

Proprietary Trading Management Insight Report

Q3 2025

IN ASSOCIATION WITH

AVELACOM





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Introduction

In this quarter's Proprietary Trading Insight Report, we take a deep dive on 24/7 trading, gauging its support in the proprietary trading community and where network members see challenges to its implementation.

We also evaluate market maker and liquidity incentive schemes, asking what makes for a good one. Then, we cast an eye back on the first half of this year and where network members encountered challenges and opportunities.

In this quarter's hot topics, we assess the attraction of listed FX options and liquidity in agricultural and commodity derivatives.

Also this quarter, we speak with derivatives exchange Kraken to get their views on some of the key trends in the market today.

As ever, this report is based on a survey compiled from submissions from the Acuiti Proprietary Trading Expert Network, a group of senior executives from proprietary trading firms across the globe.

Every quarter, we ask members of the network to suggest the areas they want to take the temperature of the market on. From there, we construct an anonymised survey that informs the data in this report.



24/7 Trading



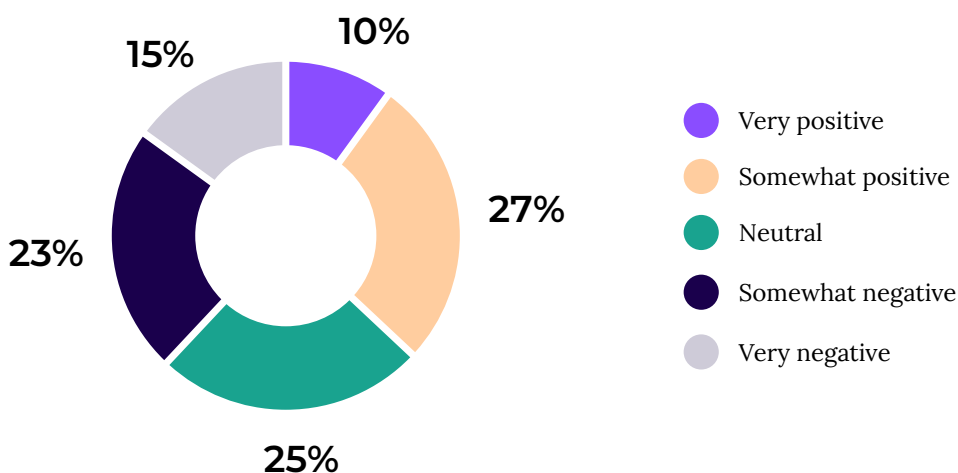
The prospect of 24/7 trading in traditional derivatives markets is gaining momentum. In May, Coinbase became the first US CFTC-regulated exchange to offer the service. Clients can now trade Bitcoin and Ethereum futures on a 24/7 basis, bringing a longstanding feature of native cryptocurrency markets closer to mainstream finance. Elsewhere, major US exchanges, including NYSE, have started consultations into 24/7 trading.

Across derivatives markets, there is now much focus on whether and how 24/7 trading will

become a reality in traditional derivatives markets. The issue is divisive. Interestingly, the proprietary trading community is pretty much evenly split on whether it is a positive or negative development for the market.

In general, support for 24/7 trading was stronger in the US than Europe, where opinion trended more negative. Ultra-low latency firms were more likely to support 24/7 trading than firms that were predominantly point and click or predominantly algo, but not ultra-low latency.

How would you describe your attitude towards the prospect of 24/7 trading in traditional derivatives markets?



The ability to react to news at any time was seen as the main advantage of 24/7 trading, with the opportunity to increase revenues and profits also commonly cited. For many participants, markets already run on a 24-hour basis, but five days a week. With many

brokers and clearing providers, as well as larger proprietary trading firms operating follow-the-sun models across global offices, the ability to trade round the clock and align with global time zones is already a reality for many.

What do you see as the primary benefits of 24/7 trading?



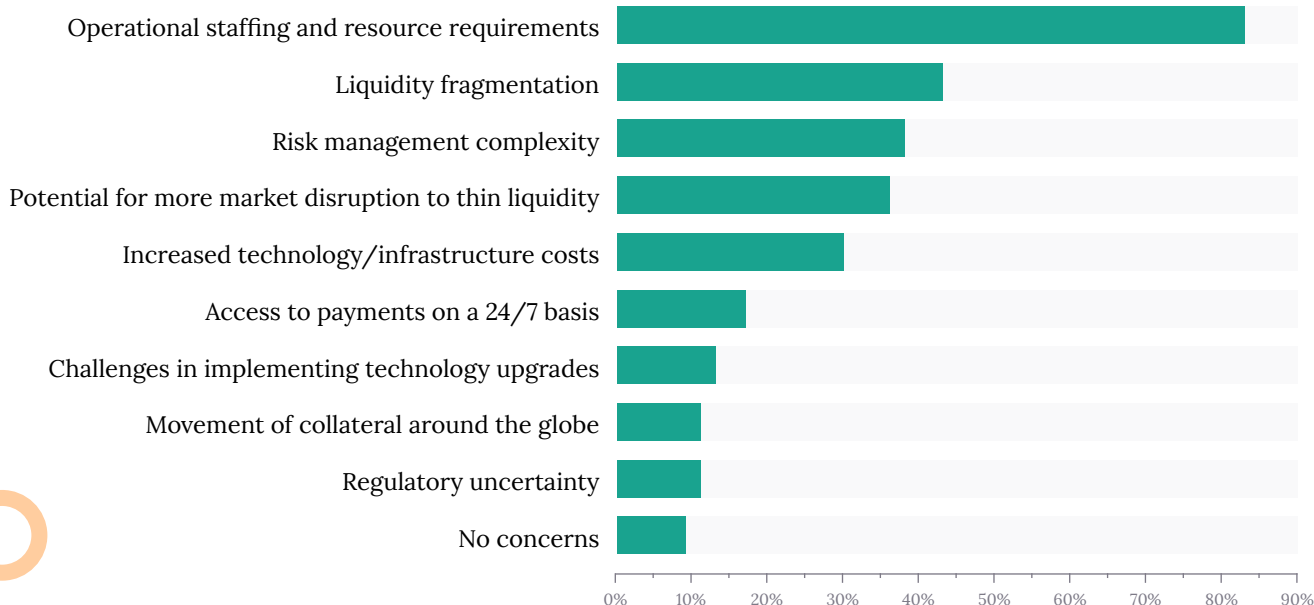
However, opposition to the concept is also strong.

