Acuiti Proprietary Trading Management Insight Report

Q2 2025

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Introduction

The latest instalment of the Acuiti Proprietary Trading Management Insight report comes after a tumultuous first quarter in which President Trump's trade war roiled financial markets and volatility raced through the asset classes.

Overall, proprietary trading firms rode those market conditions to their advantage, as we detail in section two.

A positive outlook was also evident in hiring plans. While it is an exaggeration to call current hiring conditions a spree, there is a notable push for talent for traders and developers. We explore this trend in detail in the report's first section.

We also look at the possibility of a more secular trend in section three: engagement with the buy-side, where increasing numbers of prop firms are offering execution services.

Also under examination are the European Commission's Savings and Investment Union, the FCA's new fee blocks and our usual range of hot topics suggested by network members.

This report is based on a survey of the Acuiti Proprietary Trading Expert Network, a group of senior proprietary trading executives from across the global market.

Each quarter, members of the network suggest topics and questions, which are then answered by the network.

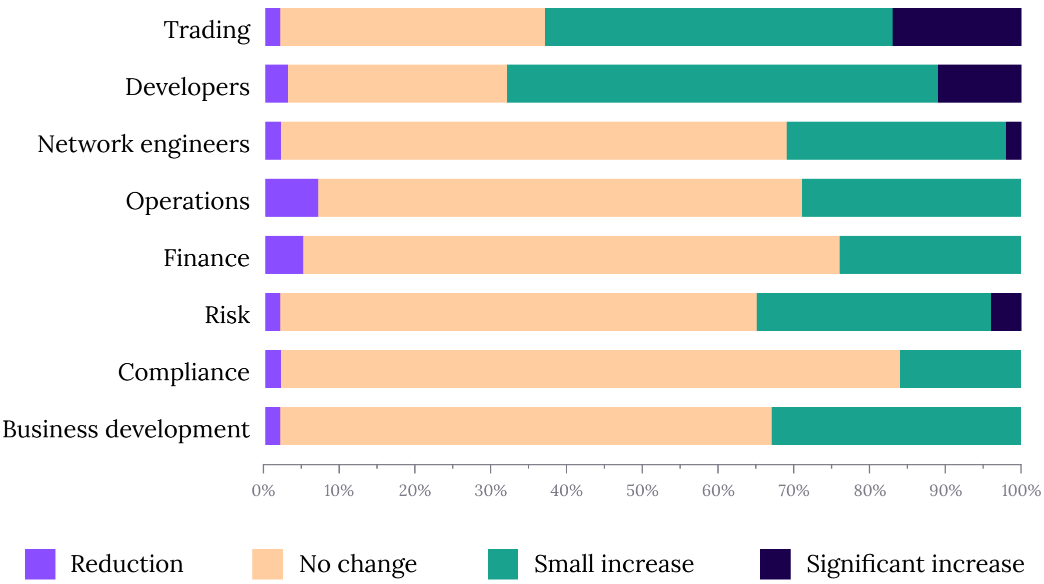
Hiring and wages

Overall, plans for headcount growth in 2025 reveal a positive business outlook. While few firms are planning dramatic increases in hiring, very few are planning to cut headcount.

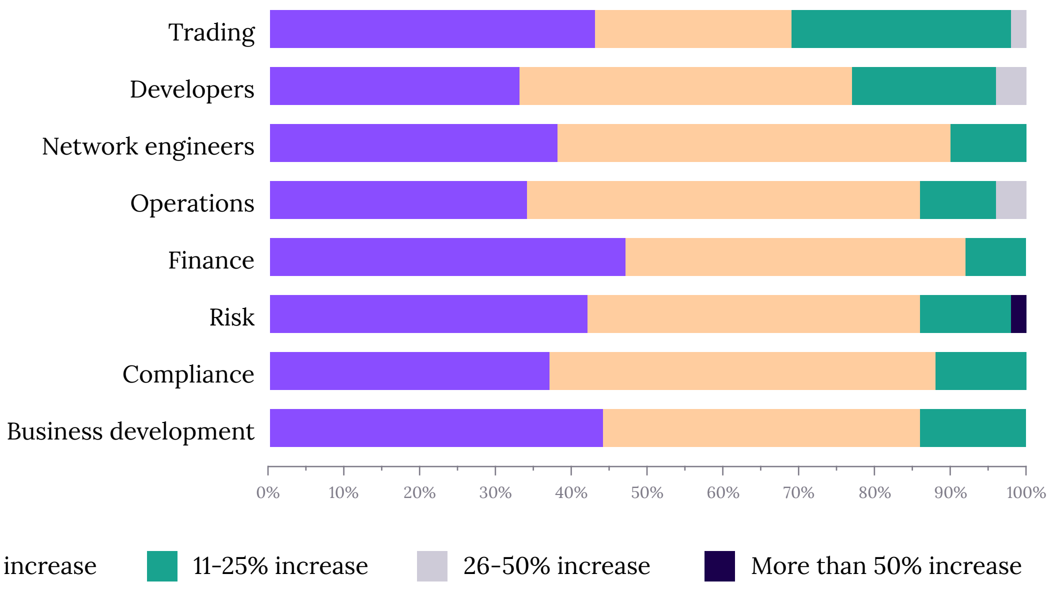
The roles where most are planning to hire are traders and developers. The latter in part reflects the focus many firms are giving to AI and how to integrate it into their operations and create a competitive advantage. As detailed in previous reports, this has been a challenge for many firms, given the scarcity of personnel that both have advanced technical knowledge of trading and can build AI models.

