

Proprietary Trading Management Insight Report

Q2 2026

IN ASSOCIATION WITH

AVELACOM



Table of Contents

PAGE 3 INTRODUCTION

PAGE 5 SECTION 1: MANAGING VOLATILE MARKETS

PAGE 7 SECTION 2: DIGITAL ASSETS

DeFi engagement

PAGE 12 SECTION 3: DERIVATIVES MARKET IN LATIN AMERICA

PAGE 14 SECTION 4: HOT TOPICS

Artificial Intelligence in the Workplace

Increasing Directional Positioning

PAGE 17 SECTION 5: THE AVELACOM EXCHANGE GROWTH INDEX

PAGE 18 SECTION 6: Q&A WITH KALSHI'S ANDY ROSS

Introduction

Welcome to the Q2 2026 Proprietary Trading Management Insight report. This edition examines how proprietary trading firms are adapting to a fast-changing market.

We begin by analysing the impact of heightened volatility in the first quarter of the year, driven by the Israeli and US strikes on Iran and how firms' systems, strategies and infrastructure performed under stress. This section assesses both the resilience of modern trading operations and the areas where bottlenecks, particularly around data and execution, continue to emerge.

We then turn to digital assets, evaluating the current level of institutional engagement and the motivations behind participation. The report also examines decentralised finance, exploring both the opportunities in permissionless markets and the structural challenges that continue to limit institutional involvement.

We then take a look at regional expansion in the Latin American derivatives market. This

section evaluates where firms see opportunity in the region, the structural inefficiencies that may offer alpha and the operational, regulatory and liquidity constraints that currently limit participation.

The hot topic of this report is the growing impact of artificial intelligence on employment and the increasing importance of high-quality data. We assess how firms are rethinking hiring strategies in response to AI-driven efficiencies.

This report is based on insights gathered from a global network of proprietary trading firms, providing a snapshot of how leading market participants are positioning themselves in response to ongoing structural change.

As proprietary trading firms across the market navigate the opportunities that structural change presents, Avelacom is proud to be a key connectivity partner. Our low-latency network provides firms with access to more than 90 points of presence to data centres across global markets.





Global Market Access Solutions

10s of ms lower latency

Connectivity

- Low latency
- WAN
- Cloud-to-Cloud



Market Data



Colocation



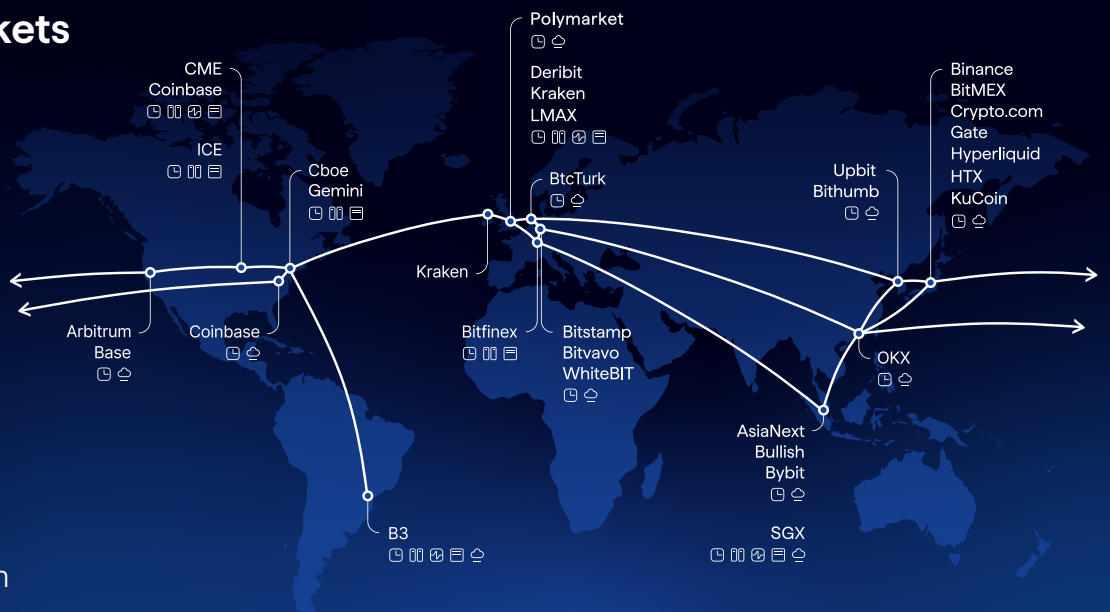
Servers on Demand



Traditional Markets



Digital Asset Markets (CeFi & DeFi)





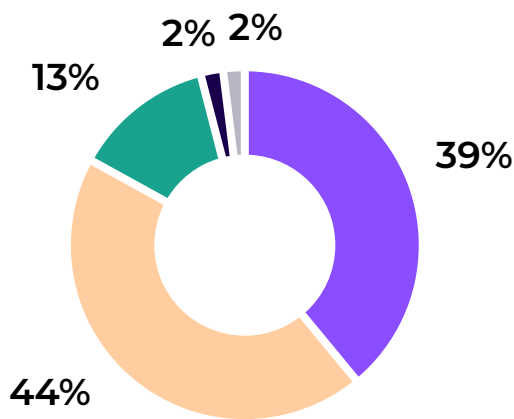
Managing volatile markets



The first quarter of the year saw significantly heightened volatility, mainly due to conflict in the Middle East but also because of concerns about the impact of AI on the business model of a wide range of sectors. As well as providing trading opportunities, this period tested how well proprietary trading firms could operate under elevated volumes and challenging market conditions.

For the most part, proprietary trading firms demonstrated notable resilience. A combined 83% of the Acuiti Proprietary Trading Expert network said that they maintained strong overall operational performance during the stressed market conditions, with most reporting either an excellent or good operational functioning despite the high volumes.

How would you characterise your firm's overall operational performance during the most recent major volatility event?

