



Implementing a centralized trading platform at BCI

Meet the presenter



CARMEN FIRMANI

Senior Manager, Client Relations

Carmen Firmani is a senior manager of client relations at the BCI. She has over 20 years of experience in the financial services industry including institutional investment management capability in strategy, external manager oversight and cross-asset and derivatives trading. She joined the organization in 2008 and as a trader was involved in the implementation of the BCI's centralized trading approach. In 2022, she co-authored a widely read white paper detailing global trends driving the growing need for centralized dealings and key criteria for its successful implementation.

Carmen holds a Bachelor of Commerce degree with distinction from UVic and is a CFA charterholder. She completed the PFP (honours) and AICB designations, as well as several licensing courses such as futures, derivatives, options, and trading. She also holds a certification in contract law from Harvard University.

In her spare time, she co-founded and co-chaired Women in Capital Markets (WCM) in Victoria. She also speaks Spanish, Italian, and French fluently and loves to travel.

Find BCI's Centralized Trading White Paper here: <https://www.bci.ca/media/insights/>

Today's agenda

Trends Impacting
Trading 01

BCI's Journey to
Centralized Trading 02

Implementation and
Ongoing Research 03

The Benefits and the
Drawbacks 04



Trends Impacting Trading

Market dynamics are driving change

COST SCRUTINY

Lower long-term return expectations drive cost scrutiny, prompting diversification, cross-asset strategies, and internalized asset management.

TECHNOLOGY

Innovations and trade automation enable multi-asset trading and analysis, facilitating advisory and value-add trading opportunities.

SCALE

Growth in assets is driving the need for scalability.



Good governance is reducing trading risks

LEGAL RISKS

Arise from fraud, market manipulation, and other abuses.

Decentralized negotiations may add risks.

REPUTATIONAL RISKS

Stem from conflicts of interest and governance failures, affecting clients and broker partners.

OPERATIONAL RISKS

Beyond reducing errors and inefficiencies, firms need to monitor positions, transactions and risk levels on a real-time basis.



Regulatory best practices

CLIENTS FIRST

Put client interests first in all decisions regarding trading processes, controls, and oversight.

SEGREGATE DUTIES

Segregate order generation, execution, and trade reconciliation.

Duplication of controls introduces unnecessary risks.

FAIR PAYMENT FOR FAIR SERVICE

Measure and manage costs centrally.

Greater discipline and lower research costs for clients.

BEST EXECUTION

Implement a cross-asset best execution approach to optimize value, lower costs and achieve best results for clients.





BCI's Journey to Centralized Trading

Should we evolve?

INCREASING COLLABORATION



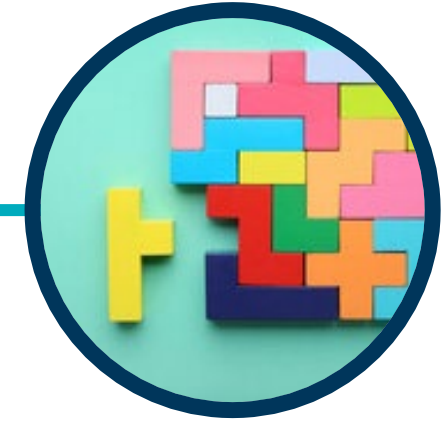
Problem

A rise in multi-asset strategies and internalization of assets requires cross-asset trading expertise



Idea

Develop a cross-asset approach to best execution



Solution

Included centralized equity trading, derivatives, securities lending, and beta portfolio management

Is our framework effective?

GOVERNANCE



Problem

As client expectations are rising, there is increased scrutiny of governance practices



Idea

Strong governance, centralized controls, and segregation of duties reduce errors and reputational risks and strengthen trust



Solution

Developed governance principles to guide an effective governance framework

What systems are needed?

TECHNOLOGY



Problem

Legacy systems need to be replaced to reduce the risk of errors and redundancies



Idea

Leverage technology to centralize controls, oversee costs and gain new investment insights



Solution

Implemented a leading OMS, integrated with EMS and TCA platforms
Created a system called One Wallet

Could ESG integration include trading?

