

Interview with a senior manager #6

SPEAKER1	00:02	So, if anything, that's OK, right? So, we're both anonymous to each other in view, right.
SPEAKER1	00:11	Good. So first off, what is your investment firm, sector or subsector?
SPEAKER1	00:24	What is the firm's sector?
SPEAKER1	00:26	Yeah, yeah, what sector, what activities does the ...
SPEAKER2	00:33	Well, broadly speaking, we're a financial services broker with. Access to many, many global markets, we are historically primarily a soft commodity based, but over the years, due to requirements of customers, we've moved into foreign exchange. We've been moved into energy and base metals is a very important part of our operation. We have an offering of sorts in equities and the only business that we really don't pursue any longer is private client business.
SPEAKER1	01:29	And how would you describe the goals of ...
SPEAKER1	01:35	Apart from making money. I'm not making my name and giving shareholder return.
SPEAKER1	01:43	And what's the social utility of, in your view, about what your company does?
SPEAKER2	01:55	It has evolved over the life of the company, which is now pretty much nearly 50 years old, inasmuch that initially the company was created to service the needs of the group, which had a large hedging requirement in insults. But we have had an evolutionary development whereby we sort of initially curtailed the activities of the group as they diversified, so did our actions. That was sort of the taste we were we've always been building client bases in various different sectors that have been aligned with the activities of the group because we felt that understanding the physical was the end of the fiscal and the market gave us access to a broader participation community. And the only difference really where we ventured away from that was when we involved ourselves in the London Metal Exchange rate was nearly 20 years ago now and that, again, was primarily as is part of the service industry. We. Part of a group which has a large commodity presence, but our own physical activity is pretty, pretty minimal. But I the one. Point to know is that over the over the life of the company, we've always evolved rather than acquired, and I think we've only really, as financial do any ever really made one acquisition , which we reversed about four months later after we found out that the activities were nowhere near as settled. So, we've always been a natural evolution within the organization and therefore it's made us perhaps a little less creative and a bit nimbler, but we haven't ever had to really shell out chunks of money having to anticipate what the profitability of an acquisition could bring us towards, and therefore our resources haven't ever really been fully stretched over the life of the company.

SPEAKER1	05:05	And that's how would you describe your role in the...
SPEAKER2	05:13	Well, today, yesterday, 10 years ago, 20 years ago,
SPEAKER1	05:18	both really, I mean, how is that?
SPEAKER2	05:21	Well, I'm a grassroots employee. Initially when I joined the company, when it was six months old and given one of those guys who worked their way up more or less from the bottom, who's boss took a shine to me quite early on. And that certainly helped me climb. Some form of corporate chain of advancement and I think, you know, having been a floor trader or having initially been a clerk and then a floor trader and then was asked to go and develop a business in our type of business in big groups, in one of the groups based in the United States for a few years was kind of my initiation, and then after the three-year stint, I decided for personal reasons to return to the U.K. and took charge of the business development areas. And as time moved on, my successor to the US moved from London to the US, which left a gap for me which I willingly stepped into. And, you know, we advanced from there. And I think, you know, I was, in my own terminology, last man standing basically and saw opportunities, you know, was with the company when we went when we advanced ourselves into the IP when that started. And also, I think probably that was predated by the start of LIFFE, which we also became founding members. And we would just be quite happy to take advantage of those opportunities. And I was given more responsibility as time went on. And so, when. The managing director of the day stood down for retirement reasons. I was offered the opportunity to be a managing director, joint managing director with my finance director, and we had a very successful time together for about 15 years when he retired. And then I was given sole responsibility of the running of the company. Don't get carried on the fight alone
SPEAKER1	08:24	and in your time, I mean, how have you seen sort of markets evolve from the sort of traditional, maybe sort of poisoned and sort of physical type of trading to maybe more electronic markets and deployment of algorithms as well? Is that something that you've noticed a trend towards?
SPEAKER2	08:44	Well, yeah, but also bearing in mind that I grew up in a world where the commodity sector was thought very much to be a very spivvy type of community and it was not regulated at all. And it was only, I think, in in about the nineteen. It was maybe a little bit later in the 70s that some form of self-regulatory organizations could be set up and that was the start of a sort of a bit of a game changer with the advent of regulation. You know, there was a need to try and demonstrate that we were running a decent shop in an environment that others perhaps didn't really see it as an important part of their future. I did, but I think looking back on it, we were absolutely infantile in some of our original concept. Basically, being a member of the LME gave us an automatic badge of credibility, whereas I think today the similar level of badge credibility is only given by what you've actually demonstrated you can do, and you actually understand what you