The uptick in traders, meanwhile, partly reflects the rise in volatility in the first quarter of this year and its roiling effect on most asset classes. While this turmoil has, at least temporarily, subsided, the possibility of more tariff and geopolitical uncertainty in the coming months cannot be discounted and firms are investing to capitalise on what is expected to be a busy year.

Will you grow your headcount in any of the following areas in 2025?



Have you seen wage appreciation over the past 12 months for basic salaries in any of the following roles?



Compared to hiring plans in 2024, there has been a sharp drop in the number of firms planning on hiring traders. While around 90% of firms planned to grow their trading desk last year, 65% plan to do so in 2025. Those planning to hire developers has remained broadly similar.

This drop in hiring for traders might be a result of increased salary pressures.

Almost 35% of the network reported wage appreciation of more than 11% for salaries for traders this year compared with around a fifth of respondents in 2024.

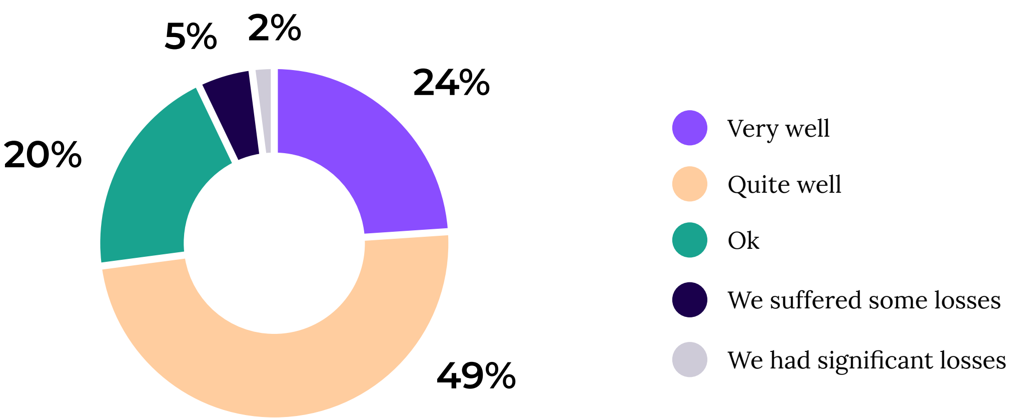
Elsewhere, however, salary pressures have eased over the past 12 months, particularly for network engineers and developers - likely as a result of less bullish hiring in the tech sector this year.

Section 2

Tariff volatility

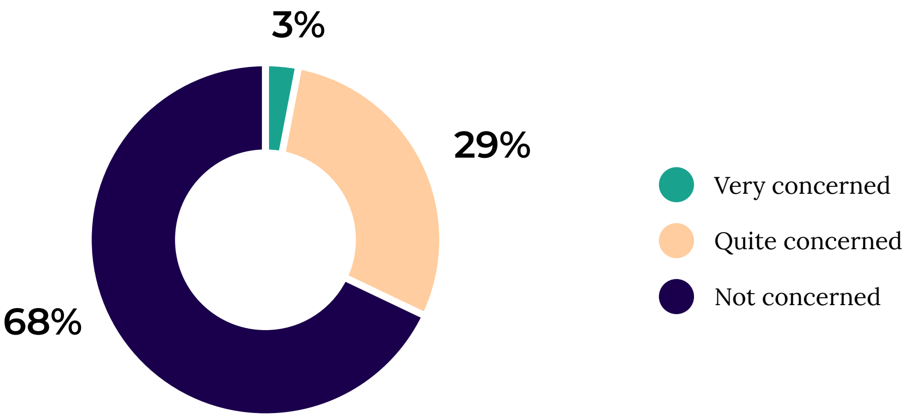
While volatility is the lifeblood of prop trading, when levels are too elevated it can pose problems for firms. The volatility seen in the market in the wake of President Trump's tariff "Liberation Day" was unprecedented in many markets. However, for most network members, the initial market fallout from Donald Trump's tariff announcement was profitable.

