

FX Markets

BLTs and glitchy Wi-Fi: lockdown life for FX execs

With traders transacting trillions from their living rooms, currency markets are adapting to new normal



FX Markets montage

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NEED TO KNOW

- A global pandemic forced many currency traders to abandon the office and transact from home for the first time.
- Banks had to ship IT equipment to employees' homes to replicate office set-ups and keep businesses running.
- "Previously I would have walked down the trading row to speak to staff. Now I just drop into the virtual sales row," says an FX sales head.
- Price discovery remained resilient in highly automated markets such as spot FX, less so in more exotic transactions.
- The Covid-related transition could lead to lasting changes in the

workplace such as removing the stigma around remote working.

Brian McCappin is mid-interview with *FX Markets* when his daughter Lily walks into the room with a bacon, lettuce and tomato sandwich. At the top of the hour, the global head of institutional foreign exchange sales at Citi in New York is booked for a virtual lunch meeting with a client in Boston. As a treat for McCappin, his 10-year-old daughter has agreed to cater the occasion. He watches proudly while the food is served mere minutes before the meeting.

At McCappin's workstation, Tammy, a large, very speckled black and white Havanese, has taken to sleeping under his desk.

"My dog is one of the most informed canines on the vagaries of the foreign exchange market on the planet right now," McCappin laughs. "If this dog could only talk."

In New York, London and elsewhere, the hustle and bustle of the grand trading floors has given way to screaming babies and ringing doorbells as workers and their families adjust to the new demands of life during Covid. Banks and brokerages began instituting remote working for the vast majority of employees from March, devolving the daily functioning of the global FX market to back-up facilities and countless home offices in response to the spread of the virus.

The transition wasn't easy. Contingency planning hadn't foreseen such a mass displacement of staff. Early audits of home-working personnel revealed that many traders and salespeople lacked suitable IT equipment to run the numerous required applications at once. Banks went on a procurement spree, dispatching computers and extra screens to staff. Some physical infrastructure went virtual.

Employers can't plan for everything, though.

"My power cuts out at least two times a day. So I've got to have the lights off with nothing else plugged in. It's an extreme amount of power pulling through here: it's got to fire all the software but it also has to power all these screens,"

says one senior FX executive.

Teething problems with machinery aside, executives have been able to resume the business of currency trading largely as before. Indeed, there is a general sense of relief and mild surprise that markets managed to continue functioning through the worst of the disruption.

“If you had asked us at the beginning of the year could we manage this from home, a lot of people would have said, no. Theoretically, there was always a plan that we could do it, but no one really believed it,” says James Binny, global head of currency at State Street Global Advisors (SSGA).

“And actually, it’s gone a lot smoother than people thought. It’s remarkable how we’ve managed to cope through a considerable crisis with very tricky trading conditions and seem to have come through alright,” he adds.

For some, the extra time and space has helped their trading, but for others, the inability to take cues from different parts of the trading floor makes finding the market’s pulse tricky.

With teams separated and staff scattered, the emphasis is on communication. Internally, Bloomberg chat and Symphony have become the norm, and daily video calls are common to help teams stay in touch. Externally, sell-side communications with clients have evolved but remain strong, banks report. Socialising with colleagues has gone virtual.

Thoughts are now turning to how to reintegrate staff back into the office once countries start to relax lockdown measures.

“I envisage a phased return to the office that begins with a small percentage of



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Senior FX executive

staff,” says Mauricio Sada-Paz, global head of electronic fixed income, currencies and commodities product and distribution at Barclays. “But we will need to keep the social distancing on the trading floor to keep our colleagues safe and healthy.”

When plans become reality

As coronavirus extended its lethal grip across the world, senior managers at financial firms executed business continuity plans, a series of prevention and recovery processes designed to ensure their operations continue in the face of a potential threat.

Beginning in early February in Asia, most firms separated personnel into three groups: one cohort remaining in the main headquarters, another moving to business continuity or recovery sites at different locations within their respective countries, and the remainder working from home. The objective was to keep any potential outbreak isolated. Once they were put into a specific cohort, staff members wouldn’t be allowed to commingle with the others.

For some banks, it was the first time they’d considered allowing traders to work from home. The shift meant staff had to rely on personal computing equipment and standard domestic internet connections – at least for the first day or two until they received bank-issued hardware, says Sharon Kim, head of FX at TD Securities.

“Being home felt awkward at first but everyone adjusted quickly and settled into new routines,” says Kim.

BNY Mellon, in common with others, soon discovered that home set-ups were inadequate for the task and began shipping equipment direct to staff members.

“In some cases, people using their home PC either didn’t have the necessary processing power or had internet connections that weren’t strong enough to consistently connect into the required trading systems, especially when online networks were being overloaded. In response, we quickly delivered new



Home-workers are setting up wherever there's space

hardware directly to employees at home,” says Jason Vitale, global head of FX in BNY Mellon’s markets division.