need to do in order to stay alive. So, I think that was much more of a change to the business. And I think a lot of people found it very difficult to make that transition from nonregulated to semi regulated. The AFPD was eventually disbanded because it was a self-monitoring organization, and that was probably also a big change when we had I think it was the SFA that started? And that's when it really you had a culture clash between people in what we were doing on our side of the desk and the regulator who came in and was in a very big stick around the place, and a lot of it was just badly received and badly managed by both sides. As to the transition of the actual way in which business was conducted, all of those markets were open outcry in my days, but there were aborted attempts at various different electronic trading. I think Reuters was one of the first, I think, that tried to use their network to create some form of electronic connectivity. But it never really it never really got off the ground because they were primarily focused on providing data to customers without necessarily being in a position to provide them with access to markets in an impartial or in a way that that they had a good vision for going forward. But they for some reason, maybe it was also the rejection by lots of people to say this is rubbish, this is never going to happen, which is looking retrospectively probably was a little bit naive by everybody, but maybe the initial guys were about 20 years ahead of their time. And I don't know how much detail you want to necessarily go to analyse on that side of it. Am I on the right track as to what you're looking for?

SPEAKER1 12:56 Yeah, are you seeing trading desks now deploy algorithms? And what kind of algorithms are they deploying? Are they sort of more struck by the strategy type algorithms or the execution algorithms where they just sort of better increase the efficiency for the clients or I don't know, is it still quite traditional the way the business is done?

SPEAKER2 13:21 I think from our point of view, much of what we do is it is, as you've just described it, it's basically efficiency of the execution of products. And there are companies around who do have their own algorithmic. And a software that will allow people to insert formula into their systems and almost like self-generate, but we haven't quite got. The nearest where we have done it, I mean, with the fact that when we created our own electronic trading platform, we did put in place, we made an important part. This implied pricing, which you're familiar with, with what I'm saying. But what I mean by implied pricing and that I think was relatively new. We did that must have been like 20 odd years ago. And it certainly gave us a leg up in being able to visibly understand the differentials in various different marketplaces. And we did create some form of algo, but it was a pretty basic one. And we've got self-generating arbitrage between one market and another. But I think we've always taken the view that we wanted our dealers to, especially our market making dealers, to have first bite of the cherries before they went out into the marketplace, not to disadvantage anybody, but to actually

not necessarily to show the rest of the market what we've got and what we're doing until we need it.

SPEAKER1 15:21 In the sector, are you seeing firms maybe becoming more algorithmic in the way they do business and maybe reducing some headcount, or is it still so pretty similar to the way it was maybe 20 years ago or something?

SPEAKER2 15:42 I can't speak for other firms too much because I've only really worked at one point. So, I know what we've what we've been doing. And I think that because we our whole business at one stage was dependent on open outcry trading, we've sort of been very much linked to that, although as markets have moved into electronic trading, we were initially in a very good position to take that up because of our platform. But I think a lot of the sophisticated treatment of automated trading by the whiz kids of today probably have gotten an advance over what we do. But we tend to focus on the personal side of the business, as well as being able to provide electronic connectivity with bells and whistles. To say that the market is doing more on electronic side and dependent on artificial intelligence is one thing, but you actually need to have your client base. And our methodology is very old fashioned in the way that we gain business because we meet people face to face basis. If they want the technology, then we will try and give them what they need. But we, you know, our marketing side of things is very much old fashioned and, you know, we think relatively successful. So, it's handing down really. With the two types of service that we provide for some of our competitors, they probably don't even know most of the people that they talk to. But then their reach is much, much broader and much more detailed. So, you know, we are possibly ahead or behind the curve on that type of business and wherever your preference might be.

