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Electronifying Relationships: Managing Institutional and Reputation Risk

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Executive Summary:



The value of reputation on Wall Street was dramatically underpriced a decade ago.

The last 10 years have taught capital market participants that managing reputational risk is and should be as important as managing market or credit risk.

As markets have become faster and more complex, creating safeguards to pluck out bad apples before they do damage has become an increasingly complex proposition.

A rise in electronic trading has created a more robust audit trail than was ever available before, but the importance of relationships and voice-based communication remains firmly intact.

Enabling firms to closely manage their reputations without impeding the fostering of relationships necessary for growth and profit is a key challenge going forward.

Methodology:

In 2016 Greenwich Associates interviewed nearly 15,000 institutional investors and the largest broker/dealers around the world to understand their trading relationships, what they trade, how they trade, and what drives their decision-making process.

For this research, we examined responses exploring the importance of trust when allocating trade flow to trading counterparties, adoption of electronic trading, the use of voice trading, and the importance of managing reputational and institutional risk.

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