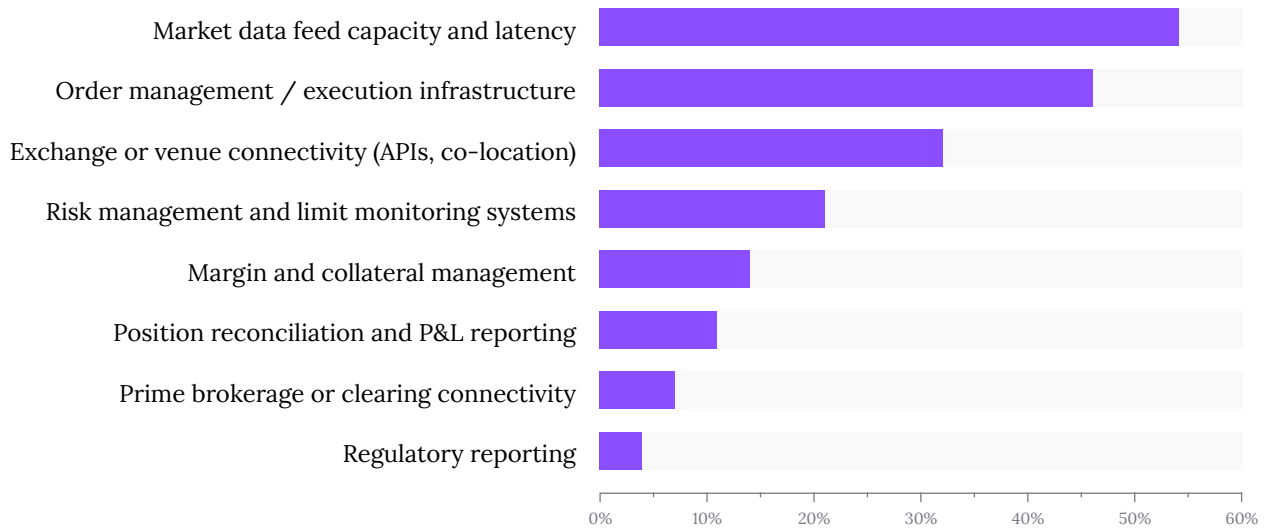


- Excellent, systems and processes performed as designed with no material issues
- Good, minor issues arose but were resolved quickly with minimal impact
- Ok, some meaningful disruption but we maintained trading operations
- Poor, significant operational issues forced us to reduce or halt activity
- Severely impaired, we were unable to participate effectively for a material period

However, some areas of weaknesses did emerge. The most commonly cited issues were with market data feed capacity and latency, where 54% of respondents reported issues, and order management/execution infrastructure, reported by 46%. While firms can generally withstand volatility, the sheer

volume and speed of messaging during turbulent periods can still put stress on systems. These challenges were especially evident among firms that deployed less latency sensitive strategies, where more semi-automated processes can struggle to keep pace with elevated trade volumes.

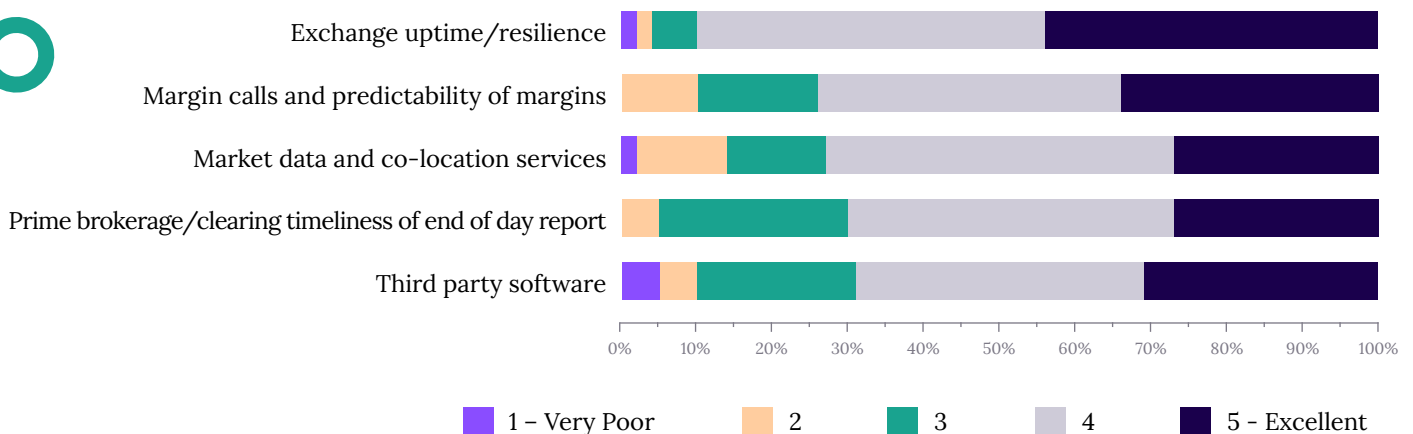
In which of the following areas did you experience issues with internal processes?



External infrastructure performance also held up well during the volatility. Satisfaction was high across key metrics such as exchange uptime, market data and co-location services, with the majority of responses concentrated in the top two performance ratings. Consistent reliability is crucial for ultra-low-latency firms in particular, as even minor interruptions

in exchange uptime or data delivery can significantly affect profitability. The strong ratings for market data and co-location services, with 83% of respondents assigning a strong score in these areas, is testament to significant investments made in stability in these areas by infrastructure providers and their clients over recent years.

How did external infrastructure perform during the peak volatility period?



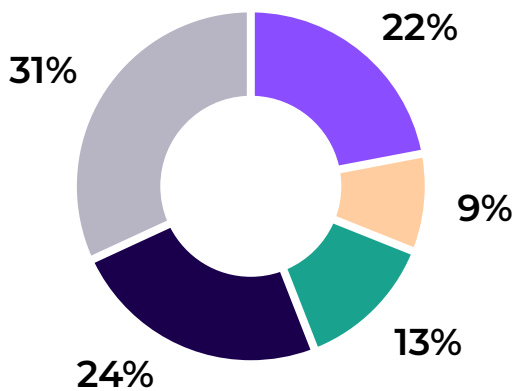
Digital assets adoption



Engagement with digital assets across the network remains mixed. While 44% of firms are already participating in some capacity,

a larger proportion remain on the sidelines, although 24% are actively evaluating entry.

Does your firm currently trade digital assets?