SPEAKER1 18:08 So, in terms of some of the sort of trading platforms that firms might give out in a classic example was being, you know, maybe a PATS or a CGQ or something like this, a lot of firms deploy these types of vendor type platforms. They have sort of algorithmics some academic functionality in that water spreader or something like this. Yeah, does your type of firm does it have sort of oversight processes where there's a sort of sign off on the deployment of that type of functionality, or is that very much out of the box? And customers can sort of grumble about how they see fit and...

SPEAKER2 18:44 Well, there's two parts to that question, too, one to two answers. One is that with our own platform where we have our own spread matrix, we are able to tailor make that to clients demands if we if we feel that this commercial logic for doing that. So, we are being educated by our own clients. For our platform, for platforms that we import, such as the platforms, whatever one's ever there are out there, yeah, we will provide them with access. As the platform is provided by the initiator of the company who provides it, but there is, I think, a responsibility. On our shoulders as the gatekeeper of all of those platforms to ensure that we are still managing the potential exposure and as you may be aware , that we

have a regulatory responsibility in order to monitor what the guy what the client is doing on any trading platform monitored to make sure that they're not trying to abuse anything on the systems . And we also have a kill switch where we have to have the ability to prevent a person from trading any further into the market to that could bring the whole thing into disrepute.

SPEAKER1 20:37 And what is your understanding of the conduct risk?

SPEAKER2 20:44 In what capacity?

SPEAKER2 20:48 Generally speaking, how have...

SPEAKER2 20:50 You know, it's an area that is terribly important now that the whole conduct concept of everything is to ensure that there is total clarity of responsibility and obligations to ensure that everything that we do and most of the things that we do has a risk attached to it. Some monetary, some of conduct risk where we try and ensure that all of our participants are conducting themselves in line with all of the obligations that we as a firm are responsible for or are expected to be responsible to ensure that all aspects of risks are considered and that counterparty risk , market risk , market abuse , credit exposure , legal stuff as money , sources of revenue and all those sorts of things , so that there are numerous aspects of market risk that we that we will always be considering as an integral part of our business .

SPEAKER1 22:25 Do you think the nature of conduct risk is changing in accordance with changes to the market structure? So as, for example, if you look at the LME and what's happening with this discussion paper that's come out recently, you know, some of their proposals are obviously highly controversial for a lot of people in the market. Do you think that could see an increase in conduct risk for investment?

SPEAKER2 22:59 Yeah, I mean, it's an ever-changing market environment that, you know, that we are obliged to follow. I suppose if I'm really quite honest about it, in the end, the only paper that was that you're referring to, you know, a lot of the points that were raised were very much intended in line with everything that the market. Is meant to be doing a meant to be exploring at this moment in its evolutionary area of growth. And while some of them are frustrated and some that some of the points that the paper is questioning itself about and its members on behalf of its members may be because the regulators are expecting them to manage the market they are responsible for, rather than let the regulator take that responsibility that there are going to be continuing developments in this area that may overburden the responsibilities of those people who are managing the business, and that in itself is potentially a risk that this level of caring duty is often almost getting in the way of being able to have a free, accessible marketplace because we've seen a rise of regulatory responsibilities and that rise has been matched by a greater proportion of people who are charged with the responsibility to ensure that everybody is behaving themselves correctly, and I think one of the things that we're always aware of is that, you know , regulation

is frustrating for everybody in any in any area, but not necessarily if you're running yourself, you're running your business properly. But I think there is a view. And that perhaps this is underlying it is built into the foundations of the regulator, is that everybody or the assumption is that everybody is potentially going to break the rules and they have to be fined, and they assume that everybody has already broken the rules by the time that they're even talking to us. So that in itself is, in my opinion, not a particularly healthy way to run a regulatory world, but it is I think it's there and it may always be there, but I think it could be done better.

