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Proprietary Trading Management Insight Report

Q4 2025

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Table of Contents

Introduction

The proprietary trading landscape is defined by cutting edge innovation and a laser focus on new revenue opportunities. So it is little surprise that prediction markets have caught the eye of many firms. We take a look at current levels of adoption.

However, the past decade has also seen ever-intensifying regulatory pressure on proprietary trading firms. We explore how the actions taken by India's SEBI against a major firm might prompt a global reassessment of regulatory risk for proprietary trading firms.

We also ask how the UK review of IFPR might increase competitiveness as well as how firms are preparing for 2026 in terms of their technology investment plans and outlook for business performance.

Also, in this report we also take a look at the best instruments for volatility hedging strategies, the impact of President Trump's changes to the H-1B Visa Program on US firms and the trend towards greater institutionalisation of crypto market infrastructure.

This report is based on a survey of the Acuiti Proprietary Trading Expert Network, a network of senior proprietary trading executives from across the global market. Each quarter members of the network suggest topics and questions which are then sent around the network via an anonymous survey.

If you are a senior proprietary trading executive that is not a member of the Acuiti Network, contact Bethany Bell at bethanybell@acuiti.io

Section 1

Prediction markets

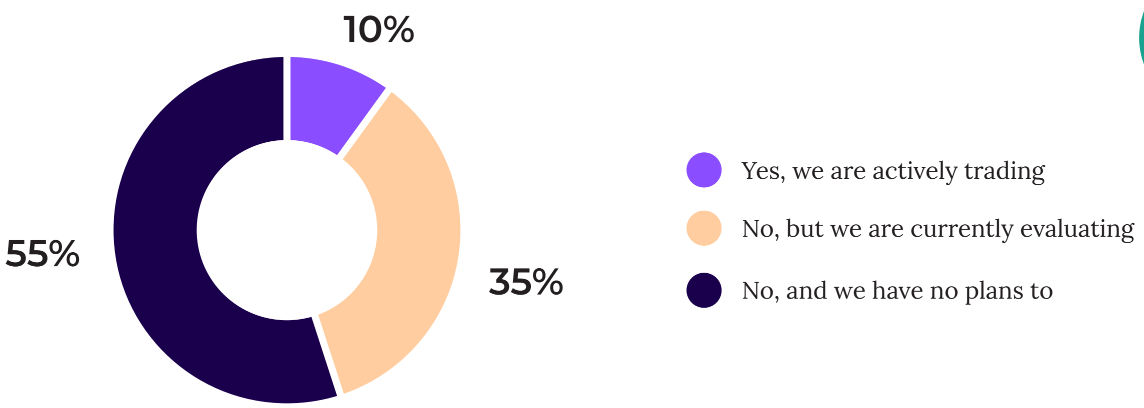
Prediction markets are among the fastest growing areas within global trading and generating growing interest within the proprietary trading community. Largely driven to date by retail participation, these markets now look set to gain increased traction from institutional firms.

Given the relatively nascent stage of the mass appeal of these markets, the demand from proprietary trading firms to engage is striking. Almost half of the firms in the Acuiti Proprietary Trading Expert Network are either already engaged in the market or planning to do so.

Unsurprisingly, planned adoption from proprietary trading firms is highest in the US. Over three-quarters of US-based respondents are either actively trading the market or evaluating the opportunity compared with 37% in Europe.

The firms already trading prediction markets were almost exclusively ultra-low latency or predominantly algo. However, outside predominantly point-and-click firms who show little interest in the markets currently, the firms of all strategies were evaluating the market.

Is your firm currently trading on prediction markets?



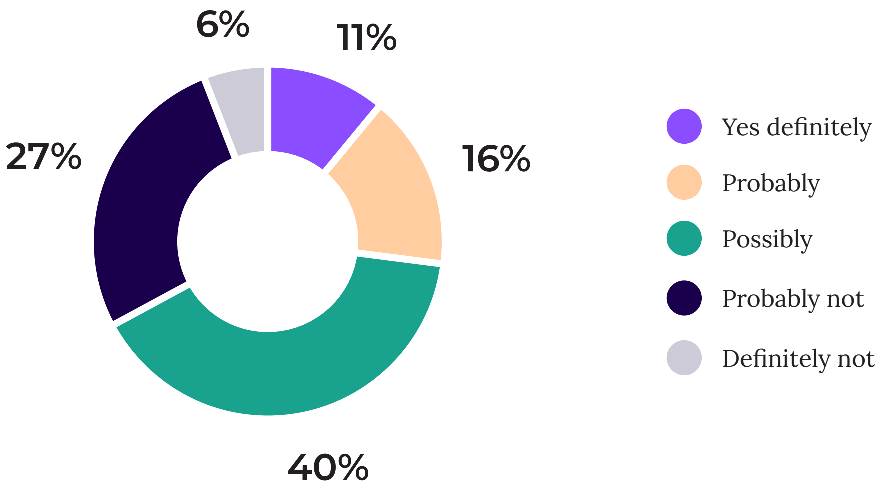
While prediction markets are presenting opportunities for proprietary trading firms, they also bring unique challenges. For firms that already actively participate in prediction markets, when asked about the biggest operational challenges they faced, over two thirds cited capital movement and internal risk management as their main challenges. Event contracts are similar to binary options in their risk profile, requiring unique methods to manage risk compared to traditional underlyings. Firms also face the challenge of how to model non-financial underlyings with limited, if any, data sets. While firms can model predictions on where the S&P will finish on a specific day - or the score the Cubs are likely to get - there is no data available on which a firm can model the likely date of Taylor Swift's wedding.