How did your firm perform overall during the initial market fallout from the Trump tariff announcement in early April?



Compared to other recent bouts of volatility, such as that caused by interest rate rises in 2022, concern around this most recent bout of market turmoil has been more limited. Most of the network were not concerned about equity market declines following the tariff announcements. This position was justified after the survey closed and S&P 500 fully recovered its losses in recent weeks.

Overall, how concerned are you about the declines in equity markets in the wake of the Trump tariff announcement?



Which asset class has proved the most profitable for your firm so far in 2025?

1. Equity Options
2. Equity futures
3. Listed interest rates

Volatility did not just impact equity markets in the first quarter and was spread across asset classes such as fixed income and FX. However, equities were where the profits were to be made, with equity futures and options the most fortuitous for members so far in the year. Members also reported that listed interest rate derivatives had been a profitable market so far in 2025. For FX derivatives, however, pickings were much slimmer, despite significant volatility in that asset class. Cryptocurrencies, while profitable relative to FX, commodities, energy and metal, still lagged significantly behind equity and rates derivatives.

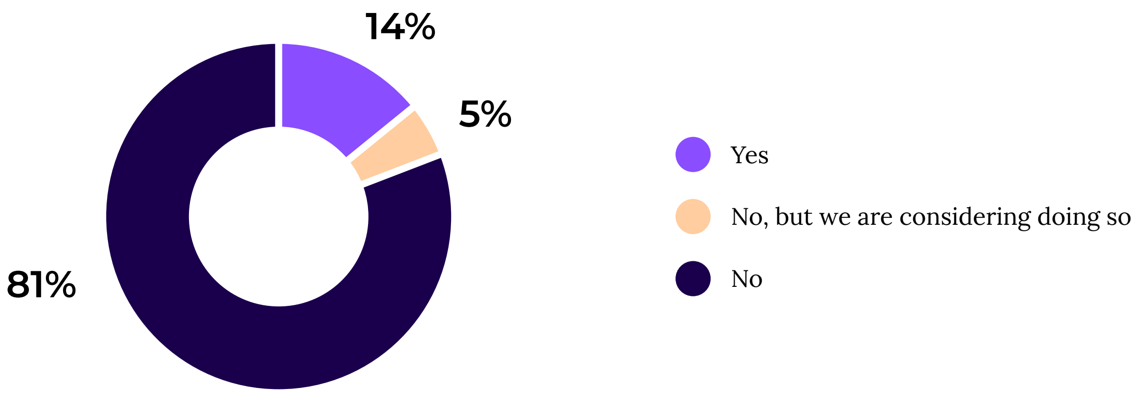
Engaging with the buy-side

The traditional prop trading business model focuses on market making and trading a book intraday. However, over the past decade, there has been significant opportunity for many of the larger firms in the market in offering execution services directly to the buy-side.

Moving to this model for execution represents a significant operational uplift as well as continual investment in latency and connectivity. Thus far, therefore this offering has been relatively limited to the larger, ultra-low latency firms.

Across the network, 14% of prop firms are currently offering direct execution services with a further 5% considering doing so.

Do you currently offer execution services directly to the buy-side?

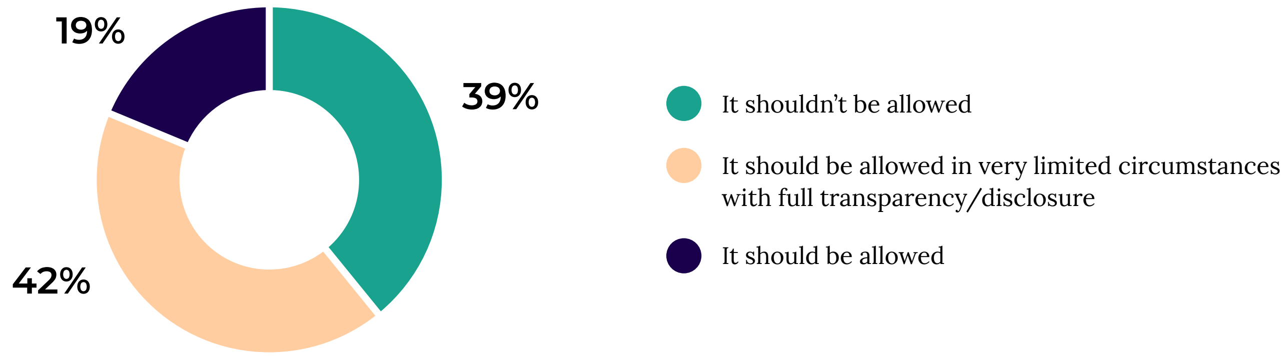


For those offering direct execution to the buy-side, the amount of revenue that the service brought in varied greatly. While two fifths brought in less than 10% of their revenue from execution offerings, one fifth brought in more than 50% of their revenue from these services.