- SPEAKER1 26:39 Do you think the sort of changes that are proposed will see a shift towards entrance, some sort of new newer market participants, and what could that mean for the types of, you know, the changes to the behaviour? And is that the sort of thing that maybe some of your staff might complain about or some of your clients?
- SPEAKER2 27:00 But I presume you're referring specifically to the LME?
- SPEAKER1 27:05 Yeah, the LME, but it could also be FX markets, FX markets, obviously a very different type of structure, decentralized and everything.
- SPEAKER2 27:12 I think really, it's a push me, pull me type thing, you know, all the markets want to grow, but the regulator. Doesn't want them to grow. Without proper controls and procedures in place and it puts the onus of responsibility on the exchange and the exchange in turn puts it on the shoulders of the regulated broker that does that all of the costs that are associated with regulation are forever increasing and the burden of that, too, to a community that perhaps is still trying to manage itself despite. Excessive regulatory obligations, and for that, I'm talking about capital as well, you know that the requirements are extremely onerous for many companies, but possibly without or with in it, because they think that they have concerns, genuine concerns about overstretching. Individual companies' exposure. So, is that going to drive people away from this type of business? I think there is a possibility that that shareholders and capital that is people are going to feel, you know what, the returns are not really worth the risk. Not really worth it. And the regulatory risks are not necessarily worth it. So, I think that is this is all changing and coupled with the fact that the generation that are now in the forefront of the growth business, are very much electronically driven and as we all know, we are often bombarded with spoofing various different attempts to get us to part with our own money without too much challenge, cyber fraud and cyber protection. Can be very, very expensive and again, how much do people want to spend on preventing somebody from destroying a business which they're still struggling to build?
- SPEAKER1 30:08 I mean, you mentioned that intergenerational sort of change, how to perhaps more senior members of this sort of management team. How do they stay aware of developments? Rather than to this sort of area, sort of the electronic trading

area, you know, the new algorithms that are coming in and maybe the risk that they pose versus some of these new guys that are coming out, weskit type people, how do they try and balance that? So, they have enough understanding to be able to offer challenge and maybe identify some of the risks that some of the new activities might pose.

SPEAKER2 30:45 Yeah, and I think it sort of comes back to what I was saying earlier on. It depends on what you want to be if you want to be an algorithmic trader. I think more often not then you're doing it for yourselves, you don't necessarily. I offer that service to customers and. Because. Of all the regulatory responsibilities and all the all the other requirements that you would need to have customer people using your software and your own intention is to make money out of your doubts in the way that you can ascertain market behaviour. And I don't think too many people would necessarily. Be able to gain access to that by paying a fee. I think a lot of those. Very high frequency trading entities are using their own intelligence, their own software, and the traditional companies of ourselves are we are certainly not. A lap or two behind, we might be in it. A dozen or 20 laps behind, but I think that we also have a base that we can build upon, whereas a lot of these guys are here now, merchants, and we've seen a lot of a lot of software builders come and go very quickly. And either they play, they haven't got the right technology or somebodies look to their technology and figure out a way how to do it in a nanosecond better so that they can become flavour of the month. And the other guys can't make any money because they're software or the calculations are too slow. So, it is a very different business and I think that that is probably the risk that that business has, and I don't know how. I mean, would it really surprise anybody is a massive failure. We've seen failures of fat fingers in the past that have caused huge amounts of disruption to markets. And if you are totally dependent upon technology. Well, I think that it wouldn't come as too much of a big surprise to anybody where technology does. Pay a very heavy price when things go wrong.

SPEAKER1 33:44 What have you seen this sort of conduct risk incidents in the last few years involving which have sort of emanated from sort of electronic trading type activity in the Algorithmics or in any of the markets you've been involved in?

SPEAKER2 34:02 Do any of them come really to mind? I mean, it goes back to because we're not that close to that level of investor. Can you give me for instance, an example that if only to trigger my own and the fading memory?

SPEAKER1 34:22 Well, I mean, there was one, I think, in the oil markets a few, maybe about seven years ago, it was a guy called Michael Coscia. And what he did was he actually spoofed I think it was NYNEX and I suppose it was just oil products. And then he ended up he tried to claim that what he was doing hadn't actually been abusive. He was just saying that he was just quicker technology wise. He just had he was

just the first person, you know, he was the first user, if you like. And everything else was catching up with him. Yeah.

SPEAKER2 35:01 Yeah, that.

SPEAKER2 35:03 So can you. Yeah, I mean, that was his argument, his argument was not really that, he claimed he didn't do anything wrong. He said he was just doing that, isn't it?