When it came to market challenges, firms trading prediction markets reported an inability to trade in size and wide spreads in such markets.

While, prediction markets adoption rate differs across firms, consensus was strong of the future role they will play.

Overall, just 6% of respondents believed that prediction markets would definitely not play a role in the institutional prop trading landscape.

In 3-5 years, do you expect prediction markets to become a meaningful (e.g., >5% of book) part of the institutional prop trading landscape?

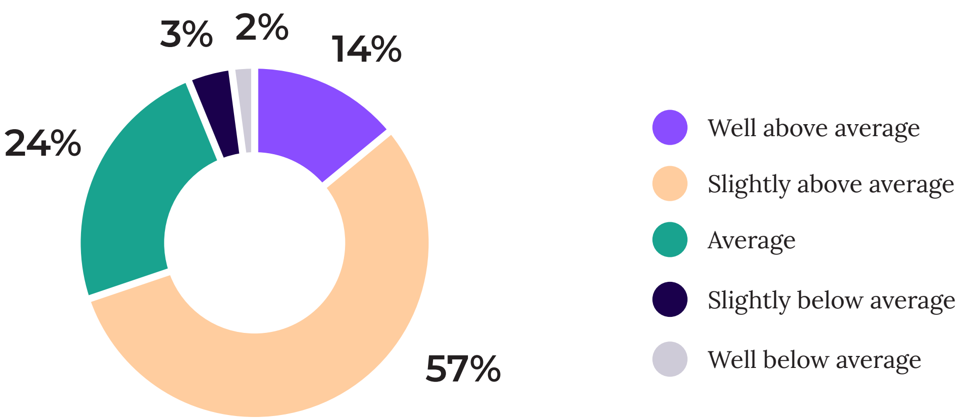


For now, this quarter's report suggests that proprietary trading firms will increasingly trade prediction markets. Quite what form that takes remains to be seen.

2026 Outlook

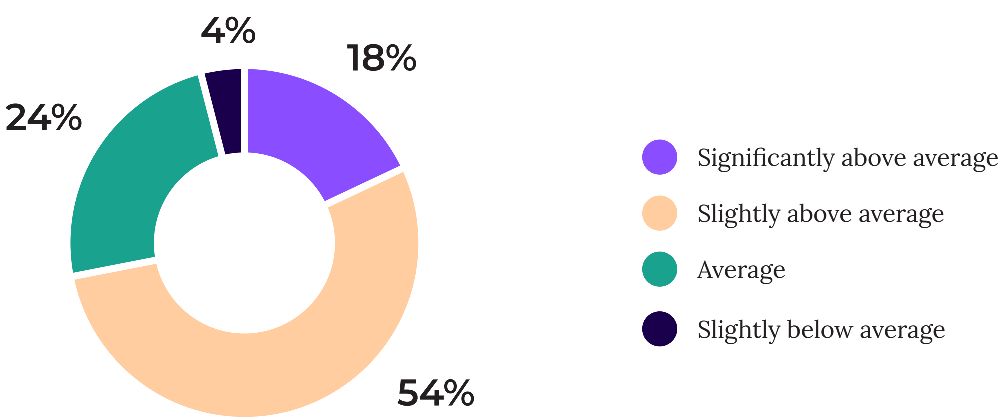
Proprietary trading firms are optimistic about the prospects for their business performance in 2026, with nearly 70% of the Acuiti Proprietary Trading Expert Network predicting next year will deliver an above average performance for their business.

Looking ahead to 2026, how strong a year for your business do you expect it to be?



This optimism is feeding through into investment plans: over 70% of respondents are planning to make above average technology investments in the new year.

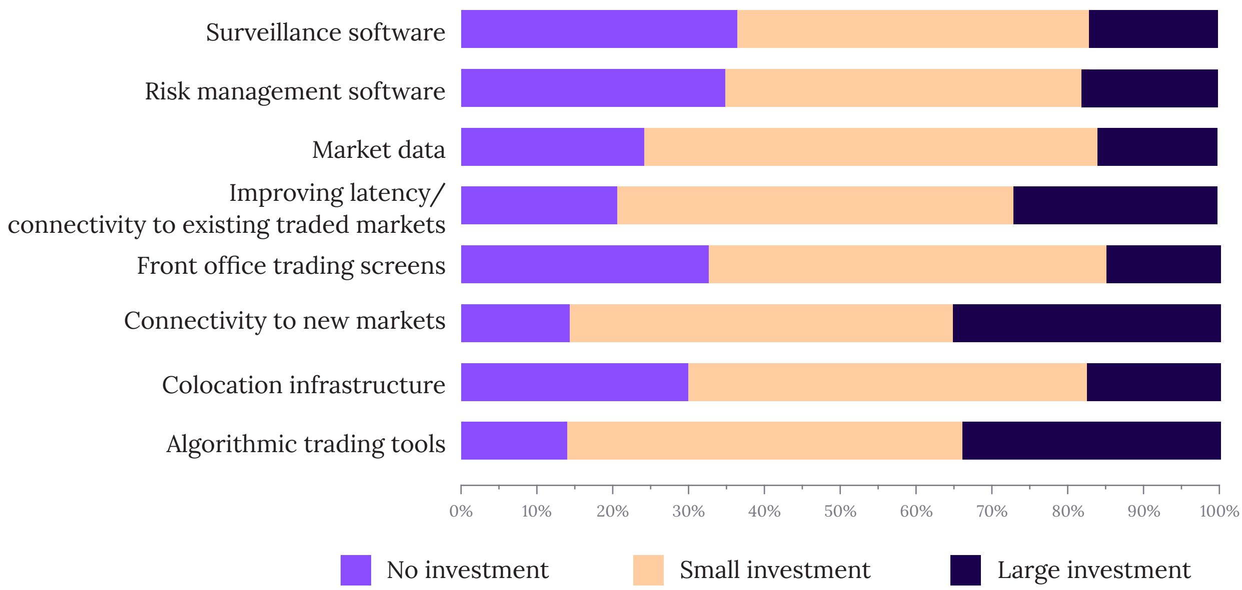
How big do you expect your technology investment budget for 2026 to be?