The topic of execution also brings the issue of pre-hedging to the fore. This is already a highly contested practice, with opponents claiming that it effectively represents front-running of client orders and can move the market against the client flow.

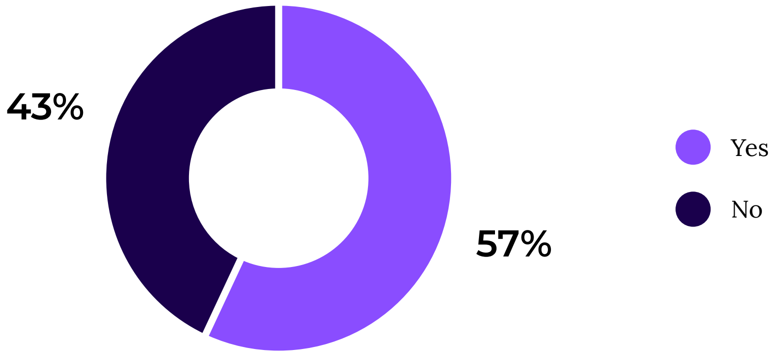
The regulation around pre-hedging is not always seen as clear. Two fifths of the network support greater clarity through banning the practice. Only around a fifth think it should be allowed, while the remainder of the network think its practice should be restricted and done with full transparency.

What is your view on pre-hedging by prop firms offering execution services to the buy-side?



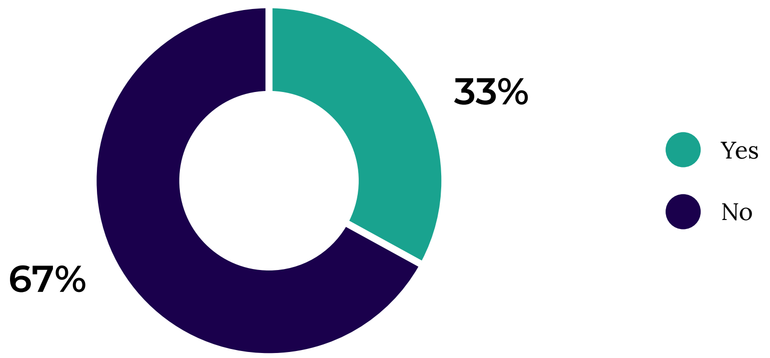
On the issue of internal matching of client flow, most of the network thought that this was acceptable practice for prop trading firms that offer direct execution. However, the fact that over two fifths disagreed is still a notable proportion.

Do you think that client flow should be allowed to be matched internally by proprietary trading firms offering direct execution services to the buy-side?



Another perennially controversial issue in the prop trading community is payment for order flow. Most of the network do not think that it should be allowed. Support for PFOF was more prevalent among ultra-low latency firms, who tend to benefit more from it, but among point and click, hybrid and higher latency algo traders opposition was strong.

Do you think that Payment for Order Flow should be allowed?



Savings and Investment Union

The EU's Savings and Investment Union (SIU) aims to mobilise the continent's savings towards productive ends, while also increasing returns for savers. Measures put forward by the European Commission include encouraging greater retail participation in capital markets, promoting equity investment and more integrated market supervision.

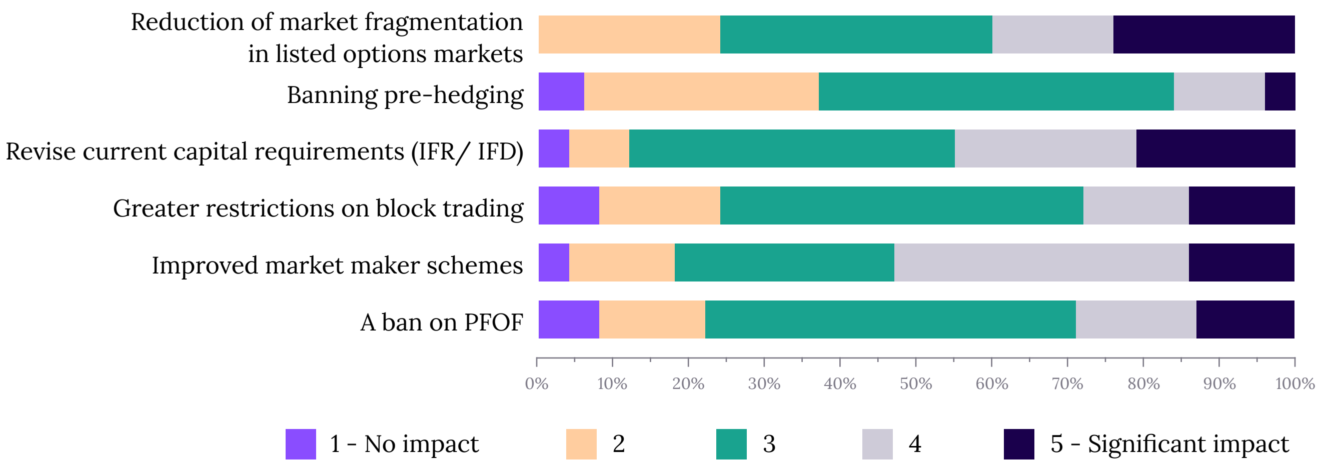
Network members have criticised the focus of the SIU, arguing that measures that encourage better on-book liquidity formation would be more effective.