SPEAKER2 35:14 Isn't that a defence that a lot of people I mean, the guy who was in Hounslow was the announcer in at the who was sitting upstairs in his room, caused a major panic on the US stock markets several years ago because his system was quicker than anybody else's. And it created an environment that caused the market collapse. And I think the part of his defence was, well, but all my technology was just quick when the next guy and you know what, the exchanges fell into that trap as well because they had this. Was it colocation, was that the near your box was to go to the heart of the central order system was that, you know, you could get your messages in there a lot quicker. But I must be honest with you that that is not ever really been our strong part of it. We are always aware of the concerns that we have with electronic connectivity. We also, you know, we we've had fat finger issues over the years, but they've been caused by humans as opposed to automated programs. And I think the level of our own sophistication, unfortunately, at the moment is not that that sophisticated, but that it's a part of our business that we need to worry about too much. Is more of it coming? Absolutely. I you know, we've seen it with the Bitcoin and the gyrations that that market has had from being worth a dollar or whatever it was at one stage or less to going to where it's been crazy. And it's these guys are encouraged to create programs that will sell trade and stock themselves out and take new positions all the time. I think this is something that isn't going to really end. And I think the regulators are probably absolutely petrified that they'll get blamed for it when it all goes belly up.

SPEAKER1 37:37 And how would you rate the ability of humans to spot issues when they do occur? I mean, do you think people in control functions like compliance and risk are well equipped to be able to identify that type of stuff or you know, is it very much that these guys are always several steps ahead?

SPEAKER2 38:14 I'm just trying to visualize. And I think as a company, we, too, have seen over the years the frailties of systems that are dependent on human participation. Either because they're not alert enough and that somebody who wants to commit some form of activity, which is considered not appropriate exploits that. But I think that that's more on the fraud side of things. Now, a lot of the compliance functions are pretty much based on historical analysis of how markets, the arms, how people are behaving, how markets are behaving, and the methodology employed by some participants in order to get themselves higher up the queue of orders. But can we anticipate that that there will be some smart compliance

officers who know what they're looking for? But I think the nature of the beast is that compliance is actually put a lot of stuff in place, but you know that traffic lights, you see a red light up at a junction, somebody jumped through it, but everybody gets caught. It's as simple as that and, you know, if there's a cop standing on the corner, you might be able to flag the guy down. What I think is fair is license plate number. But if there isn't anybody there watching or there isn't anybody aware of what could be somebody trying to do. It's very, very difficult to defend against it. And therefore, the role of regulatory responsibility is often very unfairly levelled at failing compliance procedures. Because people who want to exploit something will test those features to the nth degree in order to find out how vulnerable they are and if they are, if there is a vulnerability, they will exploit it and either fraudulently or for purely commercial purposes. So sorry about the rambling, but it's a pretty tough job. It's a tough question to answer. It's a tough business to be in from that point.

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| SPEAKER1 | 41:04 | And what sort of surveillance tools like yourselves uses, are they sort of off the shelf, or you develop in your own eyes? Do you think if you do buy them, do you think they represent value for money? I think they're useful. |
| SPEAKER2 | 41:17 | Until you discover that they actually have got their own flaws, and all of these systems might be they off the shelf or tailor made. They are equally as vulnerable as the systems they are trying to monitor as all systems, they are trying to monitor, and that's basically because unless you know, you actually can program your own system in order to monitor stuff. To anticipate any eventuality, you will probably almost. We have a system that is going to question every trade that goes into a system, every order that goes into a platform. And, you know, we, like other people, have systems that we bought, and we depend upon. But we have to build in a certain tolerance level. And if we build it, we build into broader tolerance level. It can be exploited if we make it too tight and people will be frustrated and using the platforms and therefore will find one that is less cumbersome. |
| SPEAKER1 | 42:51 | And in recent years, the regulators moved to sort of softer, quote unquote, ways of trying to sort of manage conduct risk. So, in the past it was focus on specific rules. But now with all coming in, you're seeing, for example, requirement to certify people that manage to certify the sort of trading systems and platforms. Do you think that approach is already out of date because it was very human centric , you with still looking at the old idea about humans being front and centre or anything , or is there an argument to say that actually the way the world is going know we're looking at more autonomous agency and therefore it would be unfair in some cases to identify an individual as being responsible because maybe the machine is behaving in a way that was not reasonably foreseeable . |
| SPEAKER2 | 43:52 | Well, I think it in principle, the concept of it is a good one. Managers who manage departments. We have to take responsibility for the activities of those |