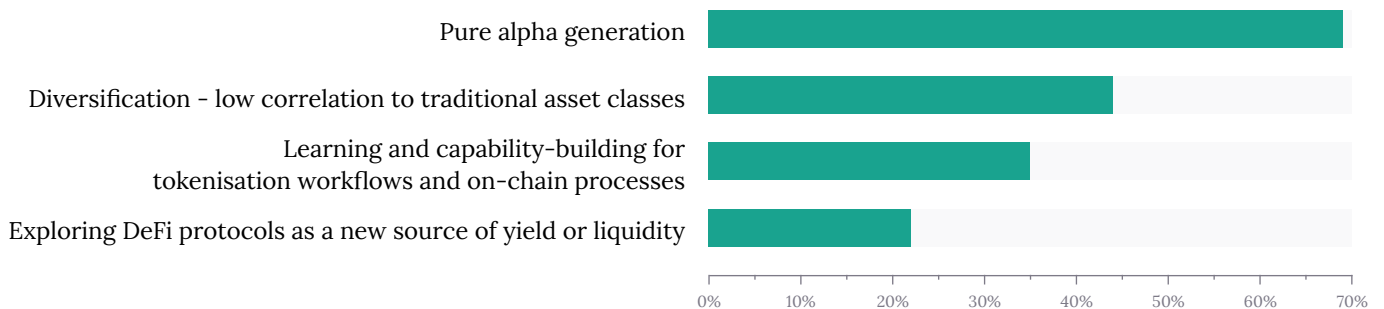


- Yes, we actively trade digital asset spot and derivatives
- Yes, we trade digital asset derivatives only
- Yes, limited or exploratory trading only
- No, but we are actively evaluating entry
- No, and we have no current plans to enter

Among firms that are engaged with digital assets, the primary motivation is alpha generation, cited by 69% of respondents. This reinforces the perception of digital assets as a high-volatility, opportunity-rich market,

where inefficiencies, fragmentation and retail driven flows can be traded. Diversification also plays a significant role, with 44% of firms highlighting a relatively low correlation between digital assets and traditional markets.

What are your firm's primary strategic motivations for engaging with digital assets?

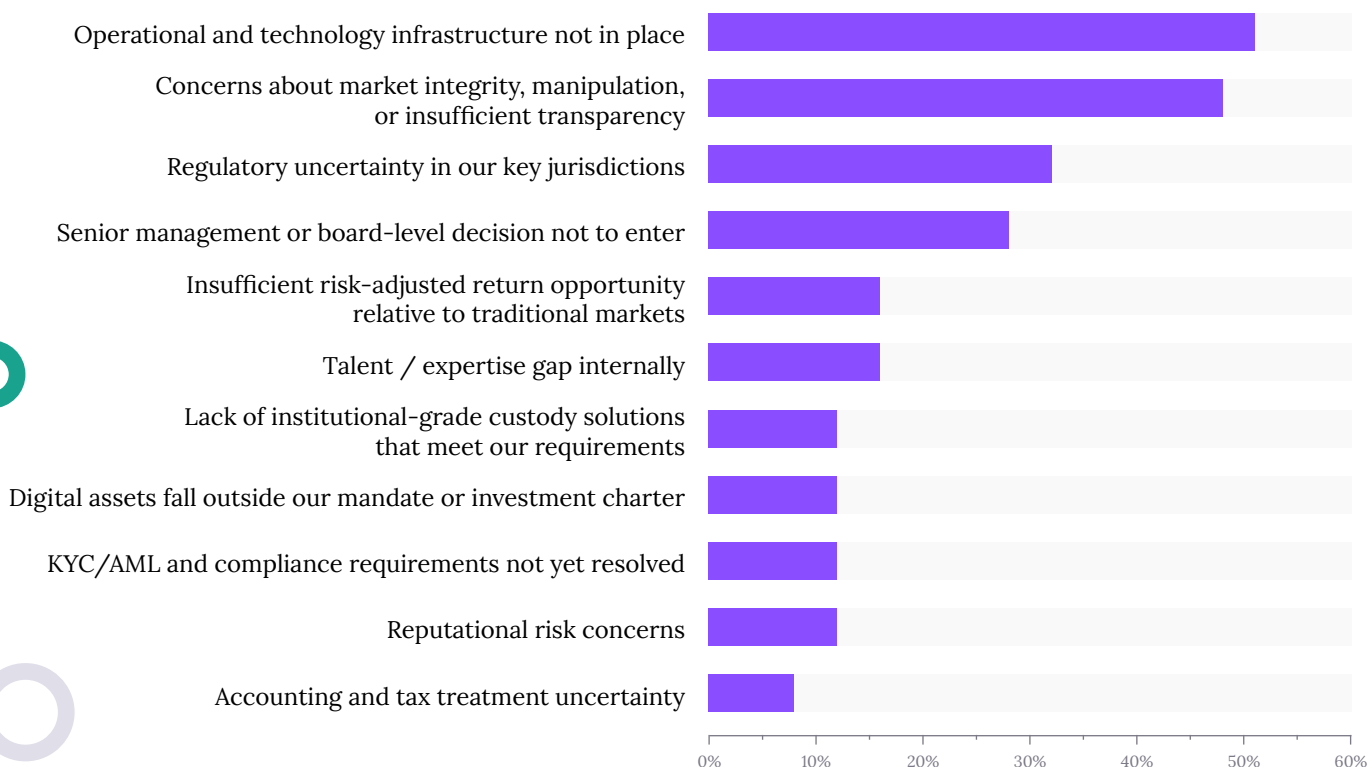


For those firms not trading digital assets, almost 50% of respondents said that they have not entered the market due to operational and technological limitations and concerns about market integrity and manipulation. Regulatory uncertainty and internal decision-making

constraints were the other most commonly cited reasons. With many of the firms citing regulatory uncertainty based in the US, the expected passage of the Clarity Act looks set to result in a wave of proprietary trading firms starting to trade in digital assets.

What are the primary reasons your firm has not yet entered digital asset trading?