INVESTMENT PROCESS



Problem

Integrating ESG into the investment process is a requirement



Idea

Improve on the execution of ESG strategies and advise on headline ESG risks



Solution

Influenced business partners to improve and augment ESG analysis



Implementation and Ongoing Research



Implementation and future considerations

- ✓ Centralized oversight of costs: One Wallet and One Voice
- ✓ Training and talent acquisition
- ✓ Order segmentation: low-touch, mid-touch and high-touch

Categorization of order types

Low-touch: minimal manual intervention, potentially time-sensitive, liquid, small and stable spreads

Mid-touch: skilled traders add value, time-sensitive, medium liquidity, larger size

High-touch: significant trader value-add, less time-sensitive, complex multi-asset/derivatives, and transition management trades

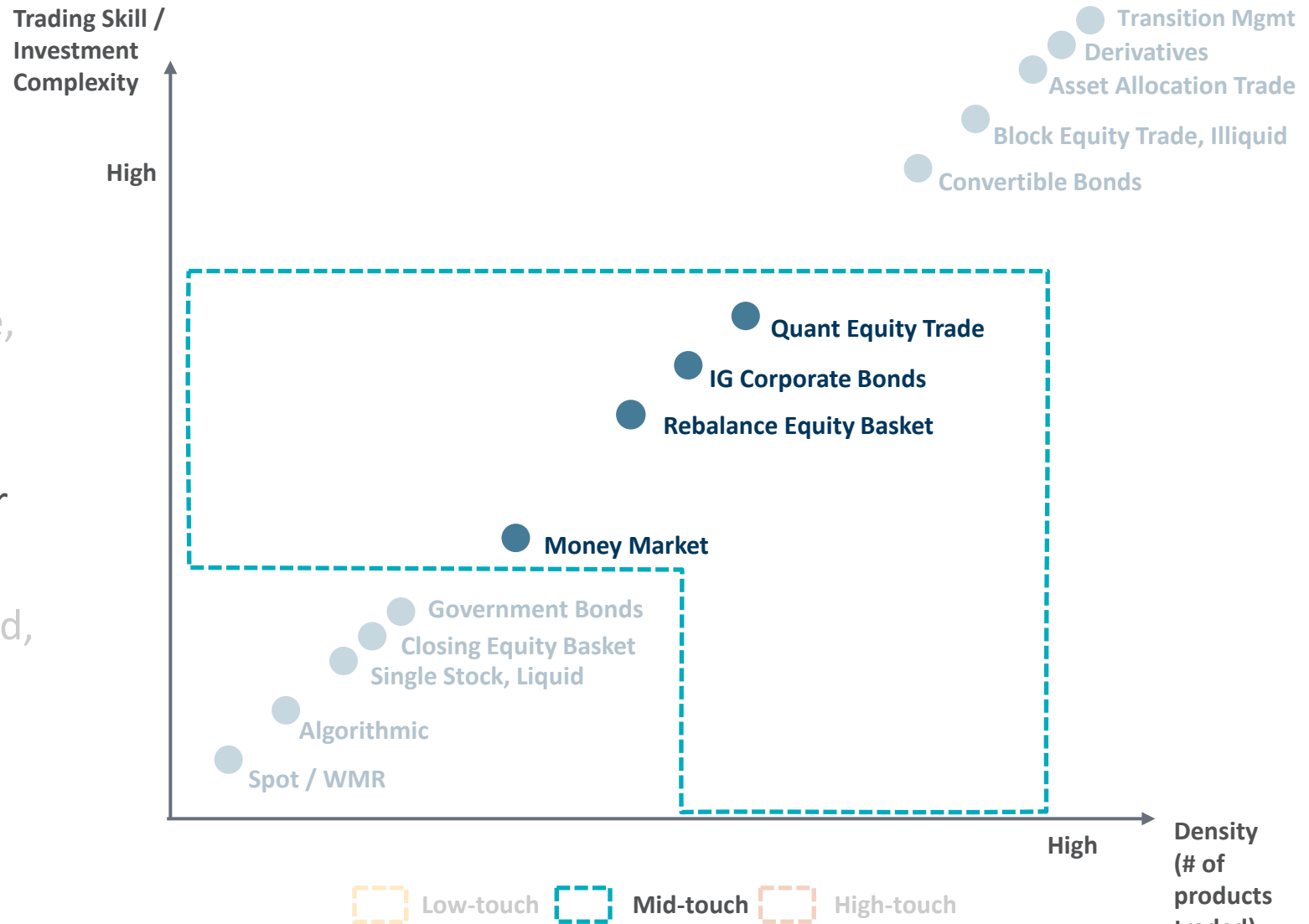


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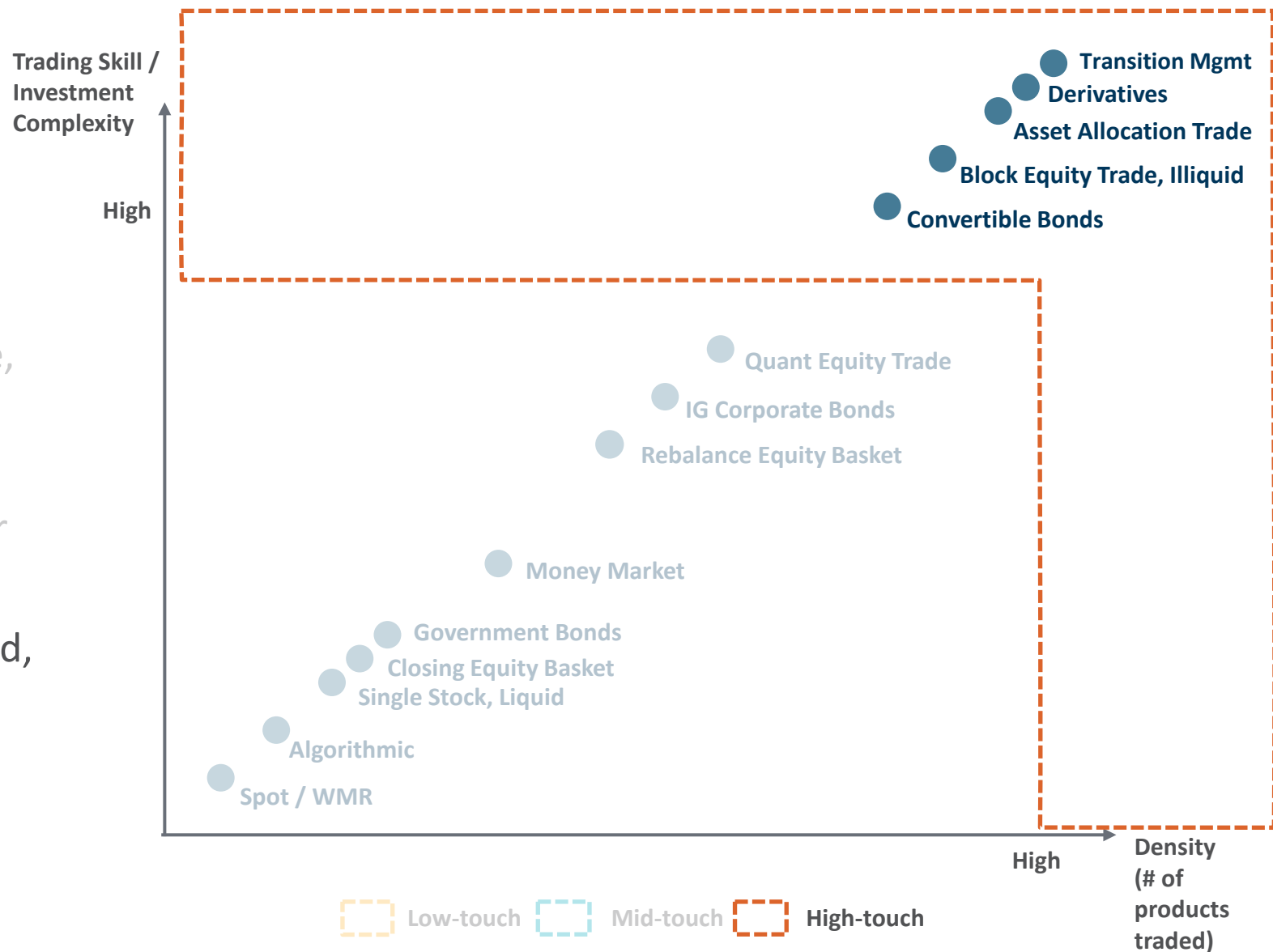