The most notable finding from network members' assessment of the initiatives was their lack of familiarity with them, with 74% of network members in Europe either unaware or unengaged with the SIU. Among those who were more abreast of the SIU, the objective that network members most agreed with was encouraging retail participation in capital markets, an aim that dovetails with most prop trading firms' desire for more retail traders in European listed derivatives markets. Market integration and supervision was also popular and chimes with longstanding calls from the community for reduced fragmentation.

Alongside the Commission's proposals, we also put forward suggestions by network members on alternative policies that they thought could support better liquidity and ultimately achieve the aims of the SIU.

Members saw reduction of market fragmentation in the listed options market as the measure that would have the most significant impact on improving liquidity in European derivatives markets. They also strongly supported revision of current capital requirements, namely IFR/D. We have extensively covered this issue in previous reports, as it has long drawn complaints over the bank-like provisions that it imposes on prop trading firms.

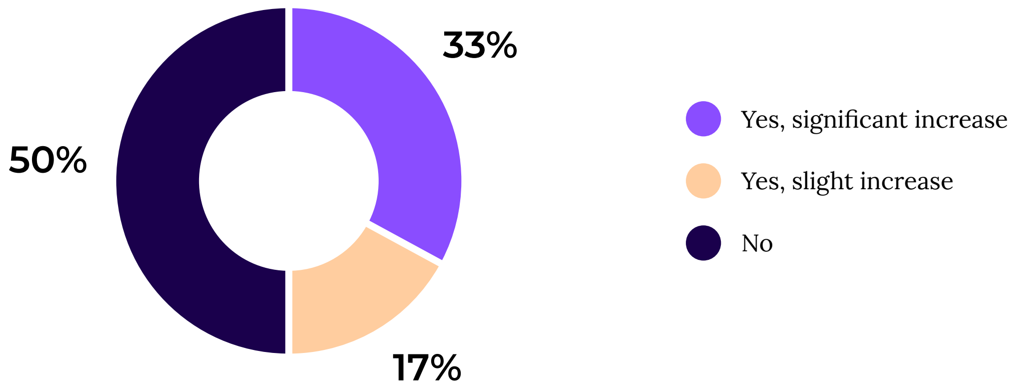
How much of a difference do you think the following would make in improving liquidity in European derivatives markets?



FCA fee block charges

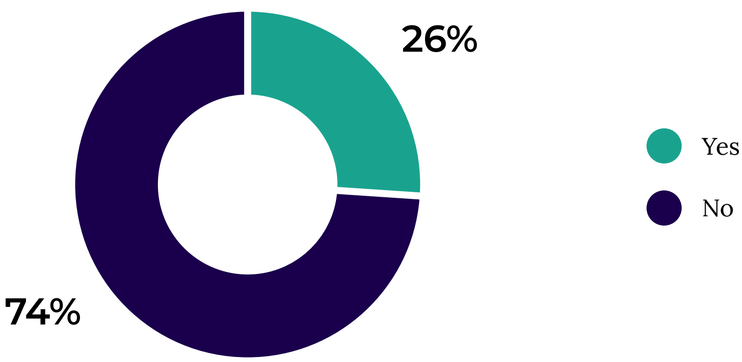
The FCA has recently split its fee block for principal trading firms into two. What was the A.10 fee block has been split into A.10A, which applies to dual-regulated firms and A.10B, for solo-regulated firms. The FCA anticipated that this would reduce some firms' fees and increase others, a prediction that has played out according to survey data. There was a 50/50 divide in the network between members whose FCA fee blocks have increased and those who hadn't. One third said there had been a significant increase in

Has the fee block you are charged by the FCA changed?



Three quarters of the network believe that the calculation of fee block A.10 should not be done using the number of traders at a firm as an input.