Interestingly, while firms were split on the benefits, there was more alignment on the challenges. The main concern around 24/7 trading by far was related to operational staffing and resource requirements. These

concerns have also been common in other Acuiti networks.

While trading, or clearing desks, are one part of the equation, bringing derivatives markets online 24/7 will require other functions, such as funding and back-office support to also adopt round-the-clock operations.

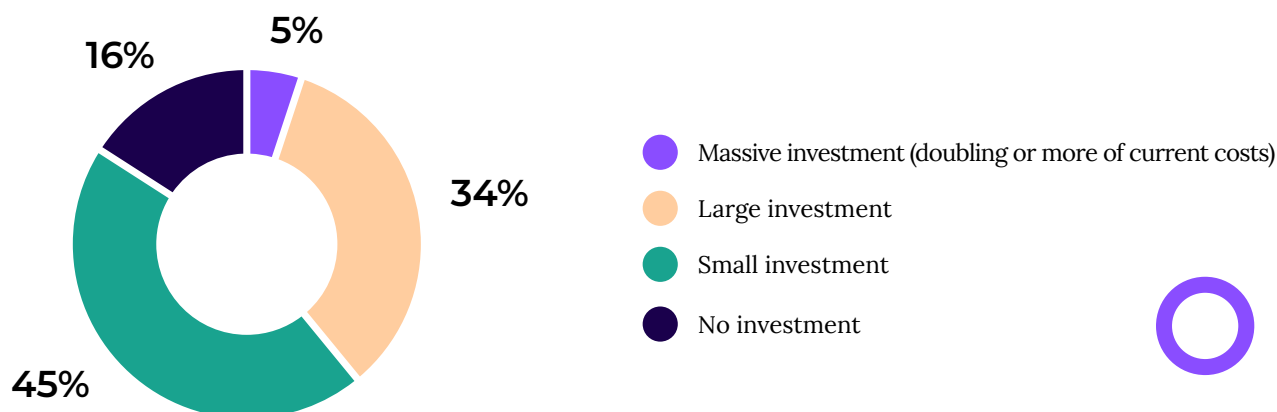
What are your primary concerns about 24/7 trading?



Most network members recognised that some level of investment will be necessary in any shift to 24/7 trading. However, only a small minority expected this would involve a

doubling or more of their current cost base. Around a third thought that large investments would be required, while almost half said necessary investment would be small.

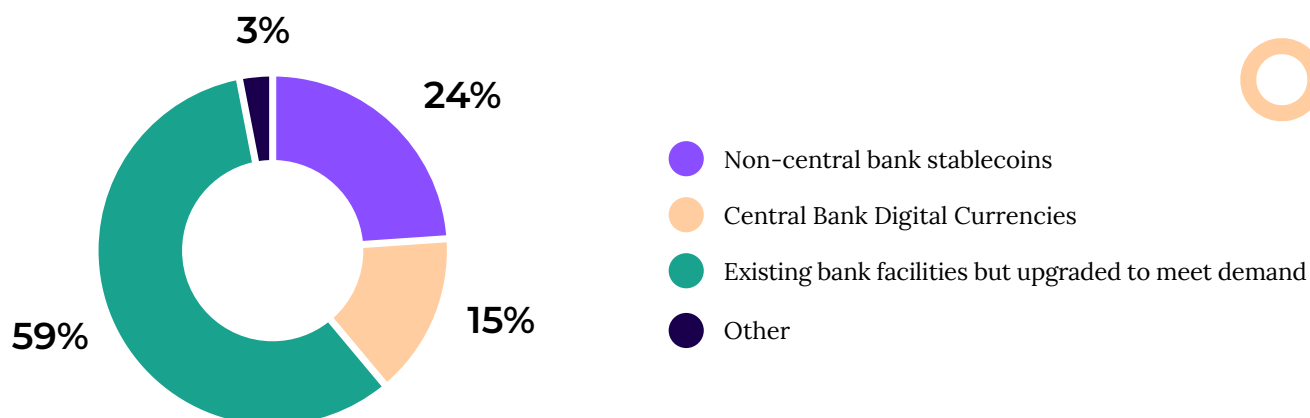
What level of investment would be required for your firm to meet the requirements to trade 24/7?



