enhancing the trader's experience is the same whether using a physical turret or a software application on a PC. This has enabled BT's solution to meet traders' needs during the pandemic, enabling them to work remotely. Once the pandemic eases and traders return to the office, the BT solution will be able to support all working models, spanning presence, remote and hybrid.

Just as "where" traders work from has evolved, so too has "how" they work. Traditional voice circuits have been replaced by SIP connections. Collaboration platforms are overtaking traditional unified communications, and trading organisations expect their voice trading platform to encompass these changes. Working with established partners such as Cisco and Microsoft and a raft of new companies, the BT solution continues to evolve to incorporate these voice technologies.

As many of these platforms move to the cloud, so too is the BT solution — offering on-premises and cloud implementations through alternative consumption models that align to different organisations' needs. Just as the BT solution continues to evolve to keep pace with voice communication evolution, so too for the underlying compute, networking and security environments. All of which is evidenced in BT's move into public cloud, starting with Microsoft Azure, with its rich ecosystem of collaboration tools, security and networking.

With its integral security, compliance and analytics, a clear evolution path aligned with customers' needs and a global services organisation, the BT Trading platform is well positioned to meet the diverse needs of traders globally.

The BT Trading solution is one element of the wider BT portfolio. BT's global security, connectivity and computer services along with complementary contact centre, collaboration and networking products, provide a rich portfolio of solutions for financial organisations, all underpinned by BT's market presence and financial standing to de-risk the investment in BT's trader voice solution.

### *Challenges*

Voice trading remains a niche but highly competitive market. As a contender in the market, the latest release of BT Trading is a solution that ticks all the right boxes, but resistance to changing providers remains high — for now. As the industry is on the verge of migrating to the cloud, the strategy of giving customers choice over when and where to move is a key advantage. Some competitors have limited themselves here, betting primarily on a private cloud strategy and, as a result, are missing out on some of the key benefits only public cloud deployments can offer.

BT has bet big on its strategic partnership with Microsoft and is working closely to integrate with the growing Azure ecosystem. While the platform is designed to be cloud agnostic, for now this means it is primarily optimised for Azure, while other platforms are still in early development.



Bringing on and building out partnerships with the other hyperscalers will be a key priority for BT in the coming years.

Customers face heavy pressure to modernise, particularly in light of the recent changes to the ecosystem brought on by the pandemic. Deploying a next-generation voice trading platform, however, is not a quick initiative and requires considerable effort on both sides to make the platform work seamlessly and securely. Today's enormous pressure on trading desks to modernise voice trading may lessen as things go back to normal.

## Conclusion

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Trust, productivity and efficiency remain the pillars of successful trading desk modernisation. The importance of voice communications to create trust in an ever-faster-moving, complex and digital world must not be underestimated. COVID, more than anything else, has cemented the need for better, smarter and more reliable communication in the digital world.

Any trade desk that fails to keep pace with the rapid evolution of communication, or continues to bet on temporary fixes, will struggle to deliver the same levels of performance, reliability, security and trust as long as the pandemic continues. Moreover, things are unlikely to go back to the way they were before. The future of voice trading is crystallising into a hybrid model, supplementing the productivity benefits of hardware turrets with the flexibility of software turrets.

Lastly, the role of the ecosystem to add functionality and enrich collaboration tools with analytical capabilities to enhance productivity and reliability will become increasingly important to get more out of the platform. Betting on the right partners to build the bridge into the ecosystem will be essential.

## MESSAGE FROM THE SPONSOR

Business continuity plans across the globe have been tested throughout the pandemic and trader voice hasn't been immune to this — presenting unique challenges and huge opportunities.

The need to deliver better insights and efficiently serve more clients hasn't changed, but the way in which traders communicate and collaborate has changed significantly. They need to be able to work from anywhere, on a range of devices, while utilising a variety of applications to gain the insight they need to drive revenue growth.

Integrating these applications with your voice trading platform improves efficiency, reduces total cost of ownership and increases agility in responding to business continuity challenges. This can all be achieved while remaining compliant and retaining your security posture.

Wherever you are on the road to trading transformation, we can get you there faster. Talk to us about our trading solutions.

[www.bt.com/tradingsolutions](http://www.bt.com/tradingsolutions)

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## About the Analyst



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Tom Zink is research director for IDC Financial Insights. He leads IDC's European financial services research, with his core research coverage including digital transformation in banking, retail payments, global transaction banking and wealth management. For almost a decade he covered financial services in the Asia/Pacific region for IDC and other research houses, before relocating to IDC Europe in 2016.

## About IDC

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International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

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