Company computers were provided, but the most sought-after commodity was monitors. One bank shipped so many screens to its employees’ homes that a few had to turn them away because of a lack of space on their home desks, while some buy-siders were left to scour local PC retailers to find the tech.

Specialised voice comms equipment was dispatched – dealer boards and turrets that give traders a hotline to other banks or clients and enable calls to be recorded for compliance reasons. Alternatively, firms chose to move these to a virtual environment for the first time.

“We gave [dealer boards] to a few of our employees but we found that the comparable piece of software is just as effective, so there was no need to send the actual hardware,” says BNY Mellon’s Vitale.

For employees connecting to work desktops via VPN remote access, there is always the risk that the computer goes wrong. As a backstop, many firms ensure someone is always on hand in the office to do the oldest IT trick in the book – reboot.

“They take it in shifts, but there is one person on the floor at all times, to be able to switch it off and back on again, which may seem a bit of a silly thing, but when your computer goes wrong, that’s the only thing you can do,” says SSGA’s Binny.

Same job, different wallpaper

Now that systems are up and running, traders report that remote working is not interfering with the mechanics of the job. Citi's McCappin says some of the bid/offer spread widening in March was attributable to bumpy transitions to home-working, which has since settled. While spreads are still wider than January, it's a reflection of market conditions rather than functional difficulties with executing trades.

"Spreads reflect the market risk as they would were traders at their desks in the office or at their desks in their homes. The data and the information that we are able to mine and look at, it is exactly the same and it's just as available," he says.

Joseph Hoffman, head of the currency management group at Chicago-based investment firm Mesirow agrees. "We were concerned about the banks and their ability to be able to provide liquidity from a remote place, even including homes. However we didn't get the sense that there were any issues," he says.

Foreign exchange is perhaps better placed than many markets to adapt to such a change, having built out a high degree of automation in recent years. The majority of spot transactions take place electronically, with automated practices evident throughout the trade lifecycle, from client onboarding and credit to streaming prices on platforms and smart order routing.

“ At least until clients are comfortable again we will have to continue to do webinars, and to give clients content and liquidity in a digital way

Mauricio Sada-Paz, Barclays

Automation in the asset class helped support efficient price discovery in the most liquid products during the volatility, dealers say. But for bespoke products

like FX swaps, price discovery was more difficult. **Algorithmic execution**, which requires minimal input from traders, proved surprisingly popular with clients in March, banks add. Overall, parts of the business where electronification is high showed that the person's location – whether office or remote – is broadly immaterial to the trade.

“For a highly electronic business like spot for example, it doesn't make any difference. The algos do all the trading,” says Behnouche Mostachfi, global head of FX and emerging markets at Crédit Agricole Corporate & Investment Bank.

It's a similar story on the clearing and prime brokerage side. John O'Hara, head of prime services and clearing at Societe Generale, says the firm put in a lot of work with core vendors such as Traiana on the electronification of credit limits after the market turbulence in February 2018. As a result, the bank was able to increase, decrease or remove limits almost instantaneously – a **key benefit** when markets are whipping around.

When it comes to execution, at least one Europe-based bank reports that a small number of traders are in the office to pull the trigger on transactions initiated by home-working colleagues. And at times of market stress, some staff felt they could do a better job from within the office temporarily.

“There are certain pieces where we do have some people still in the office every now and again, just because there are certain systems that still work better, but they are an absolute skeleton compared with what would be normal,” says Helen Brookes, chief administrative officer for global FX at Citi.

With traders split between office, back-up sites and home, teams are struggling to pick up general market sentiment in the way that they used to from the buzz of the dealing room. BNY Mellon's Vitale says this wasn't necessarily a problem in March, as it was very clear what days were risk-on or risk-off. But now that markets have returned to a more familiar rhythm it's not as easy to tell, he says. For example, fundamental indicators might be bleak on a particular day yet the equity market rallies. If traders only have public news sources to gauge the temperature of the market, they may fail to pick up

the right signals.



Empty streets: financial districts are deserted during lockdown

In an attempt to bridge this gap, there has been an increase in client interest in research and market colour. During the height of the volatility, the demand was so high that TD Securities' global head of rates strategy regularly had more than 500 participants in attendance on her strategy calls.

SG's O'Hara says a big challenge has been to make sure sales and trading teams are not just concentrating on Covid-19 headlines. He says the bank's economists and research analysts are engaging with those teams regularly to make sure they take a step back and focus on the opportunities lying in the nooks and crannies of their specific markets.

For some, working at home has freed up more time to explore these opportunities. Time saved on the daily commute can be put to better use on additional research. For others, greater flexibility in working hours means they can operate in time zones that are, in normal circumstances, off limits.