In 2026, prop firms are most commonly planning to invest in algorithmic trading tools, connectivity to new markets and improving latency or connectivity to existing markets.

The number of firms making large investments in market data has dropped from this time last year, while those investing in surveillance software has increased.

What are your investment plans with regards to technology in 2026?

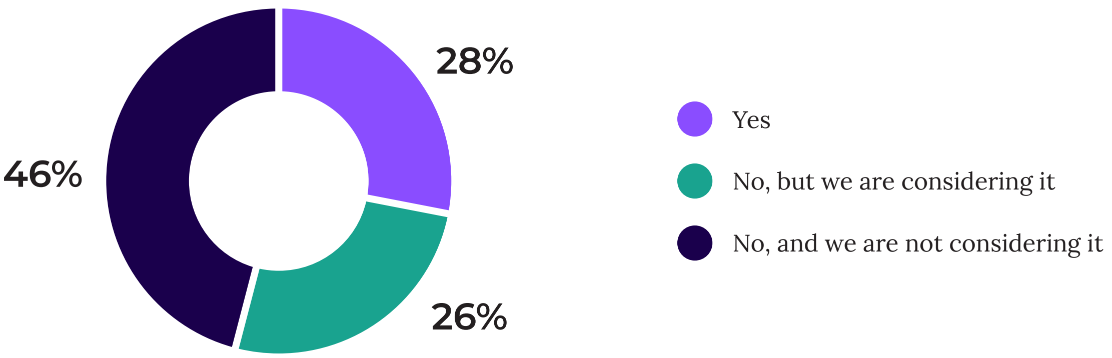


Section 3

India after SEBI's move on Jane Street

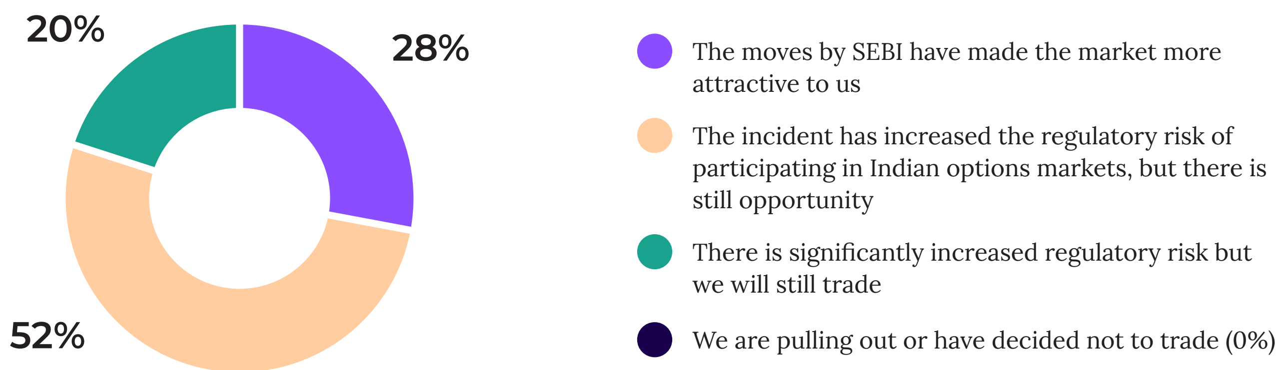
India's derivatives market has attracted significant flow from proprietary trading firms over the past decade. Currently over 25% of proprietary trading firms in the network are trading in India with a further quarter planning to do so.

Do you trade in Indian derivatives markets?