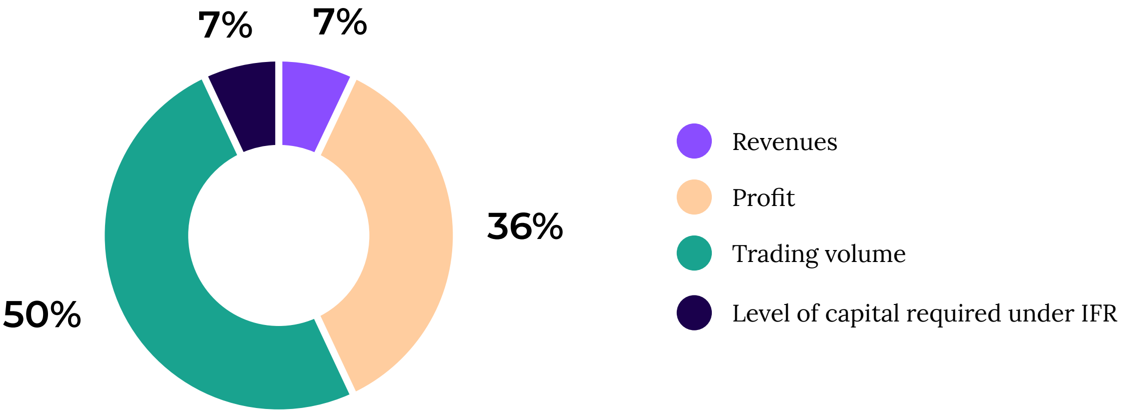
Do you think that the FCA should charge its fee block A.10 on the basis of the number of traders at a firm?



Instead, members mainly pointed to trading volume as a good input, which half supported.

Meanwhile, just over a third thought profit should be used.

What do you think that the fee should be based on instead?

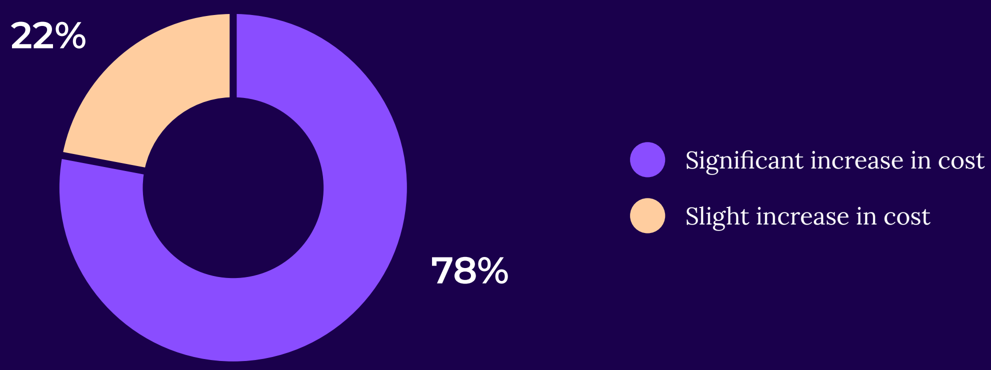


Hot Topics

The race for lower latency

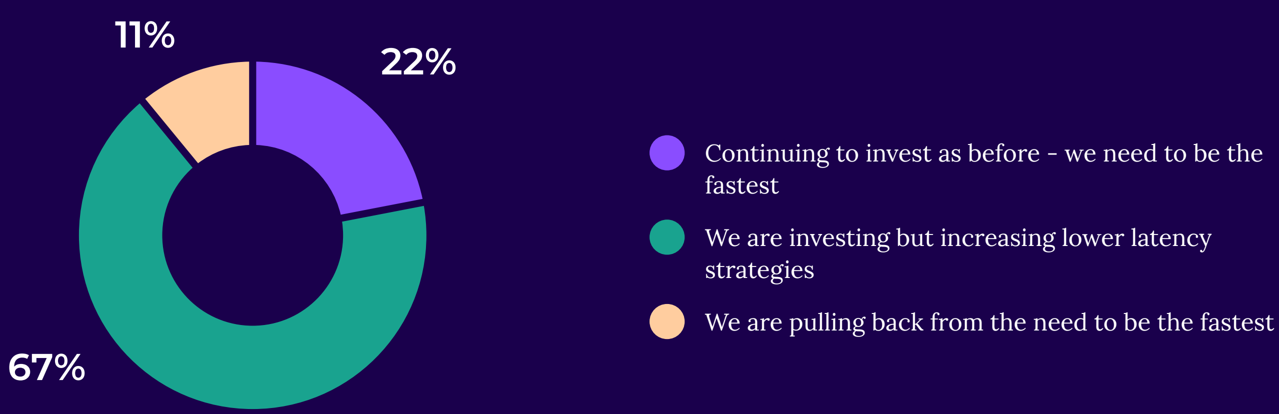
The first of this quarter's hot topics is investment in low latency connectivity and colo infrastructure. Most of the network (nearly four fifths), said the investment required to compete with peers in these fields had significantly increased over the past five years.