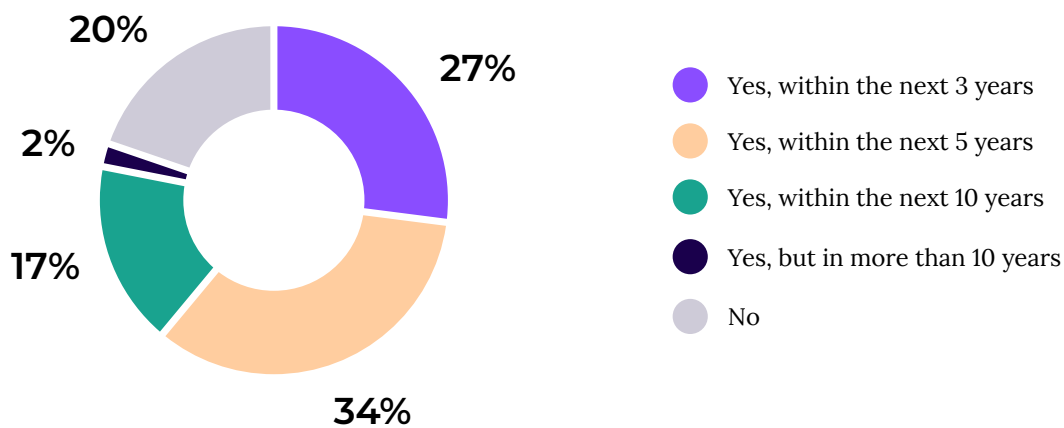
When it came to market infrastructure changes that could support the money mobility needed for 24/7 trading, upgraded banking facilities were cited as the main factor. This touches on the funding challenges

described above, as well as other services banks offer through the trading lifecycle. Around a quarter of the network pointed to non-central bank stablecoins as a potential solution.

What do you think will solve the challenges of moving money around on a 24/7 basis if round the clock trading came into reality?



Do you think 24/7 trading will become a reality in traditional derivatives markets?



Ultimately, most of the network think that 24/7 trading will become part of traditional derivatives markets. However, opinions on the timeframe this will happen in vary, with

just over a quarter believing it will come in in the next three years and more thinking it will take longer.



Exchanges and liquidity provision agreements

For derivatives exchanges, proprietary trading firms are vital supporters of on-screen and, increasingly, block trading liquidity. Liquidity provision agreements and market making schemes are therefore a common feature of modern derivatives markets. When rating

the effectiveness of each exchange's liquidity provision agreement, CME Group, SGX, TMX and Eurex were seen as the best.

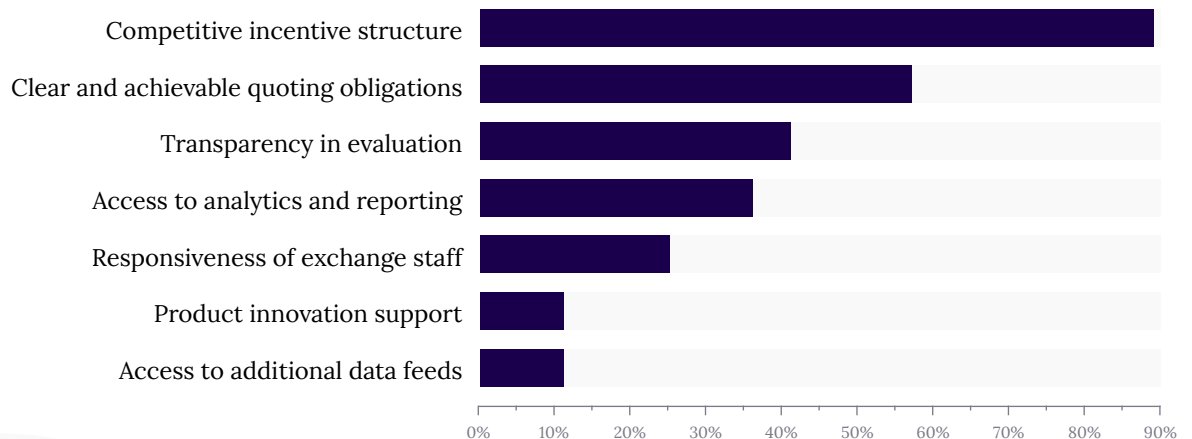
Top 5 exchanges for liquidity and market maker schemes:

- 1 CME Group
- 2 SGX
- 3 TMX
- 4 Eurex
- 5 ICE Futures Europe

When considering what constitutes an effective market making program, network members gave most weight to a competitive

incentive structure. They also ranked clear and achievable quoting obligations and transparency in evaluation highly.

Which features of a market making or liquidity program do you value the most?



On the other side of the coin, network members complained that other market makers often game the system, and that exchanges need to offer schemes that incentivise provision of multi-level liquidity.

They also stressed the importance of exchanges attracting real flow from other market participants, to avoid situations in which a group of market-makers mostly trade against each other.

Members also highlighted the need for exchanges to cater for a diverse set of market participants and avoid overly simplifying their schemes – a route that could give an edge to firms with more sophisticated connectivity and technology.

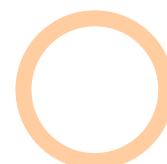
There was also an appeal to keep incentive schemes short-term in nature, pulling them when a product becomes more established. Conversely, it was pointed out that some

exchanges often adjusted incentive schemes too soon in a product launch, making tweaks at the first signs of success rather than waiting until the increasing volumes became stickier.