For firms that are not trading digital assets



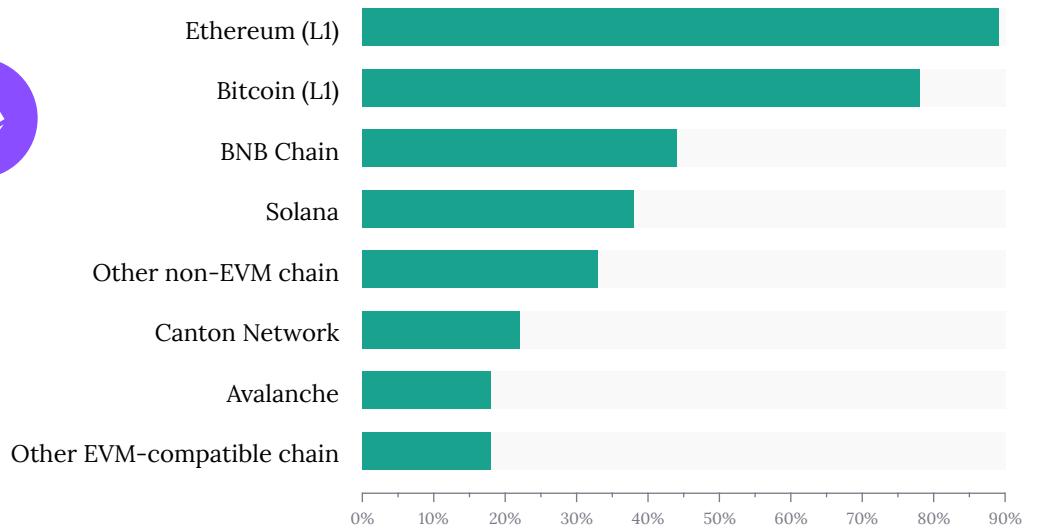
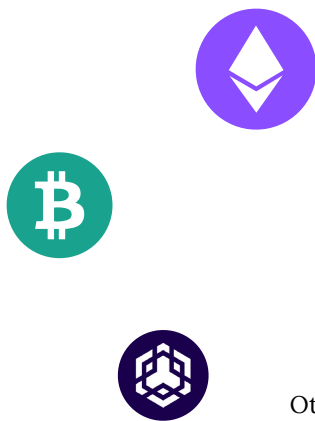
Beyond pure trading motivations, firms are increasingly exploring digital assets as a means of preparing trading and settlement infrastructure for tokenisation. The choice of blockchain networks has become increasingly important, with considerations such as liquidity, security and transaction efficiency remaining key priorities.

Firms show a strong preference for established Layer-1 networks. Ethereum and Bitcoin dominate usage, reflecting their

liquidity, security and ecosystem maturity. Other networks such as BNB Chain, Solana and Avalanche also feature, indicating that many are exploring alternatives that may offer advantages in cost, speed or specific use cases.

This distribution indicates that firms employ a multi-chain approach rather than relying on a single network. Infrastructure selection is driven by the specific requirements of each strategy or product.

Which Layer-1 blockchain networks does your firm currently use for trading and settlement?



When selecting Layer-1 networks, firms said that they prioritise security, highlighting the importance of trust and robustness in an environment where counterparty risk has to be considered alongside protocol risk. Unlike traditional finance, crypto markets introduce an additional layer of protocol risk, making the robustness and integrity of the underlying network critical.

For institutional participants, this means prioritising networks with proven security, decentralised validation mechanisms and

a strong track record of reliability. While intermediaries such as exchanges, brokers and custodians still play an important role, trust is also placed in the resilience of the protocol itself - security, reliability and compliance remain more critical when assessed against the full breadth of functionality offered by emerging blockchain ecosystems.

Factors such as transaction speed, cost, liquidity and regulatory clarity were also commonly cited.

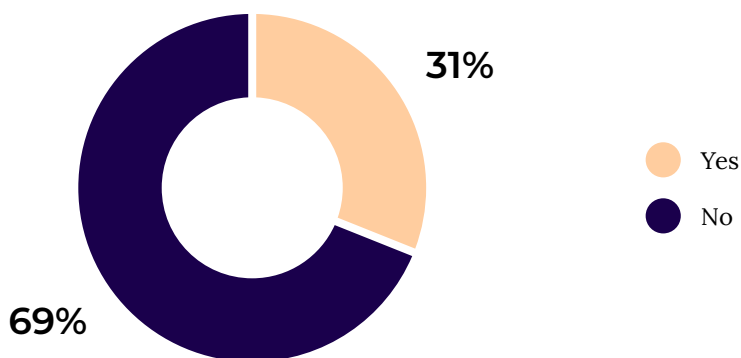


DeFi engagement

Participation in DeFi trading remains relatively limited among the network that are trading

digital assets, with only 31% actively trading on DeFi platforms, while 69% have not yet engaged.

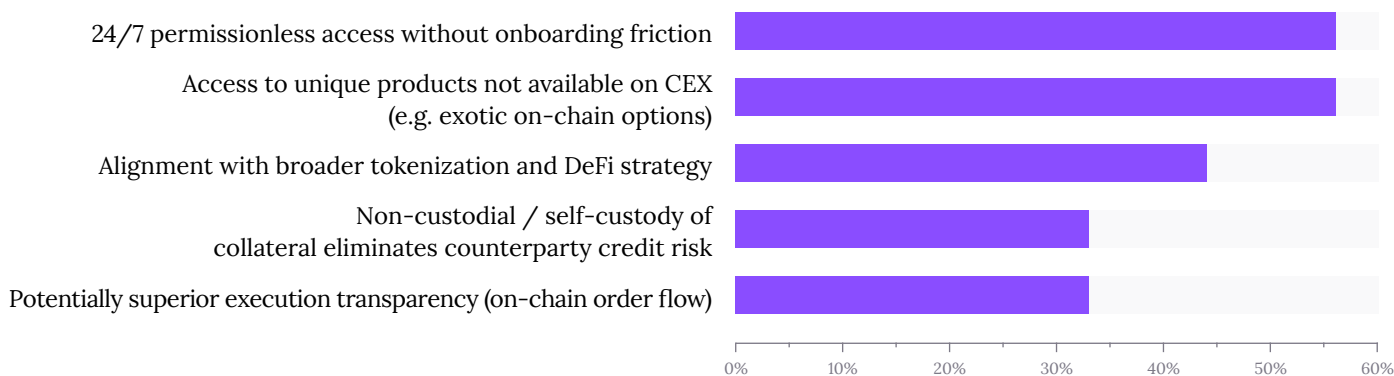
Do you trade on DeFi platforms (i.e. Hyperliquid)?