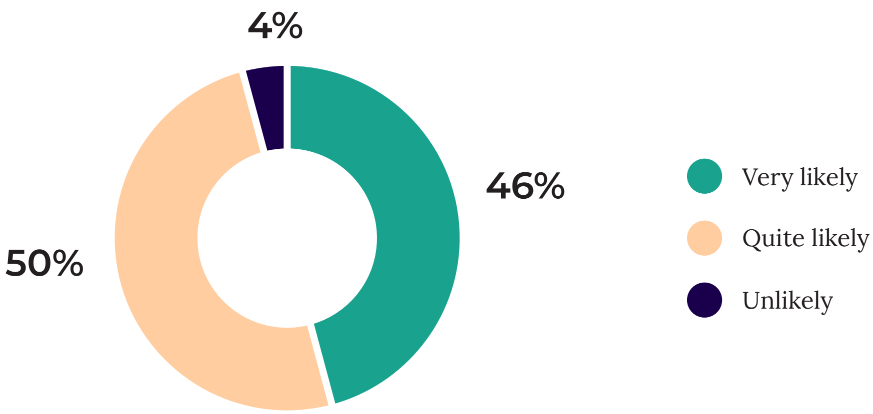
In July, the Securities and Exchange Board of India (SEBI) took regulatory action against Jane Street citing concerns over its trading activity in the options market and banned the firm from trading in the market. Jane Street subsequently complied with a demand for a deposit payment and has reserved the right to challenge the order. The action taken by SEBI has created a nuanced but cautious sentiment toward the Indian options market among the network. Almost 50% of respondents trading or considering trading in India viewed the incident as having increased the regulatory risk of participation. However, respondents still see opportunity – indicating the market's high liquidity, high daily trading volumes and growth potential is compelling enough to outweigh the heightened governance concerns.

What impact has the allegations by the Indian regulator SEBI against Jane Street, had on your view of the Indian options market?



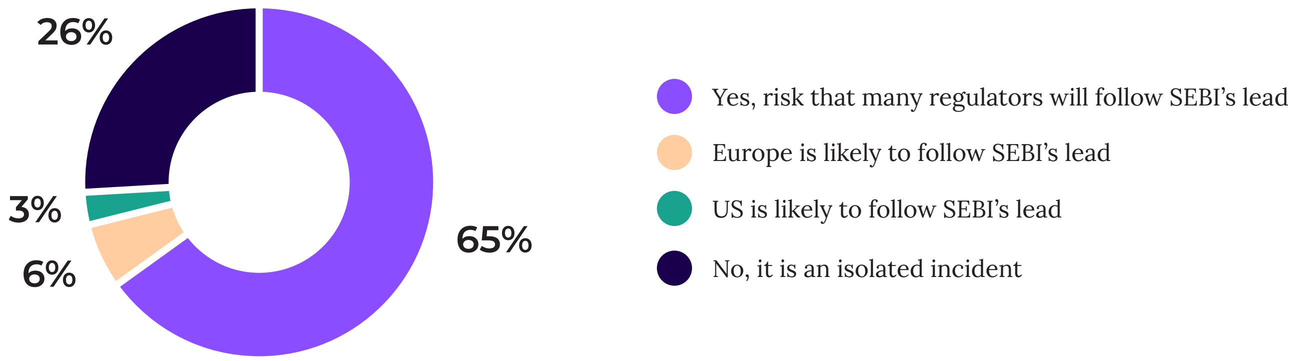
Following the recent regulatory actions, prop firms operating in India are highly aligned in their expectations that SEBI will increase the number of rules governing specialist liquidity provision in Indian options markets. This was a strong consensus, with 96% of respondents anticipating further regulatory tightening by SEBI.

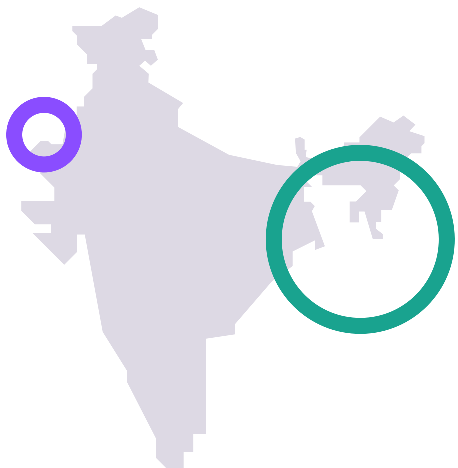
How likely do you think it is that SEBI will increase the number of rules governing specialist liquidity provision in Indian options markets?



In addition, a strong majority of participants believe the SEBI action will prompt more global investigations, and that the Indian options market won't be treated as an isolated incident - potentially resulting in a further increased regulatory burden on prop firms.

Could SEBI's actions in India against Jane Street lead to similar investigations by other regulators?





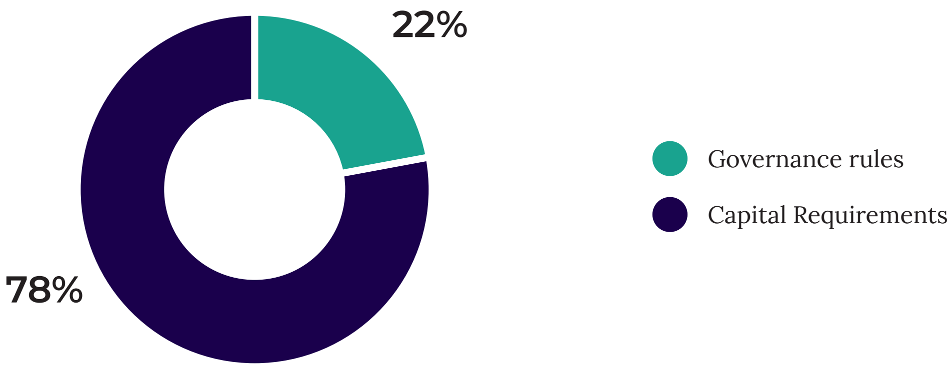
The UK's IFPR reforms

The UK's Financial Conduct Authority is currently in the process of reviewing the capital requirements set out under the EU's Investment Firm Prudential Regime (IFPR).

The FCA's primary goal is said to be to reduce unnecessary complexity in the rules and remove certain provisions which are bank-specific and have limited relevance for investment firms.

