

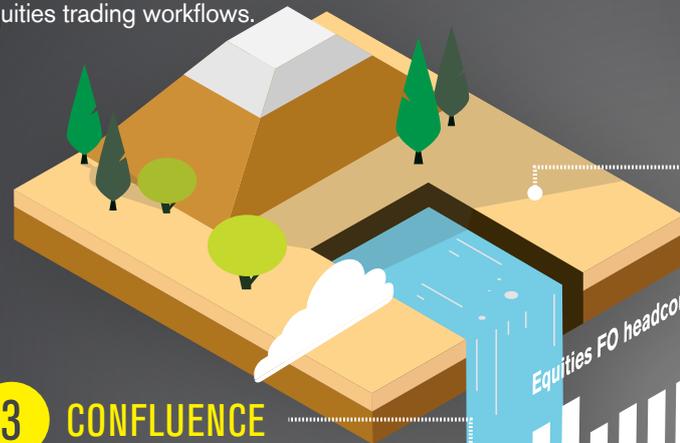
# TRENDS IN EQUITIES TRADING 2018

## STABLE HEADLANDS AT THE CONFLUENCE OF HIGH- & LOW-TOUCH SERVICES

Sellside cash equities and listed equities derivatives execution franchises have nearly completed their transition to a fully electrified, largely low-touch business model. This transition is due, in large part, to post-financial crisis regulations and to the resulting compressed margins environment facing investment banks over the past decade. Even high-touch sellside equities clients now submit over 85% of their orders globally on an electronic basis.

### 1 HIGH-TOUCH

High-touch trading platforms historically serviced voice-trading clients and offered a wide range of functionality but required a high level of manual intervention by traders. Facing compressed margins and reduced headcounts, both in-house and vendor-provided systems digitalised and automated manual equities trading workflows.

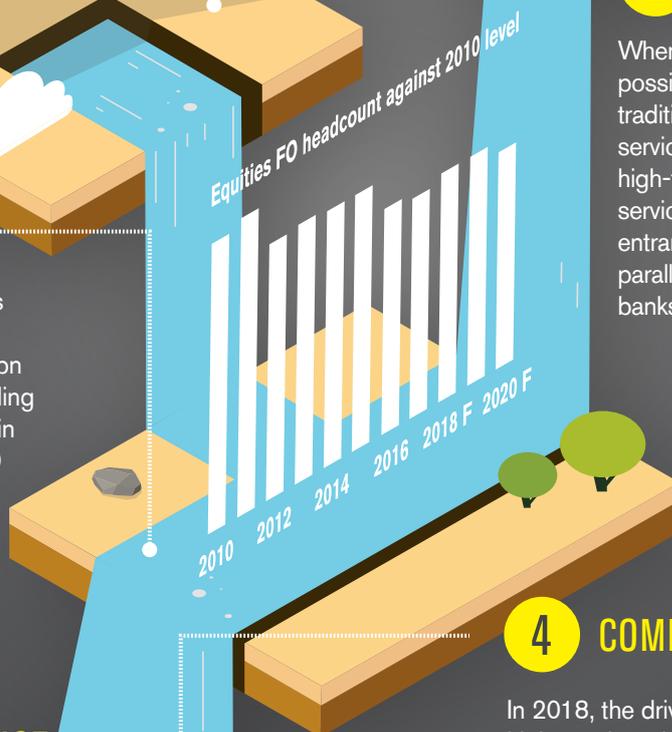


### 2 LOW-TOUCH

When full equities market e-trading became possible in the 1990s, banks found that traditional high-touch platforms could not service clients seeking low-cost, high-throughput, low-latency execution services. Early low-touch bank market entrants built in-house platforms to run in parallel to their high-touch platforms. Later, banks leveraged low-touch vendor solutions.

### 3 CONFLUENCE

The equities market structure has stabilised, with global bank revenues approaching USD 100bn and with front-office equities trading business headcounts stabilising in 2018 at about 70% of their 2010 levels. The functional stack for cash equities and listed equities derivatives trading is now largely commoditised.



### 4 COMPETITION

In 2018, the drivers for maintaining separate high-touch and low-touch equities trading systems within a bank are largely anachronous. Low-touch vendors are starting to compete directly with traditional high-touch providers and are continuously enriching functionality to meet the needs of high-touch sellside clients.

### 5 FULL CONVERGENCE

Over the next 18-to-24 months, high- and low-touch vendor trading solutions will converge, eliminating the need for banks to maintain two systems for both types of order management and execution.

In parallel with changes to the functional stack for low- and high-touch trading solutions, sellside equities trader workflows are also shifting in 2018. High- and low-touch equities trader workflows are largely identical within Tier 1 banks, and banks typically co-mingle roles and responsibilities between high- and low-touch traders. Meanwhile, the division of responsibilities is increasingly dictated by function rather than by service model, although banks demonstrate variety by assigning these tasks depending on their client base's profile and their clients' trading needs.

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