Complaints also came up that schemes sometimes incentivise volume in problematic ways, creating disruptive trading, while also ignoring volatility clauses.

Other suggestions included better paying schemes, less incentivisation of off-screen block markets and rewarding presence and consistent performance instead of just presence. Some added that current schemes could be overly complex.

Exchanges are taking note of requests by the market to improve liquidity schemes. This year, Eurex recently launched a new liquidity scheme for its EURO STOXX 50 Index Options, which has been well received by the proprietary trading firms involved.



H1 2025 in review

Proprietary trading firms have come through an eventful H1 this year, with the volatility caused by US tariff policy and gyrations in US tech stocks around the launch of DeepSeek in January coming among other global macro-economic and political uncertainties.

AI partly ties into the greatest challenge firms reported in H1 – finding skilled staff. This challenged has intertwined with AI due to the lack of candidates with both AI and trading expertise.

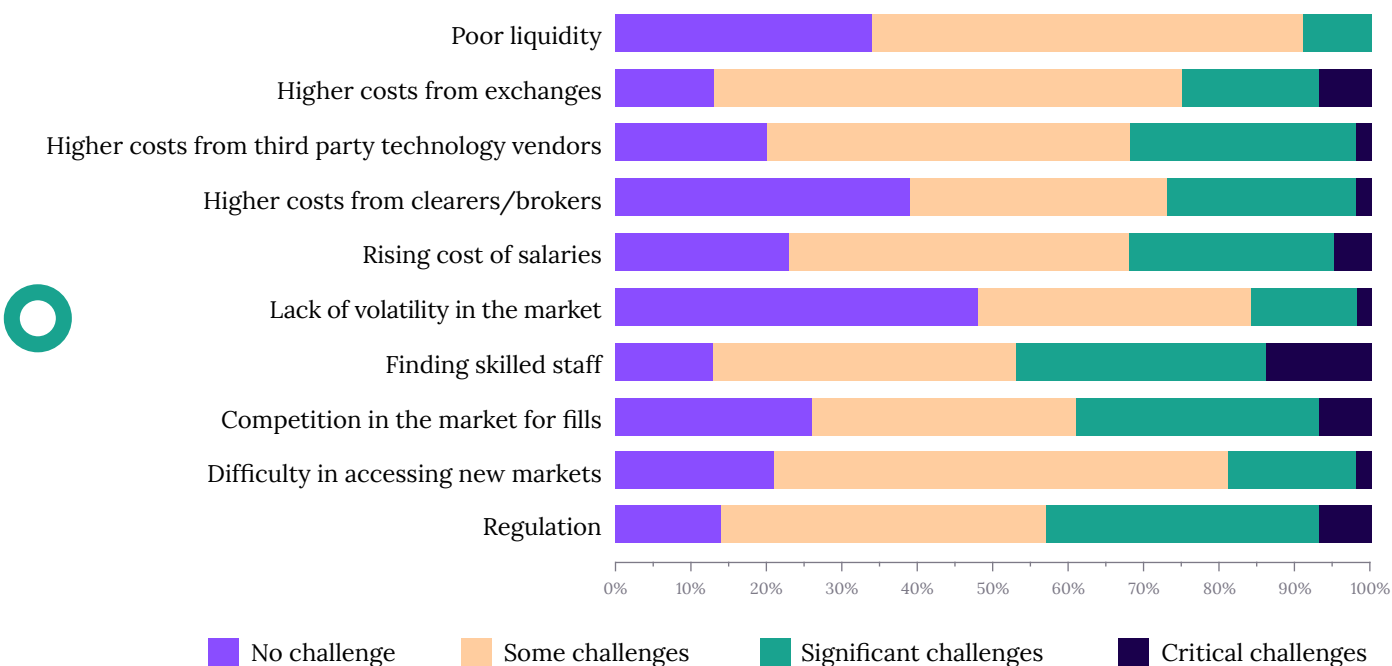
Network members also cited higher costs from exchanges as a big challenge during the

period, with market data costs likely to be the main driver in this area. Another perennial cost, regulation, was also marked highly. This was cited as the most critical challenge in last year's Q3 report.

Also ranked highly in 2024 was a lack of volatility in the market, a concern that has diminished significantly in 2025, thanks to the tariff induced volatility of April.

While competition for fills was a notable challenge this year, concerns around it have diminished since Q3 2024.

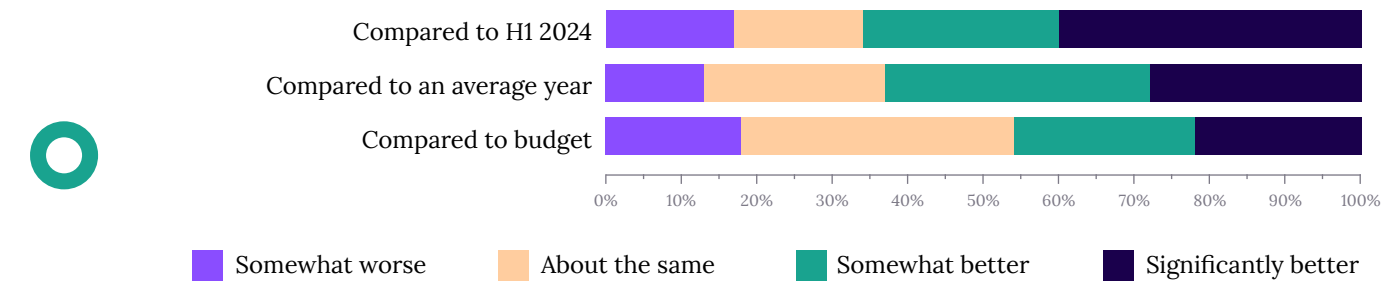
During the first half of 2025, how much of a challenge have the following been for your business?