Any such initiatives would be welcome by the proprietary trading community in the UK and EU, which has faced massive capital requirements under the regime.

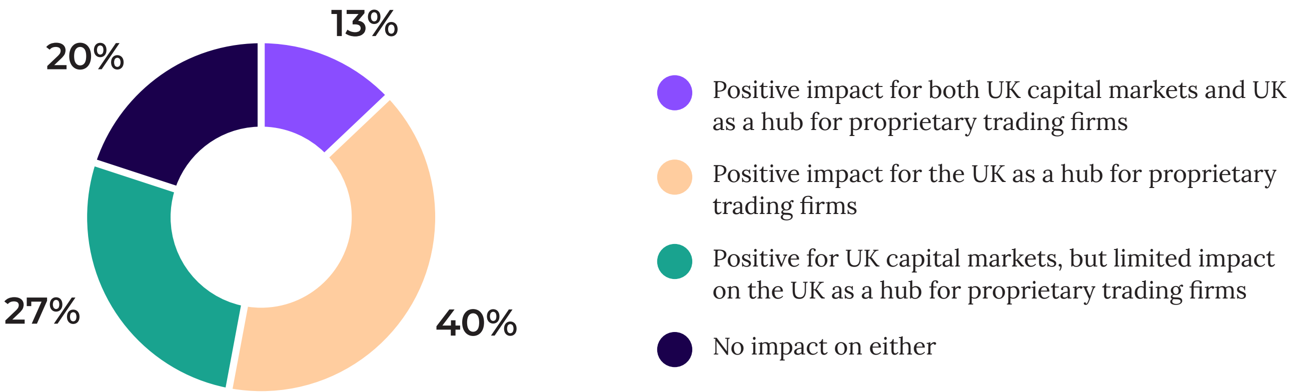
What has been the most challenging elements of the IFPR to implement?



The challenge that firms face in the capital rules (cited by over two-thirds of respondents as the most challenging element of the rules) arose because the IFPR introduced complex K-Factors to calculate regulatory capital, forcing investment firms to redesign their internal systems to report on the potential harm they pose to clients and markets rather than the risk they face.

The UK's government's stated intention to reform its IFPR is met with significant optimism. Forty percent of respondents anticipate a positive impact specifically for the UK as a hub for proprietary trading firms. A welcome boost for a country that has struggled to forge its own path since Brexit. However, 20% believe that revisions to the UK IFPR will have no impact on the UK prop sector or the country's capital markets, suggesting some think there are deeper routed problems.

What impact do you think the UK government's stated intention to explore reforms to the Investment Firms' Prudential Regime (IFPR) could have on proprietary trading firms in the country and the wider UK capital markets?

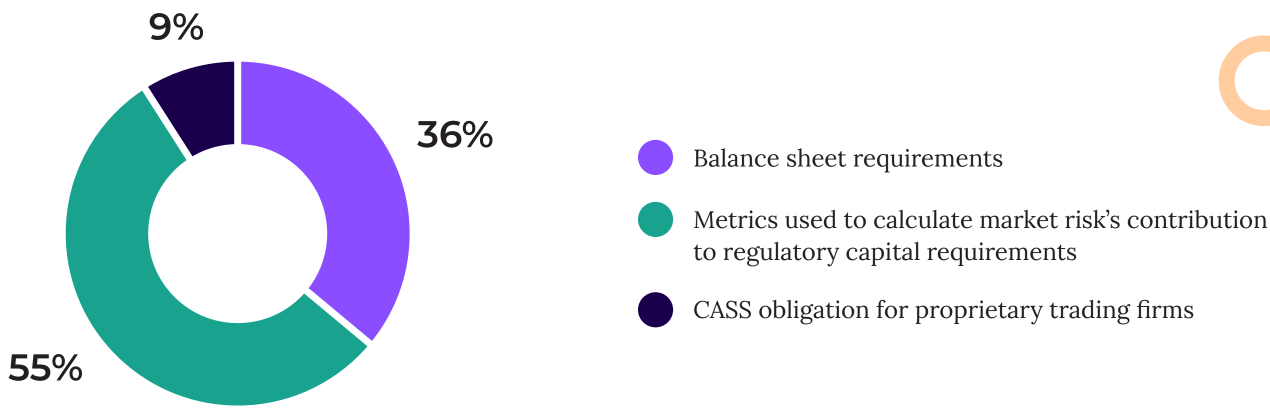


The most beneficial reform, according to respondents, would be to target the methodology for calculating market risk's contribution to regulatory capital requirements. 55% of the network subject to IFPR in the UK cited this as the most critical area for IFPR reform.

For proprietary trading firms, market risk is largely determined by the K-NPR factor within the K-factor requirement. The industry views the current methodology as punitive to modern quantitative trading strategies.

By refining these market metrics, the UK could immediately allow firms to free up capital currently locked down by IFPR requirements. This regulatory adjustment would directly reduce the cost of capital for high volume trading, enhancing the UK's competitiveness and boosting the overall liquidity and efficiency of its capital markets.

Which parts of the UK's current prudential regime could benefit most from reform?