For firms that do participate, the appeal lies in its accessibility and product differentiation. The ability to trade 24/7 in a permissionless environment removes many of the onboarding and operational frictions associated with traditional financial systems and provides the

ability to capitalise on market moves over the weekend. Additionally, access to unique products, such as on-chain derivatives and exotic instruments, provides opportunities that are not readily available elsewhere.

What are the primary attractions of DeFi venues for your trading operations?



Despite these advantages, several significant barriers continue to limit broader adoption of DeFi. The most prominent challenge is insufficient liquidity, cited by almost 50%

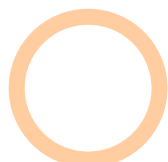
of respondents. This directly restricts the ability of firms to execute large trades without excessive market impact.

This is compounded by concerns around slippage and maximal extractable value (MEV), where transaction ordering and on-chain mechanics can negatively affect execution

quality. Together, these issues highlight that DeFi market structure is still evolving and not yet fully optimised for institutional-scale trading.

What are the most significant barriers or challenges your firm faces when trading derivatives on DeFi venues?

- C1** Insufficient liquidity depth for institutional order sizes
- C2** Regulatory uncertainty - unclear status of DeFi activity across jurisdictions
- C3** Slippage and MEV (maximal extractable value) adversely impacting execution
- C4** Lack of institutional-grade custody and key management solutions
- C5** Absence of robust KYC/AML compliance frameworks on-chain
- C6** Operational complexity - on-chain workflows differ significantly from TradFi
- C7** Smart contract risk and protocol security vulnerabilities
- C8** Internal governance

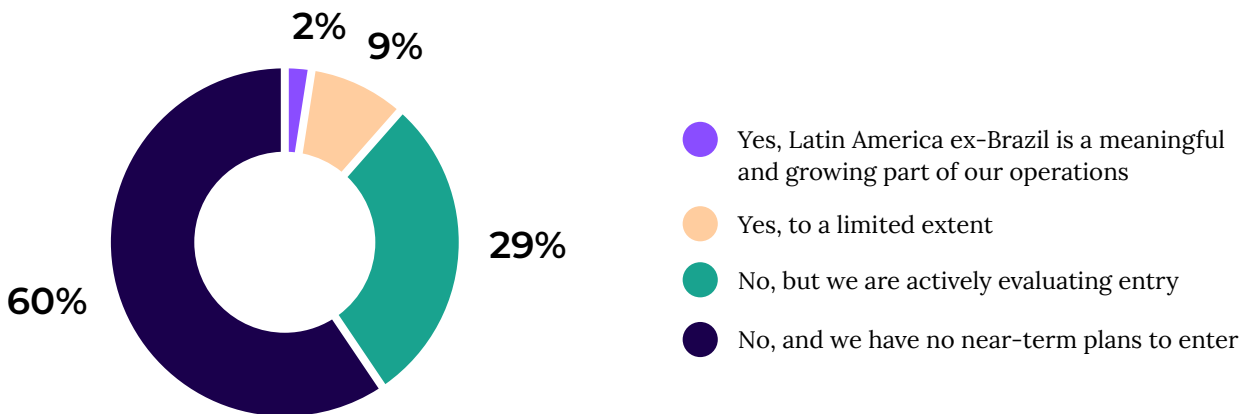


Trading in Latin America

Participation in Latin American equity and derivatives markets outside Brazil remains relatively limited among proprietary trading firms, with only 11% of firms currently active, while 60% have no near-term plans to enter.

However, a notable 29% are actively evaluating entry. This gap between participation and consideration suggests that firms recognise the region's potential but are held back by structural and operational barriers.

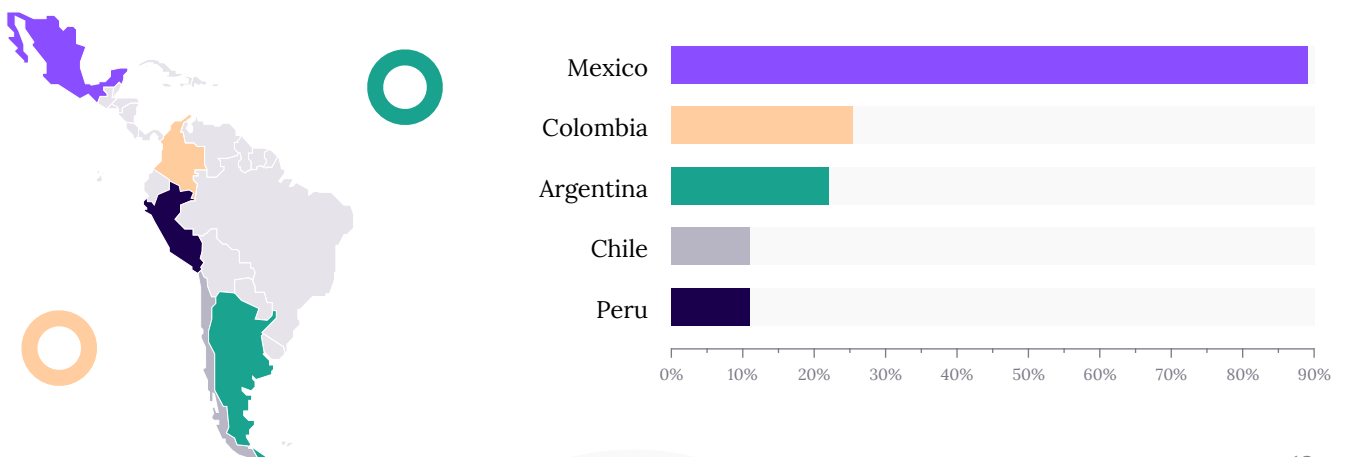
Does your firm currently trade equity or derivatives markets in Latin America (excluding Brazil)?



Among countries in the region (excluding Brazil) that proprietary trading firms are active

in, Mexico stands out overwhelmingly as the primary focus for firms.