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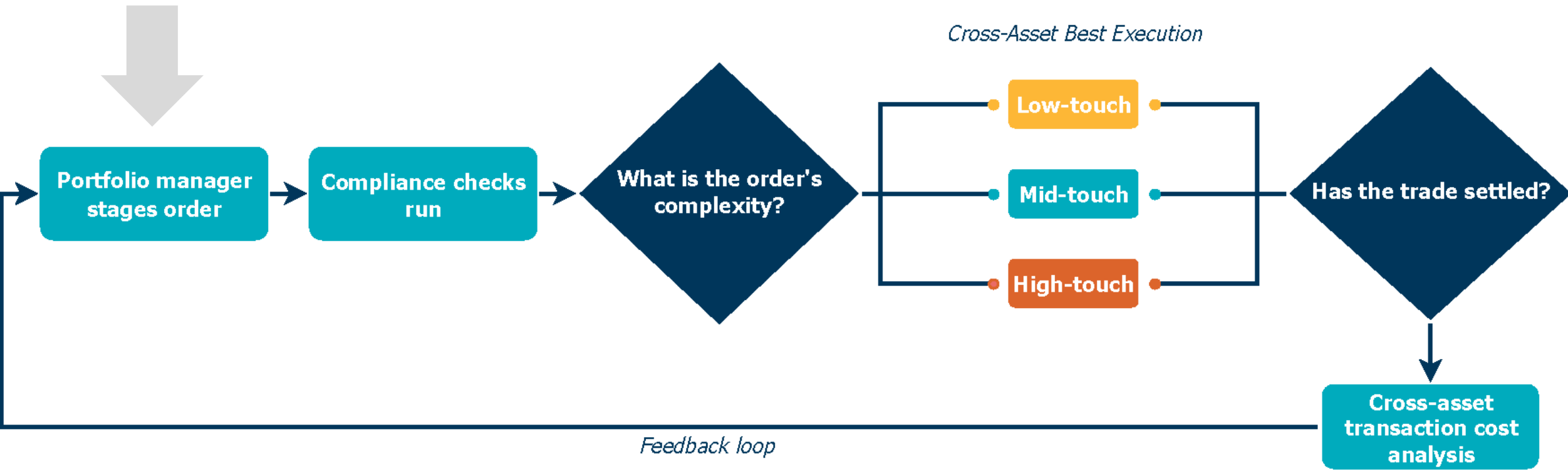
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Life cycle of a centralized trade





The Benefits and Drawbacks

Benefits of centralized trading


- ✔ Optimized costs, deal terms and service levels
- ✔ Strengthened governance and environmental, social, and corporate governance (ESG) influence
- ✔ Efficiencies and scalability for growth
- ✔ Added value in the investment process




Drawbacks of centralized trading


- ✓ Smaller firms
- ✓ Firms with simple order types
- ✓ Talent acquisition with deep knowledge in cross-asset trading





 Creates opportunities for traders to add significant value.

 Increases efficiencies and scalability.

 We used to have three separate order management systems and decentralized trading, creating regulatory risks for the firm. Cross trades were happening with no/ limited netting internally. The portfolio managers were not doing pre-trade and post-trade transaction cost analysis for all asset classes.

 Previously, relationship management with broker-dealers was spread too thin. It made sense to concentrate sourcing liquidity with a small number of traders.

 From an operational perspective, having a centralized trading desk is a huge bonus.

 The transition to centralized dealings was smooth. Initially, the portfolio managers could decide the level of delegation, such as which broker to use, but over time trust increased and traders had full discretion.

Conclusions

- ✓ BCI is continuing on its journey.
- ✓ Join the discussion!
- ✓ Read BCI's Centralized Trading White Paper:
<https://www.bci.ca/media/insights/>

Abstract

This paper looks at the benefits and drawbacks of centralized trading. We offer decision criteria for asset management firms across the industry that are considering centralized dealings, so that they may assess their unique circumstances, costs and other constraints before implementing a centralized framework. We develop best practices on how to implement centralized dealings, including good governance, regulatory requirements, defining order types and cross-asset best execution, working from home and technology prerequisites.

The analysis draws on the existing body of research for trading desk structures, industry trends and best practices, and scenario analysis to estimate the benefits net of costs. We review four case studies of large, global asset management firms.



Thank you



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