How has the level of investment in low latency connectivity and colo infrastructure required to compete with your peers changed over the past five years?



While most continued to invest in these technologies, 67% said that they were increasing the number of lower latency strategies that they used.

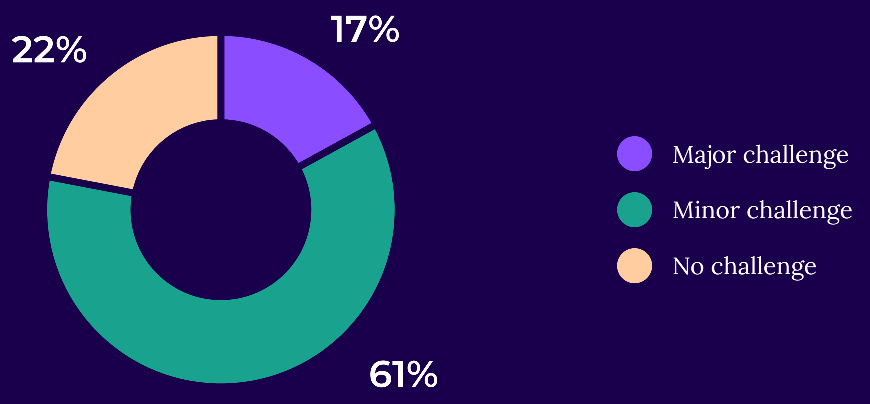
How are you responding to the increase in cost?



Accounting for crypto

Another hot topic, suggested by a member of the network, was the challenge of integrating crypto trading into accountancy practices for TradFi assets. This has presented some level of difficulty for most of the network. The crux of the challenge is that the 24/7 nature of cryptocurrency trading often clashes with accountancy practices for traditional asset classes, in which firms usually receive a statement at the end of the trading day, which they then use as information to balance their books.

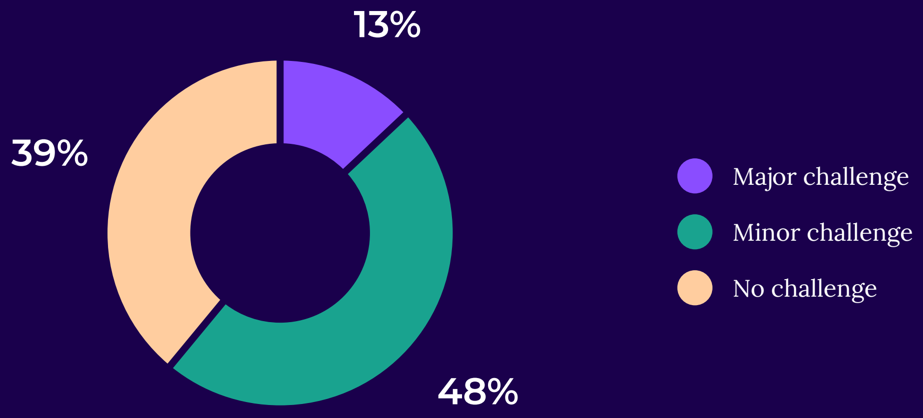
How much of a challenge is integrating crypto trading into your accountancy practices for Tradfi assets?



Managing EU VAT

The report's final hot topic covers the differing VAT treatment of investment firms across EU member states. The majority of the network found this to be a challenge, although most said it was a minor challenge.

How much of a challenge is it for your firm to manage different treatment of VAT for investment firms across different EU countries?