people who are under their management, and I think that historically, people have been able to hide behind the arguments. Well, I didn't know what he was doing and the concept now to basically saying you're a manager, you have to know everything, that you're a person who is working under your control should be just that controlled. It's basically it's now putting the cart before the horse. It is much that people have got to risk analyse everything that they do before they actually do it, and they have to be able to demonstrate when things go wrong that they had done just that and that it's not something that they can sort of blame on anybody else. And I think that that's where a lot of our world has changed. But that's not such a bad way, I mean, I think if you're taking the big bucks to take a management position, you now have got a road map that you need to follow to ensure that you are aware that when you step up to the plate to be a manager, it is more than just a title and a bigger pay check. At the end of the day, it's the same as, you know, non-executive directors used to do it so that you got a good lunch every month or every couple of months and get in a fancy chair. And there isn't any there's very little discrimination or a difference between an executive director and a non-executive director because and I think, to be honest, that makes a good bit of sense. The role of needs to an NED is to challenge the director, the executive director and a guy who's got management, responsibility and essential has got to challenge his own employees and his own people about their understanding of what they are meant to be in the way in which they're conducting themselves. So, it's another one of those necessary evil evils that that, you know, is a part of our business these days.

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| SPEAKER1 | 47:09 | Do you think regulators and markets are well positioned and well equipped to sort of maybe identify some of the issues with some of these sorts of technological developments in trading? Or do you think the solutions have to come from the sort of bottom up, if you like, from the industry themselves? |
| SPEAKER2 | 47:31 | So, what's the last thing you said? |
| SPEAKER1 | 47:37 | Do you think that the real solutions have to come from the industry themselves? |
| SPEAKER2 | 47:52 | This is a really tough question, and you know what? I think probably the role of the regulator is terribly, terribly important. And I think that the lead has to come from them. But I think that there is perhaps not enough knowledge of how the business works from a regulatory point of view, because most of those guys do work for regulators, haven't actually sat in a position of day to day responsibility to your client, who could be screaming and yelling down the phone because he's just lost money on a position that he had in the marketplace, and I think we just sit around hoping that somebody will answer the phone off. Can I call you back in about 20 minutes? Yes, it's nice to see some of these guys have never really worked at the front line. And they don't really know it as much as they probably should do, and then you've got the other side of it, that they are going to have to turn to poacher to turn gamekeeper. And they're even worse because they know what goes on inside firms then depending on from which they may have actually |

come from. They may well have come away with a bad flavour in their mouth, and therefore they assume that that's what anybody's doing. And, you know, I've seen. Ignorant people do not understand. The impact of their regulation and I've seen other guys who say, well, I know because I used to be a floor trader, I know what you guys get up to. Should it come from the companies themselves? Yeah, I think it should it. But it does because the whole concept of conduct risk is pretty broad. And I think that may be a lot of good firms are doing just that. The rogues will always be the rogues to people who want to stay in business for. You know, as long as they possibly can, will make every effort to run a well-managed and regulated but managed because frankly, we shouldn't really need regulation, we just know what the right culture and the way of performing is. It should be an inherent part of people's thinking these days. And I've seen I've seen compliance officers who have used their own personal opinions on. For the way in which they interpreted a situation, probably find themselves in a bit of hot water for using common sense, which may be later on comes back and bites them in the butt.

SPEAKER1 51:50 All of themes in your sector, do you think they're willing to cooperate in trying to develop a bottom-up initiatives, or do you think it's sort of is a sort of fear of sort of anti-competitive practices which prevents that?

SPEAKER2 52:10 I think from a regulatory point of view, anti-competitive practices, probably, I don't I would hope the common sense could prevail and that practitioners coming together to say we all need to ensure that we in our group, how big that group is, are conducting themselves appropriately. And I think most of us know what appropriately really means. The trouble is that what we think is appropriate may not necessarily be the same as the regulators. So, by coming together and sort of exchanging views and testing each other. That in itself is probably a far better concept, providing that they can they don't have to live in fear of being criticized by the regulators, just saying they didn't go far enough.