Despite these challenges, most network members had enjoyed a good H1 when compared to the same period last year and an average year. When compared to budget

however, reported performance was more mixed, with more members saying they had come in under budget so far this year.

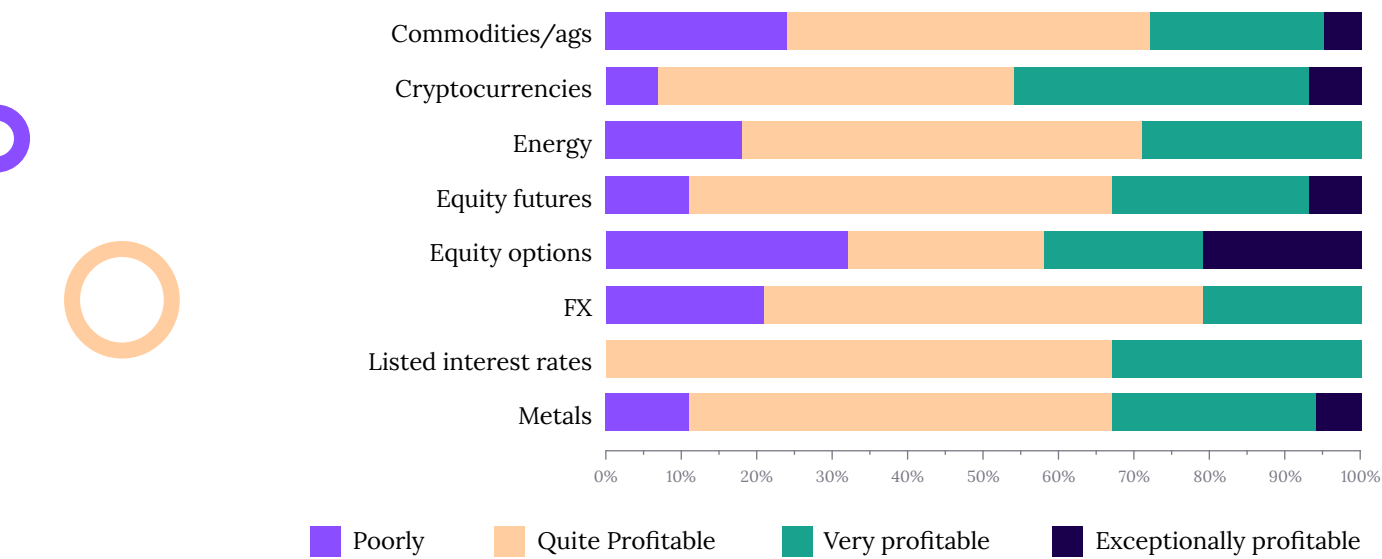
How has your business performed in the first half of 2025 relative to last year, an average year and what you expected/budgeted for?



Equity futures and options were the two markets where network members posted their best performance. However, there were winners and losers in both areas,

especially options, where nearly a third reported poor performance. Other markets with a large proportion of performers were cryptocurrencies and listed interest rates.

How did the following asset classes perform for your business in H1 2025?



Regionally, Asia, South America and North America were reported as the best for exchange trading opportunities, a notable

victory for South America in particular, which has not typically been scored so highly in previous Acuiti surveys.

Hot Topics

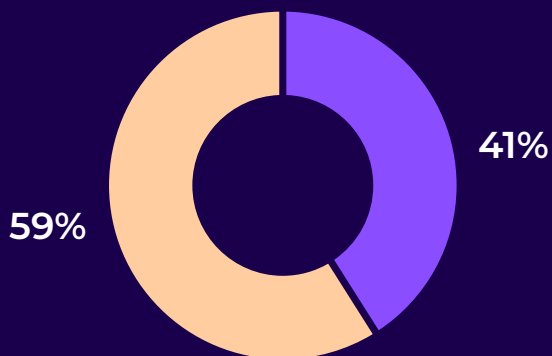
In this quarter's hot topics, we cover agricultural and commodity trading on the CME and considerations when trading listed vs OTC FX options.

1. Listed FX options

Exchanges are increasingly making efforts to coax FX options liquidity onto their venues, moving to take advantage of the increasing cost of providing OTC FX services for banks.

This was a trend that all the network that traded FX supported, and a majority thought was feasible.

Would you like to see exchanges do more to move FX options from OTC to listed markets?



- Yes, but it is unlikely they will be able to
- Yes, they should be able to move liquidity
- No, the market is fine as it is (0%)

While there is evidently support for listed FX options, the OTC market still boasts many strengths and superior liquidity. Network members mainly cited contract flexibility as the main benefit of OTC, besides liquidity.