Hot Topics

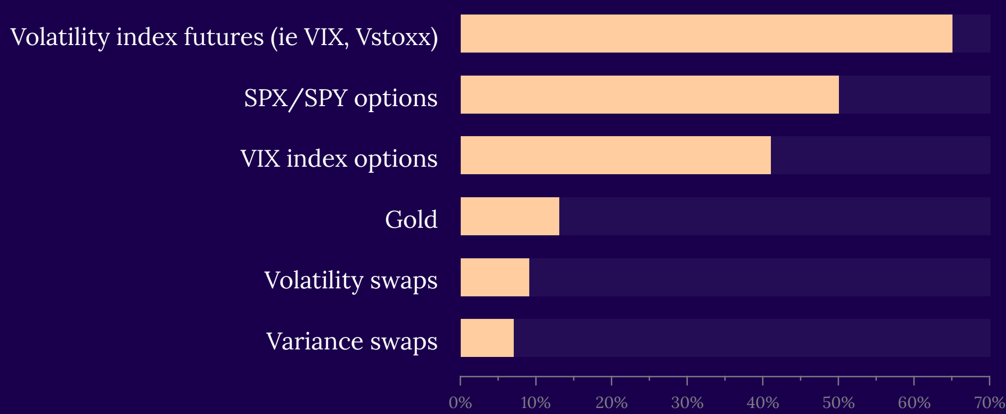
Volatility

This quarter a member of the Acuiti Proprietary Trading Expert network asked for views from their peers on the best instruments to hedge against volatility.

There's a clear consensus among market participants that Volatility Index Futures are the most effective financial instrument for hedging against short-to-medium term volatility in equity markets, cited by almost two-thirds of respondents.

Closely following this, 50% of participants chose SPX/SPY options, highlighting their versatility as a hedge; these large-cap index options allow for tactical, efficient positioning to protect against sharp downside moves in the broader equity market.

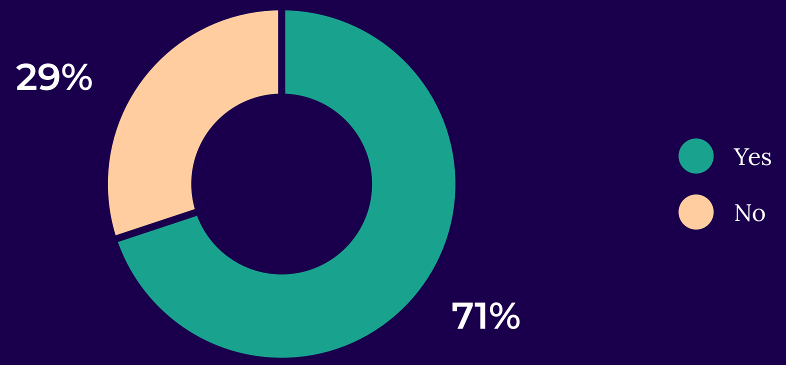
Which financial instruments do you think work best as a hedge against short-to-medium term volatility in equity markets?



BitMEX and Tokyo

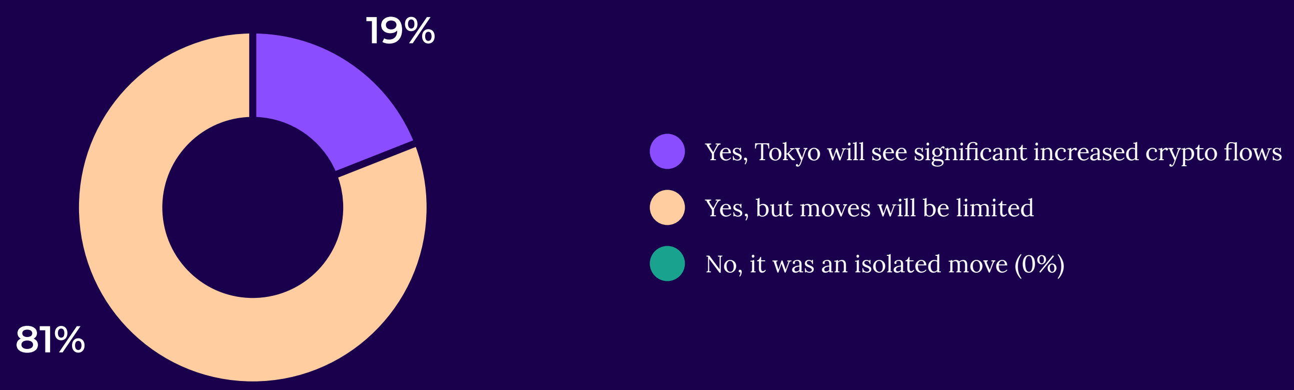
Bitmex's decision to move its data centre from Dublin to AWS Tokyo is a clear signal to the network of institutionalisation within crypto market infrastructure.

Do you think that the Bitmex move to AWS in Tokyo represents a trend towards greater institutionalisation of crypto market infrastructure?



A clear majority of respondents believe that other firms will follow Bitmex's move to Tokyo, but that these moves will be limited. This cautious consensus reflects the operational complexity and high cost of re-platforming core matching engine infrastructure.

Do you think more firms will follow Bitmex's decision to move its matching engine to AWS in Tokyo?