SPEAKER1 53:27 And how do you watch your perception of the effectiveness of the UK's approach into maybe tackling these types of issues versus the approach of, say, the jurisdictions, maybe like America or something like that? Do you have a sense of how well positioned we are, how far forward we are or something?

SPEAKER2 53:50 Yeah, I actually think it's I, I have had some experience. Well, Hong Kong regulators and US regulators, I haven't had it in Singapore, but they are notoriously or they are known to be pretty sharp and my experience in American regulators is that they are tough, they can be very tough, and they believe penalizing people for any convictions that they have that they're guilty of something can be quite painful. But there is a certain commercial element within the American psyche. Whereas in the UK, I sort of get the different type of impression in the way that they go about doing things over here and the way in which Americans do investigate it, it is done in a relatively open and fair way. I'm not so sure that our regulators have a similar type of work to so. The Hong Kong

guys regulated pretty much by the book, and they were very thorough, and they would find things that were probably. Well, they will probably find things a lot quicker than perhaps our own regulators, our regulators don't actually find anything. They are very much dependent on the member firms telling them when they created it, they done something wrong. And the culture of the U.K. regulatory thing is to put that rule in place. And when the person or the company faces up to having had a breach, they get fined. And so there is almost a motivation for companies to say. Well, I would take my chances here because I'm going to get fined heavily, so I'm going to take a risk. And that's where, you know, overregulation is, in my opinion, it's always a risky component for nations to adopt. They encourage people to try and beat the system.

SPEAKER1 56:35 An ultimate question. Are there any incidents of extraneous to the trading industry? I mean, for example, in tech or could be something like Google cars or something like this, which you think the financial industry could learn from? Sort of almost, you know, because there are a lot of other sectors that are highly regulated, aviation, pharmaceuticals. Do you think there's anything that the financial sector could learn from them, or do you think it's very much the case that some sectors would be learning from us in the financial sector?

SPEAKER2 57:20 It's an interesting question again. Because we're dealing in in very, very large sums of money. Any time you open up your access to a marketplace and your financial probity is challenged, and you always know that if something goes very, very, very wrong, it could be the end of your business. Within minutes. And that may differ from other industries. I mean, OK, you said about pharmaceuticals, there are checks and balances that that do ensure that drugs, for instance, are put in the marketplace are a precise nature. Electronic cars are in, self-driving cars are meant to be challenged and tested that way. But there will be the occasional slip ups in the world of finance. I think there are so many ways in which people can deceive. If that's what they're their intention is that they will get around the system and the electronic capabilities are a minefield. For everybody to protect, to be protected from and to protect themselves against. I think and I think that the world that we work in is it does its best to do to provide that level of protection to its customers to the market and to itself. But there will be an accident waiting to happen. Twenty-seven, 24/7. So, yeah, we can learn from other industries. Of course, we can, and they can learn from us, and we probably will learn from other people's terrible mistakes or terrible problems as far as that's concerned. But I would think that in the next generation or so, the further mass advances that will be positive and negative.

SPEAKER1 01:00:09 And finally, what would your principal concerns for the future be touching on that point?

SPEAKER2 01:00:22 The dependence on electrification of financial services without human intervention, both from the front end and also the regulatory side, the more dependency we put on our machines on. You are in the hands of the artificial

intelligence that drives those machines. And genetic modification of software should worry us all. And whilst I don't personally, I embrace all forms of technology and I'm aware of the risks with it, I'm sure like millions of other people around the world, you know, I've become too complacent and too dependent on the technology and perhaps don't challenge myself sufficiently enough that it might prevent me from getting into personal difficulties. And I think, frankly. That is one of the areas that this company is this world that we operate in is always going to be exposed to the price is too great for those people who wish to circumvent the rules and take advantage of it and if we're making the electronic electrification of our businesses the sole way in which we conduct ourselves when placed on my side of the cycle rather than on somebody who's 40 years younger than me .

SPEAKER1 01:02:34 OK, thank you very much. That concludes the interview, so I'm just going to stop the audio now.