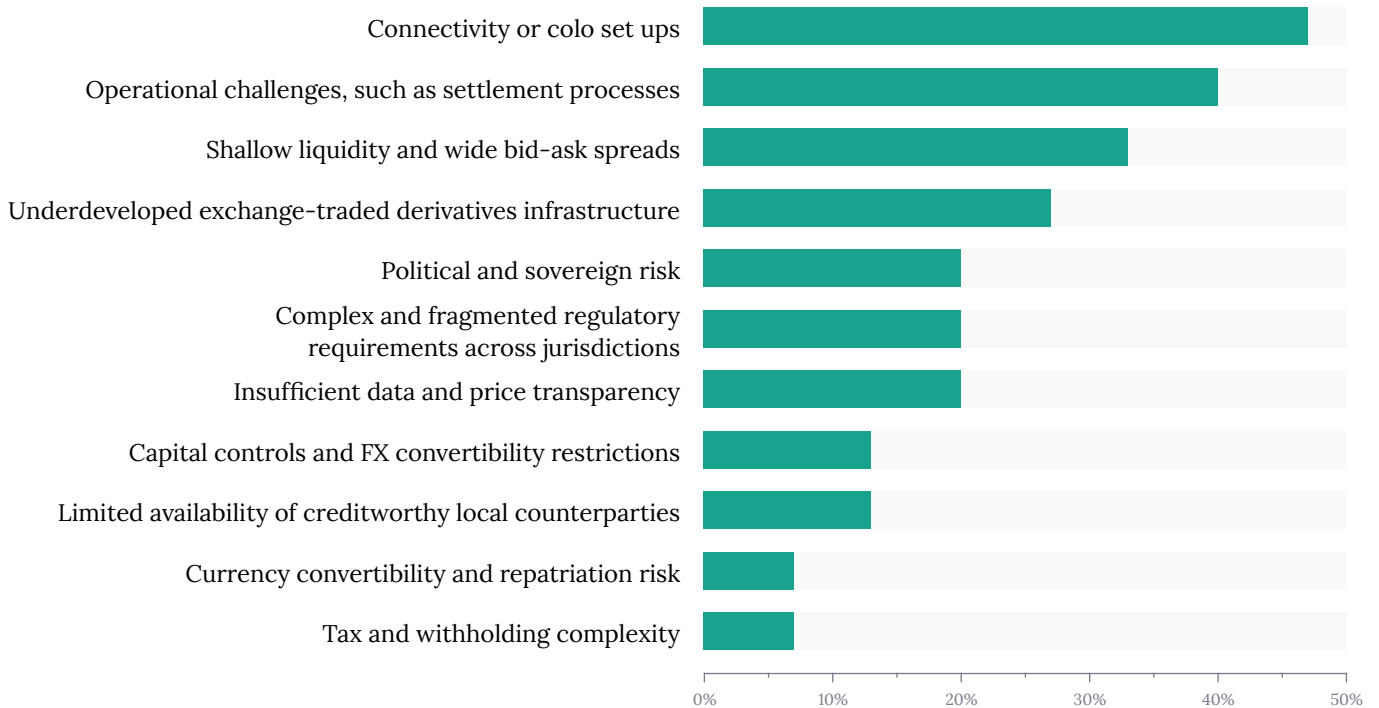
In which Latin American countries (excluding Brazil) do you currently trade or have interest in trading equities or derivatives?



The barriers to participation provide clear insight into why adoption remains constrained. The most significant barrier to more participation in Latin American markets that the network cited was connectivity and co-location set ups, cited by almost 50% of members.

This directly impacts latency and execution quality - critical factors for modern trading strategies. In addition, operational challenges, such as settlement processes, were commonly cited as a hurdle to entry.

What are the most significant barriers preventing greater participation in Latin American derivatives markets (ex-Brazil)?



Hot topics



Artificial intelligence and hiring

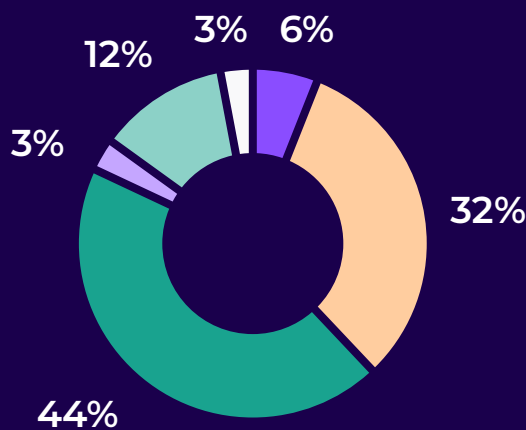
Artificial intelligence is increasingly reshaping how proprietary trading firms operate and manage their workforce. AI has significant promise to drive gains in productivity, efficiency and execution speed, but it is also changing workforce dynamics. Among network members so far, AI adoption is contributing to a more measured and selective approach to headcount growth.

The rise of AI is still an unknown effect on the workforce, however there are early signs that firms are slowing the pace of hiring, as

cited by almost 50% of respondents. This trend is particularly evident among hybrid of algo and point and click firms. The focus for now seems to be leveraging AI to enhance the productivity of existing employees with just 15% of firms reducing headcount as a result of AI productivity gains.

As a result, firms are shifting away from broad-based hiring towards more targeted recruitment of highly specialised talent, particularly in areas such as quantitative research, engineering and data science.

How is AI changing your approach to employment?