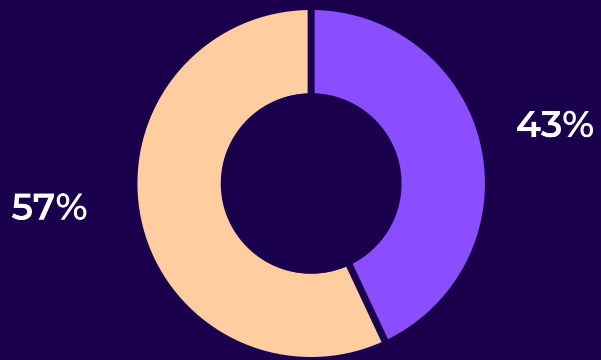


H-1B Visa

In late September, President Trump signed an executive order which required firms to pay a one-time fee of $100,000 for new H-1B visas. The changes to the program are already having an impact on some proprietary trading firms in the US.

The new policy appears to significantly impact ultra-low latency and predominantly algo firms in the US - all of whom said that they would adjust their approach to hiring. No firms that reported an impact said that they would be able to bear the cost of the new visas.

How much of an impact on your business model will potential price hikes for the H1B visa have?



- Significant, we will have to adjust our approach to hiring
- No major impact on our business
- Significant but we can bear the cost (0%)

Q&A with the Osaka Exchanges' Kensuke Yazu

This year has been a busy one for the Osaka Exchange, the derivatives market of the Japan Exchange Group, with record trading across several product lines. Acuiti spoke with Kensuke Yazu, general manager at the Osaka Exchange, about the exchange's performance this year, new products, the coming growth of retail trading and the opportunities for proprietary trading firms on this vibrant market.

Acuiti: What are you currently seeing in terms of volumes on JPX?

Kensuke Yazu: In the third quarter of this year, we saw significant market momentum and growth across our equity options markets, including the single stock options (SSOs) market. Also, for the first time since 2022, we saw rising trading activities in the 20-year Japanese Government Bond (JGB) futures market during this period.

Acuiti: What recent developments have contributed to the growth of Japan's single stock options market?

Kensuke Yazu: Unlike other global markets, Japan's SSOs market had relatively low trading volume and market activity before the third quarter of last year. But now, we are seeing very positive momentum accelerated by demand from market makers, retail investors, and prop and institutional players.

As a result, monthly SSOs trading volume expanded to around JPY 100 billion ($720 million) in notional in October - 20 times larger than in the same month of the previous year.

So far, only a limited number of retail brokers, including one of the largest online brokers in Asia, are offering the access to this market to local retail investors. But some of the largest Japanese online brokers are also preparing to join the market. I believe that this will dramatically change the market ecosystem next year.

We are seeing mounting demand for flexible options trading, especially from Japan's regional banks and some institutional investors, who are pursuing multiple trading strategies, from covered calls to holding stocks.

The global harmonisation in OTC derivatives reporting introduced last year has also fuelled growth in the listed options market. This increase is not just in ETF options, but also in individual stock options — for example, in names like SoftBank, Nintendo and Tokyo

Electron. These stock options are now showing strong trading volume.

In equity index options, in April this year, we added a Wednesday expiry for the Nikkei 225 mini options contract and have seen a gradual increase in trading, so we are now looking to add more daily expiries. These will likely come in 2027 if we see demand from market players.

We are taking a step by step approach compared to the US or European market, but we see strong demand from our local market and international firms trading on the exchange.

Acuiti: Is there a big retail presence in Japan trading in the derivatives markets?

Kensuke Yazu: Retail investors have a relatively large presence in Japan's derivatives markets, holding 20% to 30% of the trading volume shares for traditional equity index derivatives. Their full-scale participation in the SSOs and short-dated options markets will contribute to the growth of market liquidity, as well as increasing the appeal and demand of prop firms and institutional investors.

Acuiti: What recent trends are you seeing in JGB and TONA futures trading?

Kensuke Yazu: Currently, the BoJ's policy rate stands at 50 basis points. However, given the remaining higher inflation rate compared to the BoJ's target rate, there is an expectation of an additional 25 basis point hike, with a possible path towards a 1% rate or more. This has created market volatility with increasing trading from both overseas and domestic players looking to hedge their interest rate positions or speculate on movements.

One of the noteworthy trends this year is that in July, Japan's domestic financial institutions, including banks and broker dealers, based in Japan, began providing liquidity in the 20-year JGB futures market, which has had limited trading activity since its launch in 1988. Since then, we've seen daily trading volume increase, and open interest has expanded to more than 20,000 contracts (from zero!) in October.

We regularly speak with hedge funds based in Asia and London, and there is increasing demand for curve trades — particularly between the 10-year and 20-year maturities using the futures market. If we start to see more trading volume and liquidity in the 20-year JGB futures, these types of strategies - especially from macro hedge funds focused on relative value - are likely to increase.

As for short-term TONA futures, we have seen a stable market expansion since their launch in 2023, and domestic financial players have increased their market presence this year, perhaps driven by the rate market volatility. As the most liquid and largest market for TONA futures, we will accelerate to achieve further growth, following the development of the SOFR market in the US.

Acuiti: In September, the CFTC published a no action letter that allows the JSCC to clear yen-denominated interest rate swaps for US customers. How much volume do you expect will migrate onshore as a result of that?

Kensuke Yazu: Currently, the JSCC clears between 50% and 60% of yen rate swaps, with most of the remainder at the LCH, where we assume US customers clear. While we cannot predict the actual expected sizes of trading volume, we believe a significant portion of US customers will come onshore, as we have received intense demand from many of them. We are currently talking about practical onboarding procedures with a number of US-based asset managers and hedge funds, who are eager to clear at JSCC. Ultimately, the landscape has totally changed after the no action letter.

