Raymond Tierney III is the chief executive officer and president of Bloomberg Tradebook. Prior to joining Bloomberg, Tierney was at Morgan Stanley for 16 years, starting in 1994 as an executive director and senior sales trader. He became managing director in 1998 and named head of North America cash sales trading in 2004. Tierney was named global head of equity trading for Morgan Stanley Investment Management in 2006, responsible for leading the firm's worldwide trading efforts. He started his Wall Street career as a trader at Paine Webber (1981–1986), served as a vice president at First Boston (1986–1991), and was a vice president and sales trader at UBS Warburg (1991–1994). He received a Bachelor of Arts degree from Villanova University.

Raymond Tierney III, chief executive officer and president of Bloomberg's agency broker, Bloomberg Tradebook explains why keeping client focused is more important than ever.

Putting the client first

How are the current market conditions impacting your business?

It is certainly a volatile time but it is a double-edged sword. Exchanges like volatility because it creates opportunities for trading but it can also drive investors out of the market. For us, the most important thing is to remain nimble and client focused. Bloomberg Tradebook had been much more of a product-focused organisation but today we connect to over 80 markets across 50 countries as well as 40 dark pools to provide high liquidity for our clients. We have a customer product team who is focused on helping clients improve and enhance their workflow and execution performance.

I read that one of the results from your recent forum – "The Future of the Buyside Trader" – was that market conditions lead to consolidation in the broker agency business. What are the reasons for this?

There are a lot of headwinds working against brokerage firms, such as declining commission rates, slower economic growth, and fund flows going in the wrong direction. Buyside traders are also under intense pressure in the marketplace as their clients become more demanding in response to a volatile market. The buyside expects agency brokers to provide more acute market insight and have greater awareness of the products and services. Sales traders can add value to the trade by providing high-quality market intelligence and research as well as innovative technology to help them maximise their performance. This requires a heavy spend on technology and data and many of the independent platforms, as well as small to medium sized brokers, are struggling. An informal poll taken at our buyside event found that attendees, who were predominantly buyside traders, believe agency broker consolidation is a potential consequence of these challenges.

A recent Greenwich report shows that US institutional investors have cut back on electronic trading and are pushing more deals through high-touch broker sales desks over the past year. Are you seeing this?

I would agree that there is less business being passed around. The buyside is trying to figure out how they are going to pay for research, corporate access and capital markets and as a result they are shifting to higher touch service and away from electronic trading. The other driver is the current volatility that we are experiencing pushes people to trade more in lit rather than dark pools. However, I think this is a short-term trend and not a secular change.

Can you discuss in more detail the independent research service that you launched in May?

We launched our independent research services in May with seven providers and we now have 16. Our goal is to extend that to 25 by the end of the year. We apply a deep, rigorous and analytical process to identify leading firms and have names such as Two Rivers Analytics, Thompson Research Group, Turning Point Analytics and Veritas Investment Research, which all have a record of performance. Clients receive the reports but they also can contact the analyst directly. We also have a flexible engagement structure. That is, clients only pay for the research they want and they can do this either by using hard dollars, commission sharing arrangements or bundled commissions.

The other difference is that our research services are supported by a dedicated team of highly trained research consultants who act as the client's single point of contact. They know their needs and can offer a much more tailored service.

Can you discuss in more detail the execution consultancy that you launched in May?

I spent four years at Morgan Stanley Investment Management. From that side of the market, I observed a reliance on brokers for market insight and product expertise, but limited transparency as to how products actually performed outside the organization. I wanted to develop an execution service at Bloomberg Tradebook that helps clients understand how to leverage a wider range of trading strategies. This has become much more important with the increase in high frequency trading.

Through Bloomberg Tradebook's execution consulting services, we provide advice on liquidity and how to map order flow to its proper destination using the appropriate technology, data and analytics. We also offer real time evaluation of trades and can suggest how the process can be improved. Currently, these skills and advice are typically split across different disciplines at most sellside firms, but we are giving clients a single execution consultant who is responsible from pre- to post-trade and all areas in between.

We also put our consultants through a 14-step high-level accreditation programme. They need to not only understand, for example, how the algos work but also the logic behind them as well as transaction cost analysis, execution capabilities and market structure (micro and macro).

What has the demand been for the new algorithm you launched earlier this year for fund managers to automate the process of rebalancing their portfolios without the help of a brokerage trading desk?

We are seeing an increased interest in our algorithmic products because the buyside wants to automate a greater percentage of order flow and speed time to execution but not enough people have gone down the rabbit hole to appreciate how that is accomplished. Building algos into trading platforms requires highly skilled technical resources as well as a sophisticated understanding of market dynamics.

Bloomberg Tradebook's portfolio trading algorithm gives the buyside an optimal way to manage global equity portfolios across multiple markets, currencies, and time zones. We also have other tools such as dynamic auction algorithms, which enable traders to fit auction liquidity into daily workflow as well as PAIR algorithms, which look to take advantage of ratio-adjusted, absolute or merger statistical arbitrage opportunities. Part of this service is the strategy analyser, which recommends the optimal strategy and algo to use based on the trader's requirements, benchmarks and market conditions.

Looking ahead, what do you see as your greatest challenges?

One of the biggest challenges is the headwinds present in today's economy that are influencing market behaviour as well as our client's business. The uncertainty of the final Dodd-Frank regulations is also impacting investment decisions as well as the competitive landscape. This is all taking place in an extremely competitive and dynamic market where it seems like commissions are in a race to zero.

At the same time, I think changing markets always present new opportunities. That's what markets do! This is why agency brokers like Bloomberg Tradebook are trying to expand their reach beyond execution services, either with research or execution consulting services, so that the business is not so aligned with market volatility. Today, agency brokers have to evolve from 'execution only' to 'execution everything', that is we have to be client-focused, technically proficient, market savvy and the first to offer intelligent research and innovative products that clients view as indispensable, so they can justify covering agency fees. ●