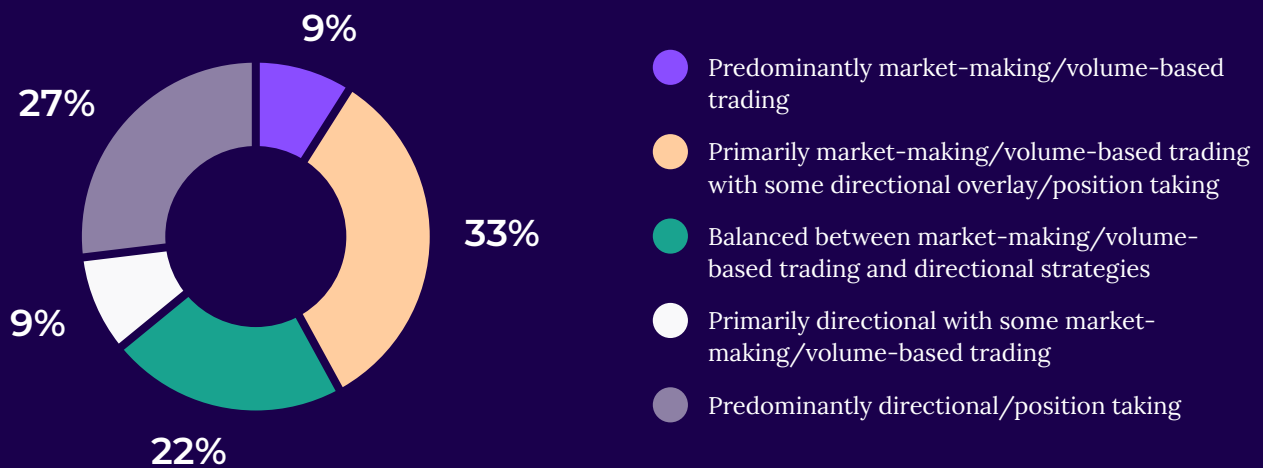
- We are aggressively increasing hiring
- We are slightly increasing hiring
- We are slowing the pace of hiring
- We are aggressively reducing hiring
- We are slightly reducing headcount
- We are significantly reducing headcount

Increasing directional positioning

Proprietary trading firms have historically focused more on either market making or trading in and out of market moves than assuming directional positions. However, this

has changed in recent years. This quarter's survey reveals a notable shift towards hybrid approaches, with a third of firms combining market-making with directional positioning.

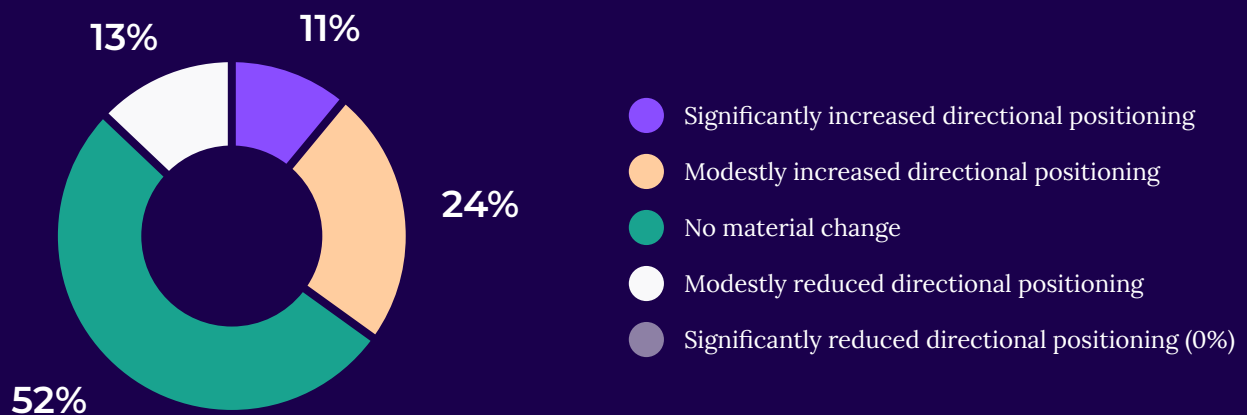
How would you characterise your firm's current trading strategies in derivatives markets?



Over the past three years, the shift toward greater directional trading has become more pronounced, although still remains a minority

strategy amongst network members, with over a third of firms increasing their use of directional positioning during the period.

Over the last three years, how has your firm's directional risk-taking/position taking in derivatives markets changed?



The primary driver of directional positioning has been advances in technology, with improvements in the signal quality of quantitative models that have increased confidence in systematic strategies. More than half of network members that were increasing

their directional positioning also said this was a result of increased risk appetite at the firm. While the trend is primarily being driven by bullish factors, almost half of firms said that they were diversifying in the face of reduced profitability from the market-making.

What are the primary drivers of you increasing directional positioning?



The Avelacom Exchange Growth Index

Exchange	Q1 2026 Vol	Q4 2025 Vol	% Vol Change
FMX Futures Exchange	2,393,401	1,365,667	75%
ICE Endex	59,253,289	33,881,487	74%
North American Derivative Exchange	1,498,669,529	910,620,167	65%
ICE Futures Europe	671,802,668	419,789,900	60%
Thailand Futures Exchange	37,452,746	23,721,773	58%
New York Mercantile Exchange	249,743,208	164,839,308	52%
Warsaw Stock Exchange	3,900,393	2,713,169	44%
Shanghai International Energy Exchange	42,597,421	29,926,781	42%
Dubai Gold & Commodities Exchange	700,880	510,804	37%
Korea Exchange	829,277,921	619,465,336	34%
Eurex	630,400,509	476,470,589	32%
European Energy Exchange (EEX)	8,214,065	6,340,665	30%
Dalian Commodity Exchange	784,732,407	611,257,659	28%
Chicago Board of Trade	815,776,755	637,779,762	28%
Borsa Istanbul	1,055,916,440	829,944,305	27%
MIAx Futures	659,786	524,040	26%
ICE Futures U.S.	168,381,499	133,830,189	26%
Chicago Mercantile Exchange	1,060,209,948	860,096,645	23%
National Stock Exchange of India	11,282,986,145	9,204,731,195	23%
Tokyo Financial Exchange	21,330,300	17,452,499	22%

Q&A with Kalshi's Andy Ross

In the latest of our exchange Q&As, we caught up with Andy Ross in his new position as Head of Institutional Business at Kalshi. We discussed key considerations for network members eyeing the prediction markets, including data, liquidity, order book integrity and margin.



Acuti:

One of the most common questions we hear from prop trading firms in our network is what data quality they could expect if they started trading prediction markets. What initiatives is Kalshi developing on this front?