“Technology is unlocking all sorts of possibilities that I had not anticipated, not least around compliance,” Vitale says. “Working from home, our traders in New York are now able to talk to clients in Asia and accommodate their needs during their trading day, within a technology infrastructure that complies with all applicable regulations in both jurisdictions. That’s a positive development that was somewhat unexpected.”

The buy side of the story

On the buy side, firms already tended to have electronic order management systems that take trades from portfolio managers to their execution desks, so there was little change in that set-up.

“The process is still the same with regards to how portfolio managers are communicating trades to traders. It’s just that instead of sitting 10 feet away, people are now working remotely,” says Hoffman at Mesirow.

SSGA is accustomed to a split-team mode of working. In Asia, the firm’s portfolio managers are based in Sydney and its traders are in Hong Kong.

Some buy-side firms have started to consider outsourcing the FX hedging component of their trading at this time, says Marisa Kurk, chief operating officer of global FX at Northern Trust. The move is part of a wider trend towards [outsourcing](#) during the pandemic.

“For instance we do a hedging programme and we offer currency management services. So for an equity manager who maybe did that internally before, in this environment it is a lot more clear to them why they might want to outsource some of these tasks,” Kurk says.

In common with other areas of finance, trading teams are adopting new methods and hacks to perform their jobs in the midst of a pandemic. They might find that many of these practices stick when restrictions are relaxed.

Street talk: communication during lockdown

Traders say one of the biggest priorities during the pandemic has been to maintain lines of communication, particularly internally. Instant messages and chat rooms have become the way to share information and ideas that previously would have been shouted across desks.

“We use Symphony to keep the teams engaged whether it is sales people transacting with traders or individual sales teams that used to have that interaction and would sit next to each other and bounce ideas off each other,” says another senior FX executive at a UK-based bank.

Team video chats are now the norm, and happen daily or even every few hours in some instances. Some look to extend that further: at Citi, all their salespeople are live on video throughout the day, to create a virtual sales desk. Certain traders also **have the same set-up**.

“Previously I would have walked down the trading row to speak to staff. Now I just drop into the virtual sales row,” says Citi’s Brian McCappin.

Citi’s sales team has also started sharing snapshots of their clients’ general market views with their trading team through what they call an FYI tool, which McCappin describes as like a tweet.



Virtual meetings are the norm for most teams during lockdown

The extra efforts at communication are not just to keep staff engaged, it's to keep spirits up while staff are separated from their colleagues, and avert a sense of groundhog day.

“As some traders have been working in a recovery site, after a while you realise that once you take the proximity out, they feel a bit remote and isolated,” says Behnouche Mostachfi at Crédit Agricole.

To combat the impact of loneliness, SG’s John O’Hara says the bank

has been offering resources such as online yoga or sessions with a mental health professional.

For those with children, in instances where both parents have to work, the 7am to 5pm schedules have been relaxed to fit around a household's needs.

Externally, bank salespeople say clients working at home seem to have a bit more time to speak than usual as there are less internal claims on their time. Clients have been very open to taking calls in small groups to discuss the market, but also to share their experiences of working at home, banks report.

Back to the office, post-Covid

At financial firms, plans are afoot for staff to return to the office. Some banks have started to mandate a 2–3 metre space between each seat, and are laying on food and coffee so staff don't need to leave the office. One firm is known to be providing staff with taxi fares and parking spaces to reduce the need to commute on public transport.

A lasting effect of the pandemic could be to remove the stigma of working from home, dealers say. At many firms, the lockdown has established that key risk-takers can still get things done even when not in a flashy headquarters.

“The fact that we have all these machines at home will mean probably going forward when someone comes on as a new employee, we give them their pass, show them where the cafeteria is, then ask for their address and send the machines home,” says BNY Mellon's Jason Vitale.

Helen Brookes at Citi says there is still recognition that staff benefit from being closer together for thought sharing and idea generation, and for training of junior employees. “Many of our staff would also like to be

back in the office,” she says.

Mauricio Sada-Paz at Barclays believes it’s preferable for teams to work in a collegiate atmosphere where everyone is face-to-face educating each other. But he accepts that it will be some time before his full team is back on the trading floor. Additionally, because the virus has affected various regions and locations differently, business continuity plans could result in some teams returning to the office at different times to others.

Important external meetings and presentations will be done by video call for now. “At least until clients are comfortable again we will have to continue to do webinars, and to give clients content and liquidity in a digital way,” Sada-Paz says.

The buy side, too, is planning its return to the office. There is a consensus that office space will need to be reconfigured to prioritise employees’ health and safety.

“When we come back, which is possibly a long way off, we’ll have to make sure there’s going to be enough space, so not everyone can come back at once,” SSGA’s James Binny says. “To allay any concerns, we will be inviting people to come back in again rather than demanding people come back straightaway.”

Editing by Alex Krohn

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