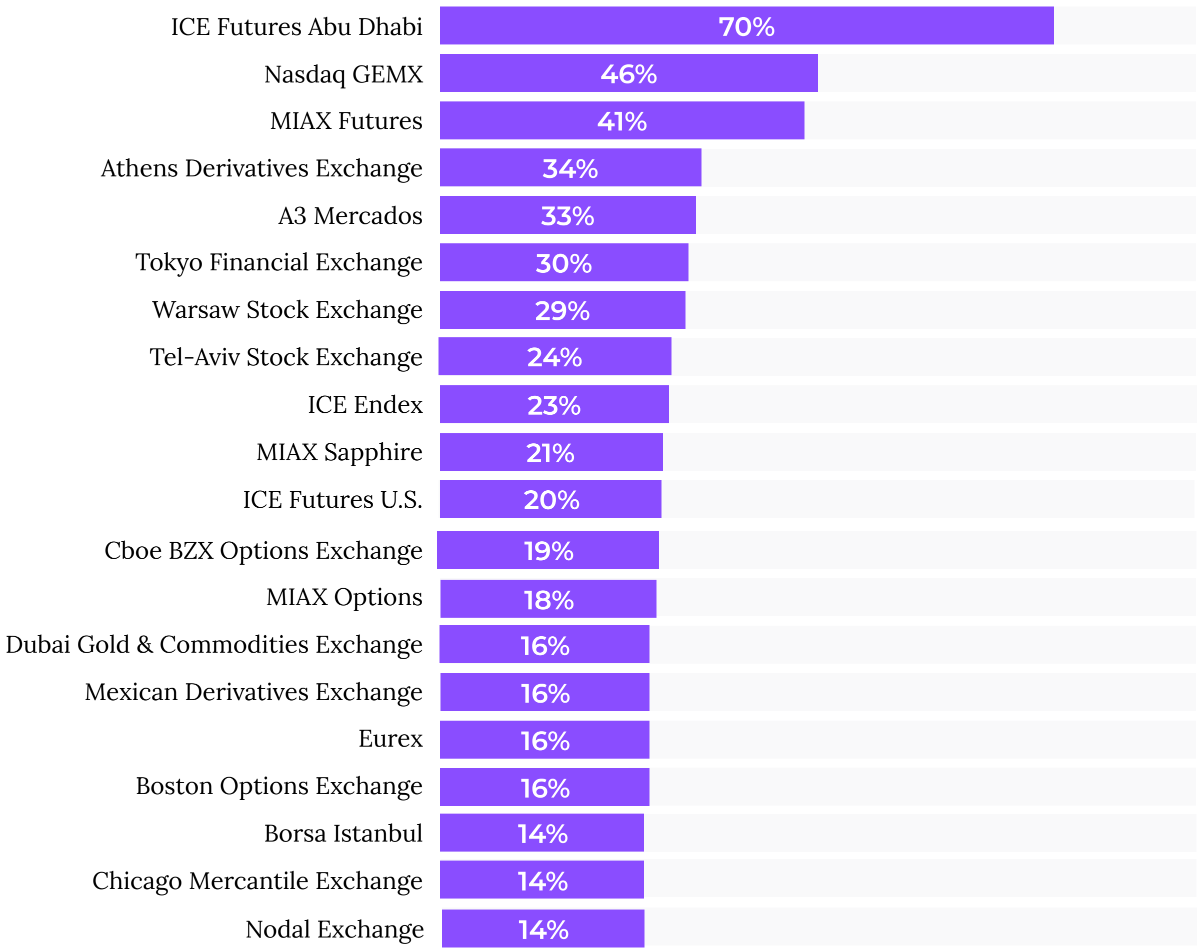


Markets and contracts

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
Coinbase Derivatives	Nano Solana	Future	254,510	9,469	6,362	18-Feb
New York Mercantile Exchange	1-Ounce Gold	Future	275,778	6,002	4,309	13-Jan
Chicago Board of Trade	Micro Soybeans	Future	151,614	3,885	2,368	24-Feb
Chicago Board of Trade	Micro Corn	Future	140,607	3,404	2,196	24-Feb
Chicago Board of Trade	Micro Soybean Oil	Future	132,843	4,780	2,075	24-Feb
Tokyo Financial Exchange	HUF/JPY Rolling Spot	Future	90,194	28,259	1,555	27-Jan
Tokyo Financial Exchange	CNH/JPY Rolling Spot	Future	42,001	29,441	724	27-Jan
Chicago Board of Trade	Micro Chicago SRW Wheat	Future	40,121	2,848	626	24-Feb
Chicago Board of Trade	Micro Soybean Meal	Future	35,986	3,895	562	24-Feb
Coinbase Derivatives	Hedera	Future	16,259	616	406	18-Feb
Chicago Mercantile Exchange	Micro Solana	Future	6,084	734	148	17-Mar
India International Exchange (IFSC)	SENSEX	Future	7,819	402	122	03-Feb
Tokyo Financial Exchange	CZK/JPY Rolling Spot	Future	5,294	831	91	27-Jan
Chicago Mercantile Exchange	Solana	Future	2,264	291	55	17-Mar
Singapore Exchange	Micro FTSE Taiwan Index	Future	2,001	181	48	17-Mar
Chicago Board of Trade	30-Year Conforming Fixed Rate Index	Future	2,900	2126	45	13-Jan
National Commodity & Derivatives Exchange	Coriander	Option	1,839	2131	30	02-Jan
Chicago Board of Trade	Bloomberg U.S. Corporate High Yield Very Liquid Duration-Hedged Index	Future	1,882	50	29	17-Mar
Chicago Mercantile Exchange	EUR/USD Cross Currency Basis	Future	1,308	106	20	03-Feb
National Commodity & Derivatives Exchange	Turmeric	Option	581	659	9	02-Jan

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