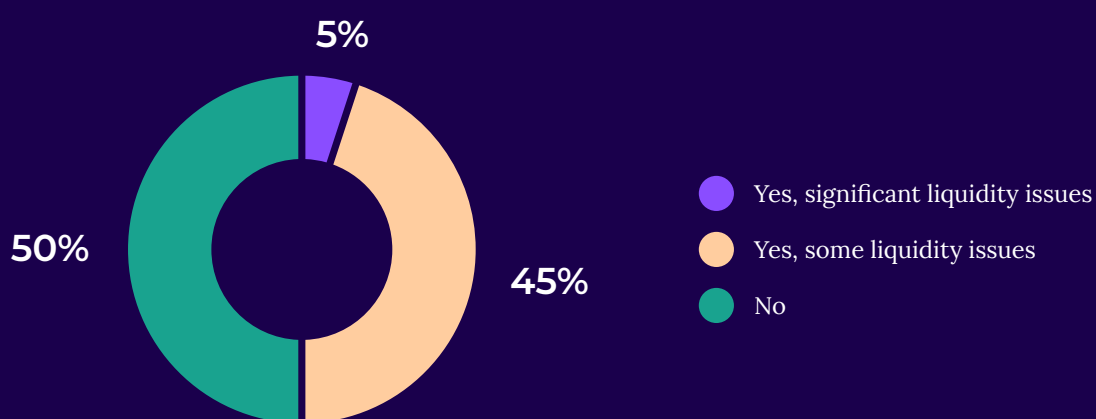
Among the strongest selling points of listed FX options were standardisation, lower counterparty risk and margining. Members also cited listed workflows as an attraction, an area where exchanges and their partners have made great investment.

2. CME ag liquidity

This quarter, one network member asked if firms had experienced issues in liquidity when trading ags and commodities on the CME. Half of the network reported having some liquidity

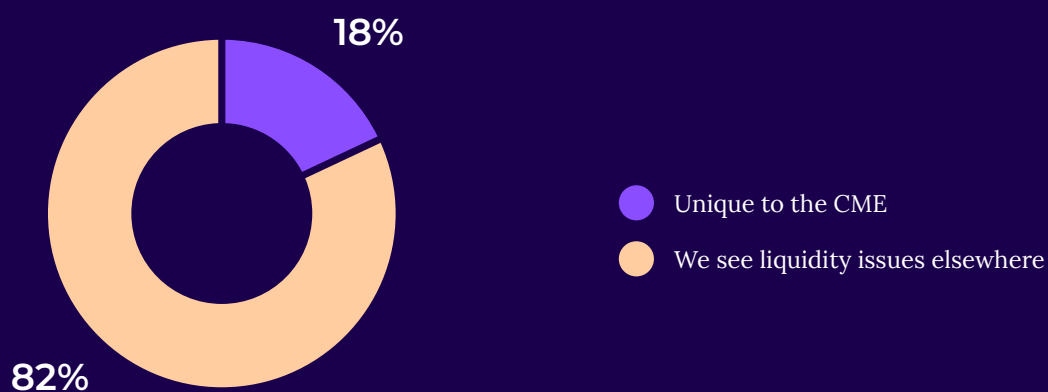
issues over the past 12 months, although most of this group described the problems as infrequent.

Have you experienced any liquidity issues when trading ags or commodities on the CME over the past 12 months?



Moreover, most of the network said that these liquidity issues were not unique to CME and had been seen on other venues too.

Are these liquidity issues unique to the CME or do you experience them trading ags or commodities on other markets?



Q&A with Kraken's Shannon Kurtas



As part of our continued interview series with leading exchanges, we sat down with Shannon Kurtas, Head of Exchange at Kraken. We discussed Kraken's current strategic focus, as well as its engagement

with the proprietary trading community and where it sees the future of the crypto market's continuing convergence with traditional finance.

Acuiti: What is Kraken's key strategic focus right now?

Kurtas: Our strategy is focused on three key areas. One is multi-asset support. We've been one of the largest crypto platforms since our inception. However, we have recently started doubling down on cross-asset market access and support across our platforms.

We launched equities earlier this year in the US and also launched tokenised equities about a month ago. We also recently acquired NinjaTrader, an FCM in the US, with plans to enable Kraken clients to trade derivatives across a wide range of asset classes, including metals, energy and FX.

We believe that there's going to be increased competition for fully integrated platforms, where clients can access these different products in one place, with all the benefits of capital efficiency and superior UX design.

The second key strategic area is the related convergence of TradFi and crypto.

This can be approached from a couple of different angles. One entails platforms that had a stronghold in products like equity options aggressively expanding into crypto.

However, the trend is also playing out in instrument and collateral types, like tokenised equities and money market funds.

These are increasingly being used as a form of collateral in trading. That improves capital efficiency for clients and can provide retail clients with market access they might not have had before.

Thirdly, we are pushing significant improvements to our general platform. Unlike some competitors, we are both an exchange and a broker.

Roughly speaking, 40% of our business is clients and partners trading on our exchange with each other through API. That ranges from proprietary trading firms, to hedge funds, to corporates and fintechs who use us as a liquidity source.

That also dovetails into a B2B offering. With increased regulation, more platforms, companies and banks want to offer crypto to their clients. They then look to firms like us who have the regulatory footprint and liquidity to help them do that very quickly and easily.



Acuiti: What is your view on digital asset regulation in Europe and how is it forming your approach to growth in the region?