Andy Ross:

I have only been at Kalshi for a short time now but one of the main things I have worked on during that time has been developing a data strategy. Currently, we have an API that people who join the exchange can get data from. We recognise that that is not enough though, and we need to have a higher quality data offering. That will involve providing both historical data and creating access to other data that we have, which I would classify in level two and level three categories. Level two data is anonymised aggregate order book data, tick by tick and perhaps eventually fully anonymised level three constitutes the individual orders that make it up.

Our intention is to make that available to everybody for zero cost to start with. We're

not going to make it available to everyone at zero cost forever though.

We are also working with data vendors to ensure that market participants have clear processes for getting the data from us. That will be a high-quality data product with a data agreement, which you don't have to join the exchange to access. You can just get the data from us with a license, or you can get it from your data provider that you get all the rest of your data from in a normalized way.

We think that is important in getting us to a point where people can build models. They need to know that the data is of high quality and that they can legally have access to it.

Acuiti:

Do you see Kalshi developing liquidity provision programmes in a similar way to those offered by traditional listed derivatives exchanges and how do you envisage the market's overall liquidity profile developing?

Andy Ross:

The Kalshi team has essentially created a universe of super forecasters. These are people who are not only good at forecasting in their area of expertise, but good at forecasting generally.

Our ability to start and spring up new markets is unique. We only have very limited market-maker programs, and our markets are very simple to understand as they are based on yes/ no contracts. Because of the quality of these super forecasters the market price is amazing. But as we continue to add institutional size, institutional volume and

new products to the exchange, we will also be developing market-making programs.

Kalshi's market structure hosts retail investors in the same pool as institutional investors. That means that retail liquidity and electronic market-makers are helping develop a flywheel that is bringing more institutional investors into the market.

At no point is it in our plans to create segregated liquidity pools for retail and institutional. The value of the market is that all people are equal within it.

Acuiti:

What measures is Kalshi taking to ensure order book integrity?

Andy Ross:

Kalshi is a designated CFTC contract market. Everyone who joins the market is known and passes a full KYC process. Everyone prefunds the account. We review all trading that occurs on the market as the integrity of the market is essential – this is absolutely non-negotiable. The market supervision team review all the data, looking for and focusing explicitly on anomalies, raising actions in accordance with the exchange rules and reporting suspicious behaviour. We're also working with a number of compliance software firms to ensure these trades are available and reportable within their systems for end user review of employee trading, for example.

Returning to the point of liquidity, sometimes it is retail sized and sometimes it is institutional sized, and sometimes there are

block trades available that are priced within our exchange rules. Like in any growing market, there are times when liquidity is greater than others, and there are some markets where there is more liquidity than others.

Going back to data, the value we have in the quality of the data that's coming out of our markets is phenomenal and has even been recognised by the Federal Reserve. What is interesting with our data is the economic value of knowing whether the predictive data was right three months or three weeks out from the event itself. It is a better consensus against reality than any other consensus. That doesn't mean it's perfect, but it does mean it's better than everything else. That's really interesting from a market data perspective.

The second strength we see is well illustrated by our politics markets, in that you have that ability to actually trade the thing that you are particularly focused on, not some derived value of it, as you would if you were buying a structured product to position on an election, for example. There is an enormous amount of value in that, because you've got contiguous 24 hours a day, seven days a week markets trading on political outcomes. That also means that traders have the ability to do principal

component analysis and understand what events drive market sentiment in near real time.

Kalshi has already done some research on the factors that drove Zohran Mamdani's opinion poll changes. That is not a snapshot moment of the opinion polls on one day. It is contiguous and runs over months, so you get to see the factors that are influencing it. That is a huge development within the trading ecosystem and political polling.

Acuti:

What are Kalshi's current resolution mechanisms?

Andy Ross:

We are a CFTC-regulated exchange and the CFTC has a variety of things that it says you must do. So, when we set up any product, we spend an awful lot of time checking that there's no ambiguity around what its trigger point is. One of the markets we have at the moment is based on the Citrini report on how badly AI will affect society in terms of job

losses and the like. The triggers in that market are absolutely explicit and written into the contract, which is available on our [web page](#). The product definition is clear about where information will be sourced from and how it will be sourced, so that there's no ambiguity. We think that as a regulated exchange, you can't have any ambiguity on these matters.

Acuti:

How does a classic derivatives trading desk integrate a prediction markets offering into their EMS, OMS and risk management technology?

Andy Ross:

FIS is currently integrating prediction markets into their back-end processing systems and we are working with a number of other market infrastructure providers on ensuring that prediction markets are within their modelling. We currently have about 4,500 contracts in our market and our ability to spin out

new ones up is fairly straightforward. I can absolutely see us getting to 5,000 or 6,000 contracts in a few weeks. The turnover process on these is not like a monthly future and it requires fully automated access to the API, just because the scale is different to what people are used to in a traditional market.



Acuiti:

Can traders expect some form of leverage to be offered on event contracts in the future?

Andy Ross:

Recently, we were granted approval to offer margin on some products approved by the CFTC. Over time, I can see the evolution of margin into our prediction events, but it has to be a super conservative evolution. It's likely other products will come first.

For traders putting money on a politician who might win the next presidential election and has a 10% chance of winning, putting 90% funding down for a contract that doesn't have a payoff function until November 2028 is not particularly great from a returns perspective, or for price formation on long dated contracts, without some leverage.

Currently, the market is all fully funded, and that's very low risk. So, as you add margin risk, you obviously need to have clearinghouse and default management processes, with waterfalls and guarantee funds.

We are pretty advanced in our work on that, but there are no immediate timelines or plans to make prediction markets have leverage. However, it is absolutely something that I think is central to the journey we are on with institutional investors in mind.

Acuiti:

Finally, how do you envisage the competitive landscape that Kalshi operates in evolving in the coming months and years?

Andy Ross:

There is a huge difference between a regulated prediction market onshore and an unregulated prediction market offshore. For institutional users especially, that's an important distinction. I view Kalshi as competing against exchanges like the CME and CBOE. We are very different from the offshore,

unregulated venues where people pay with cryptocurrency. That is a very different model that is not widely accessible for institutional clients because of the lack of client money and regulatory oversight associated with them. That is an important distinction to make, because regulation is not easy and it matters.



+44(0) 203 998 9190

acuiti.io

info@acuiti.io

Copyright © 2026 Acuiti. All rights reserved.