Acuiti: What are you launching in FX?

Kensuke Yazu: In April 2026, we are going to launch USD/JPY, CNH/JPY, and EUR/JPY futures as the first of our FX derivatives lineup. One of the compelling factors of our FX futures is that we will provide margin offsets between our equity index futures and options and these FX futures. What we currently see now is arbitragers trading the Nikkei on our market and overseas exchanges and then hedging their currency exposures with FX futures listed on another platform. Bringing those trades together in addition to OSE's other derivatives transactions will offer significant efficiencies to the market. We have also had strong demand for the products from global market makers and prop trading firms, as FX futures are popular and promising products for them.

Acuiti: For the FX futures launch, are you putting in place market making schemes for proprietary trading firms? And what stage are you at in that process, if so?

Kensuke Yazu: To get the initial liquidity, we will provide market makers with schemes similar to other products. Global players, including major HFTs, are very interested in participating in those market-making schemes. Interestingly, for CNH/JPY - offshore RMB against the Japanese yen futures - Chinese players, including financial institutions and some trading firms, are interested in joining the market or even becoming liquidity providers.

Acuiti: How many international proprietary trading firms are you seeing active on the exchange?

Kensuke Yazu: There are a limited number of prop firms based in Japan, so most of the prop firms are overseas players. Trading volumes from overseas investors in Nikkei 225 mini futures are around 60% to 70% of overall volumes, and that figure includes these prop firms. We have seen a significant increase in the trading volume of overseas players since 2010, and I'm sure that prop firms are one of the key drivers of the market growth during this period.

Acuiti: Japan is increasingly becoming a hub for crypto. Do you have any plans to launch crypto?

Kensuke Yazu: As an exchange, we are very keen on launching new products, including crypto-related derivatives. However, we need to wait for the green light from financial regulators. There is a necessity for regulatory harmonisation between crypto and crypto-related securities products, such as the regulatory supervision, reporting, and the tax treatment differs significantly between them.

Regulators are currently holding conversations with a working group to firstly harmonise legal background differences. Through these policy dialogues, if everything is made clear and agreed upon among related industry parties, we could get the green light to proceed. However, this is still under discussion among related parties.

On the exchange side, we are preparing everything so that, if we receive an approval, we can proceed to launch these products as soon as possible. We are already consulting internally on the product specifications for potential crypto futures.

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.

Exchange	Quarter on Quarter change
North American Derivative Exchange	1472%
Asia Pacific Exchange	817%
FMX Futures Exchange	274%
Coinbase Derivatives Exchange	235%
Bitnomial Exchange	152%
Guangzhou Futures Exchange	149%
Cboe Europe Derivative Exchange	78%
Shanghai Stock Exchange	76%
Borsa Istanbul	48%
A3	44%
China Financial Futures Exchange	44%
NYSE Amex	43%
Nasdaq MRX	35%
Budapest Stock Exchange	31%
BSE	29%
Zhengzhou Commodity Exchange	29%
Indonesia Commodity & Derivatives Exchange	29%
Cboe BZX Options Exchange	22%
MIAX Options	22%
Nasdaq PHLX	19%
Nasdaq ISE	18%
MIAX Pearl	17%
Cboe EDGX Options Exchange	16%
Hong Kong Exchanges and Clearing	16%
Multi Commodity Exchange of India	16%
Dalian Commodity Exchange	14%
Cboe C2 Options Exchange	12%
National Stock Exchange of India	11%
Taiwan Futures Exchange	10%

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
Coinbase Derivatives	Nano Ether Perp Style	Futures	28,727,789	369,564	448,871	01-Apr
Coinbase Derivatives	Nano Bitcoin Perp Style	Futures	8,152,117	126,757	127,376	14-Apr
Coinbase Derivatives	Nano Solana Perp Style	Futures	1,859,079	35,800	29,048	21-Apr
Coinbase Derivatives	Nano XRP Perp Style	Futures	743,747	20,594	11,621	09-Jun
Dalian Commodity Exchange	Benzene	Futures	664,908	43,384	10,074	10-Jun
National Stock Exchange of India	Electricity	Futures	136,336	791	3,170	21-Apr
Zhengzhou Commodity Exchange	Propylene	Futures	67,830	6,295	1,541	19-May
Multi Commodity Exchange of India	Electricity	Futures	96,626	2,365	1,464	10-Jun
Dalian Commodity Exchange	Benzene	Options	66,256	18,391	1,003	05-May
Zhengzhou Commodity Exchange	Propylene	Options	28,184	7,591	640	19-May
Coinbase Derivatives	Mag7 Plus Crypto Equity Index	Futures	12,399	620	590	05-May
Eurex	MSCI Korea NTR	Futures	8,850	7,542	201	14-Apr
Euronext Paris	Capital B	Options	5,752	5,136	133	26-May
Multi Commodity Exchange of India Ltd	Cardamom	Futures	2,551	581	38	22-May
Singapore Exchange Derivatives Trading Limited	HKD/USD	Futures	2,473	-	36	26-May
Euronext Paris	Abivax	Options	877	593	20	02-Jun
Euronext Paris	Exosens	Options	587	539	13	28-Apr
Euronext Paris	Exail	Options	580	350	13	28-Apr
MIAX Futures	Hard Red Spring Wheat	Options	770	1,886	11	19-May

Source: FOW Data

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