Kurtas: Globally, Europe is among the better examples of a crypto asset framework. It gives the industry a material degree of increased clarity and codifies rules in areas such as portfolio management and investment advice. For crypto asset service providers, that allows

us to offer more interesting and mature products. On the client acquisition and marketing front, it also enables us to solicit clients and products proactively, as opposed to having to take a reverse solicitation approach where they have to come to us.

Acuiti: What direction do you see the US ultimately taking with its new approach to crypto assets?

Kurtas: I think the US will follow a similar path to Europe in some ways. In Europe, we had a regulatory foundation before MiCA, with a patchwork of VASP licenses in different countries. That meant that when MiCA came, it wasn't that monumental a change, as we already had regulatory coverage across the continent.

As with MiCA, a US regulatory framework will provide greater clarity and operational ease by eliminating the need to maintain multiple licenses with different US regulators.

It will certainly give crypto providers more nationwide regulatory clarity in terms of risk appetite and ability to do business. That is also true for banks and other market participants that were limiting activity to cash-settled exchange traded products and didn't touch crypto assets directly.

A US regulatory framework will also support capital markets activity. With regulatory clarity will come improved risk appetite for investing in crypto companies or raising capital. This is critical to many providers, including ourselves.

Acuiti: How would you describe your relationships with the proprietary trading community and where are you seeing opportunities for growth in the sector?

Kurtas: We have a large number of high frequency trading clients that send us millions of orders per day. And we continually invest in the infrastructure for them to do so.

There are a large number of native crypto trading firms who have been strong clients of ours since day one. We also deal with firms that are subsidiaries of the big names in TradFi.

However, there is still tons of room for growth. There are plenty of large firms that are yet to be involved in the market.

The crypto market is still relatively small compared to FX, for example. That means there is still a huge amount of growth opportunity in terms of total market size and volumes.

Acuiti: How do you see stablecoins and tokenisation developing in the near to medium term?

Kurtas: The trajectory for both is quite similar in terms of the benefits they will create for clients.

Market access is one example. There are plenty of assets and instruments that have not historically been available to retail clients due to archaic regulation, inefficient plumbing and the unwillingness of larger companies to serve individual clients. That is one of the value propositions for tokenised stocks.

Another promising use case is collateral and capital efficiency. If you use assets such as tokenised money market funds as collateral,

you can earn a fair market yield on the assets you trade on a platform. That helps bypass artificial and difficult hurdles created by having to keep zero yielding assets as collateral on some segregated platform.

The dream that we have is for tokenised assets to get to a scale where markets can really break free from the traditional cabal of brokers and clearing firms and run 24/7, at scale and be fully interoperable.

In our vision, forms of collateral will be much more efficient in actual risk management for clearing firms, prime brokers and regulators.

Acuiti: Kraken operates as a broker as well as an exchange. How do you compete with the traditional brokers?

Kurtas: The vast majority of our trading is electronic. However, we do also have an OTC desk that's been growing over the last six to eight years. That team trades via voice, encrypted chat and RFQ. The latter offering includes an e-RFQ platform for clients that are looking for larger sized orders, or access to relatively liquid assets and markets.

There are some markets that we would first

enter as a broker. We have not done this very often historically though. Our objective is to be as integrated as possible, with both brokerage and exchange.

That means better costs for clients, with more compelling and unique features and efficiency. It also makes us more competitive in a world where equity trading is currently done across several, segregated platforms.

Acuiti: What are the other opportunities that you currently see?

Kurtas: One is providing access to new assets that we might want to support on our centralised exchange. We are also looking at some unique contracts, such as ones that reference interest rates in crypto, which are still quite dislocated from the real world.

These are basically interest rate swaps that are now on chain. Users can hedge their exposure to other positions they might have, such as when basis trading between cash and futures, or to hedge the volatility on perpetual funding rates, which can be quite volatile.

Acuiti: What about the main challenges facing the industry right now?

Kurtas: Greater regulatory clarity is welcome, but of course it also means the road is much

clearer for others to compete with us. So that's certainly a welcome challenge.

Acuiti: Do you think that perpetual futures will become common features of traditional, institutional markets?

Kurtas: There is definite momentum with perpetuals, with a set of contracts in the US now live that have been self-certified with the CFTC. These are driving a significant amount of volume in large part because of the simplicity of the user experience. That means

clients don't need to worry about maturities, or the basis they would incur in trading these futures. They also want to have medium- or long-term exposure to particular assets, and care about trading more refined exposures in smaller sizes.



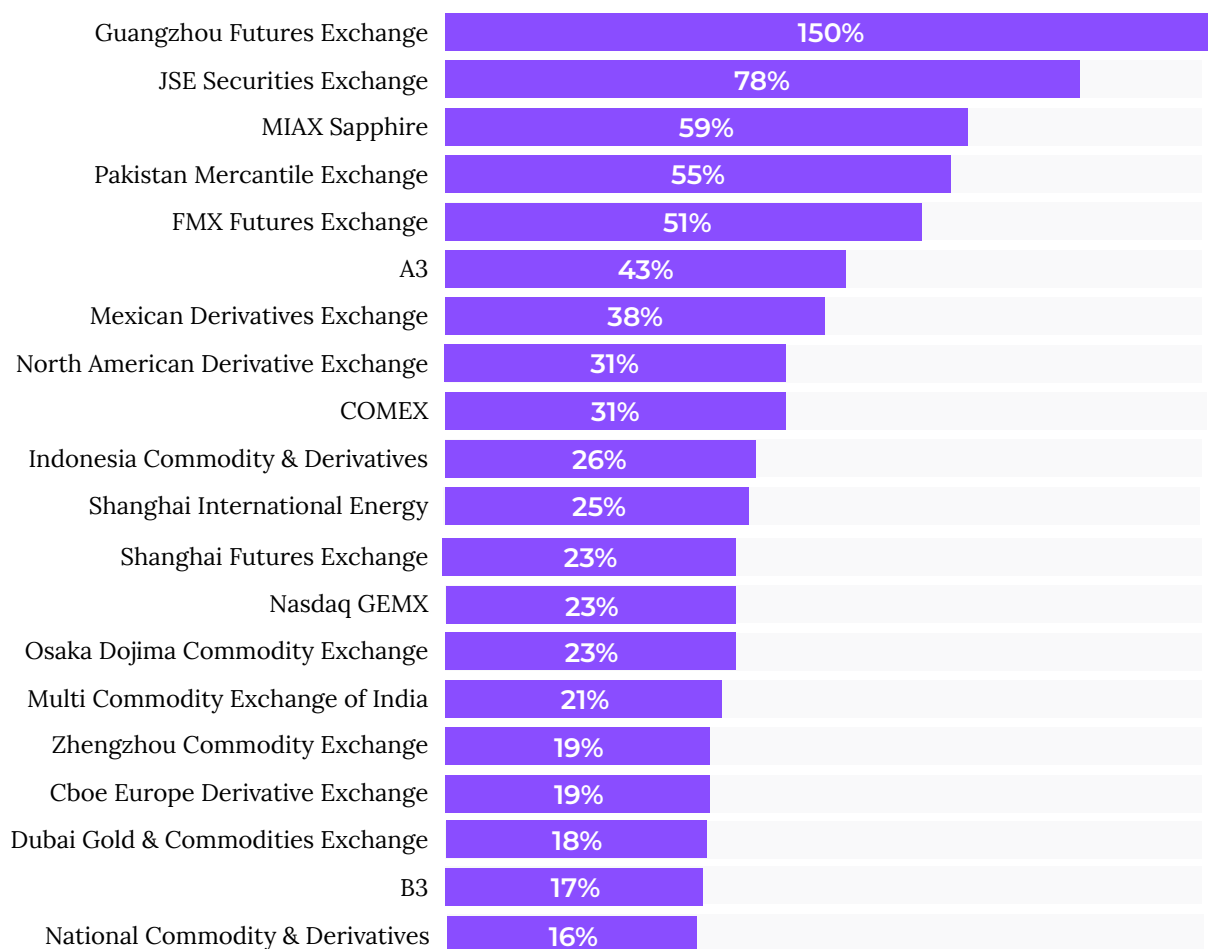
Markets and contracts



The Avelacom Exchange Growth Index

The Avelacom Exchange Growth Index is a benchmark of quarter-on-quarter volume growth across listed derivatives markets.

Exchanges must have been trading for more than one year to feature in the index. Data is provided by the FIA.



Source: FIA

New contracts

The table below, based on data provided by FOW Data, profiles the performance of the top new derivatives contracts launched last quarter, based on average daily volume.

Exchange Name	Contract Name	Type	Volume	Open Interest	Average Daily Volume	Launch Date
Multi Commodity Exchange of India	Gold Ten	Future	819,797	43,358	12,809	01-Apr
Chicago Board of Trade	Hard Red Spring Wheat	Future	461,216	2,260	7,206	14-Apr
Coinbase Derivatives	Nano XRP	Future	339,119	30,702	5,382	21-Apr
Singapore Exchange	BRL/USD	Future	177,675	77	2,912	09-Jun
Shanghai Futures Exchange	Cast Aluminium Alloy	Future	89,251	4,915	2,288	10-Jun
Coinbase Derivatives	XRP	Future	55,703	23,671	884	21-Apr
Chicago Mercantile Exchange	Micro XRP	Future	33,178	2,457	518	19-May
Shanghai Futures Exchange	Cast Aluminium Alloy	Option	17,111	2,686	438	10-Jun
Eurex	Nano FTSE Bitcoin Index (USD)	Future	9,438	20	152	05-May
Chicago Mercantile Exchange	XRP	Future	7,514	899	117	19-May
Eurex	Nano FTSE Ethereum Index (USD)	Future	3,117	-	50	05-May
Chicago Board of Trade	Hard Red Spring Wheat	Option	1,783	1,126	27	14-Apr
Osaka Exchange	Shanghai Natural Rubber	Future	1,733	753	27	26-May
MATba ROFEX	GD35	Future	1,226	12	31	22-May
Tokyo Commodity Exchange	East Area Baseload Electricity (Fiscal Year)	Future	705	705	11	26-May
Chicago Board of Trade	Black Sea Wheat (CVB) Financially Settled (Argus)	Future	400	400	6	02-Jun
Cboe Futures Exchange	Cboe FTSE Bitcoin Index	Future	270	75	4	28-Apr
Chicago Mercantile Exchange	Mexican Funding TIEE (Quarterly Contracts)	Future	200	90	3	28-Apr
FMX Futures Exchange	2-Year U.S. Treasury Note	Future	48	18	1	19-May

Source: FOW Data



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