

Proprietary Trading Management Insight Report

Q1 2025

IN ASSOCIATION WITH

AVELACOM





Table of Contents

PAGE 4 INTRODUCTION

PAGE 5 LOOKING BACK AT 2024

PAGE 7 DIGITAL OPERATIONAL
RESILIENCE ACT (DORA) COMPLIANCE

PAGE 9 RELOCATING OUTSIDE THE EU

PAGE 10 HOT TOPICS

Cloud vs. Bare Metal Infrastructure

AI and Machine Learning

Trading Strategy Adjustments

Increased Protectionism

Under-sea Cable Disruptions

PAGE 14 Q&A WITH COINBASE

PAGE 16 MARKETS AND CONTRACTS



Introduction

Welcome to the first Acuiti Proprietary Trading report of 2025. This quarter's report comes off the back of another solid year in 2024 for most proprietary trading firms in the network.

However, many proprietary trading firms are facing headwinds from rising costs and increased regulatory complexity. This is particularly an issue in Europe, where we find this quarter that 12% of firms have decided to relocate outside the region to avoid the burden of EU regulation.

Also this quarter, we take a look at some of the

hot topics in the industry today from cloud and AI adoption to concerns over the security of undersea cables.

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 group in an anonymous survey. If you are a senior proprietary trading executive that is not yet part of the network, please contact Alice at alicekristiansen@acuiti.io.



Looking back at 2024



In terms of profitability, 2024 was largely positive for proprietary trading firms. Nearly two-thirds reported a better performance than 2023. But, while 39% of firms reported significantly better performance than 2023, 13% indicated a significantly worse year. Compared to budget expectations, firms reported a more mixed set of results. Just over two-fifths of the network had beaten budget, around a third had fallen short.

Firms based in the US were most likely to report a worse financial year in 2024, compared to 2023 with half of the US firms in the network reporting a worse financial year in 2024 compared to the previous year, while only one-in-ten said they had a significantly better year compared to 2023.

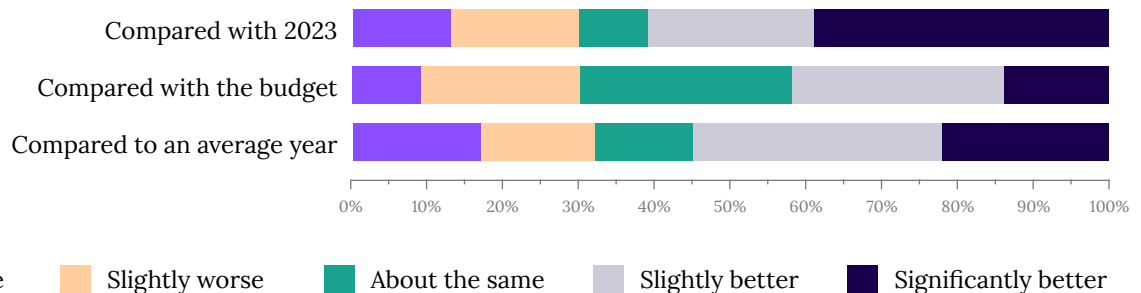
A third of firms based in APAC reported similar difficulties, claiming 2024 was significantly

worse than 2023. By contrast, over half of the firms based in Europe reported a significantly better year compared to 2023.

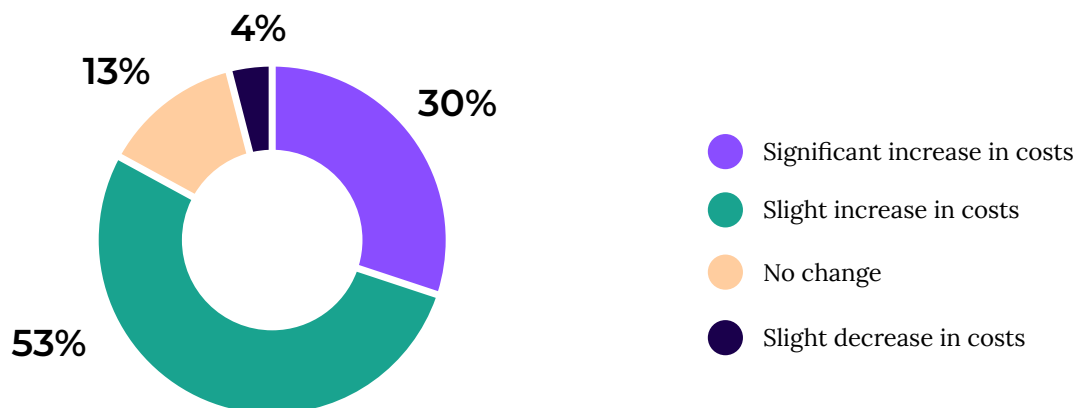
For many firms in the network, most of the upside in 2024 came from the final quarter. During Q4, volatility around the US elections provided a boost to what was otherwise a relatively challenging year. This volatility is likely to remain in 2025 while interest rate uncertainty is leading to elevated trading volumes in rates markets - all providing strong tailwinds for proprietary trading firms.

Despite the largely positive picture from last year, prop trading firms are still confronting several challenges. Rising operational costs have become a pressing concern for many, with staffing, market data, and front-office technology expenses continuing to climb (see next page).

In terms of profitability, how strong a year was 2024 for your business compared to 2023, what you expected at the beginning of the year (budget) and an average year?



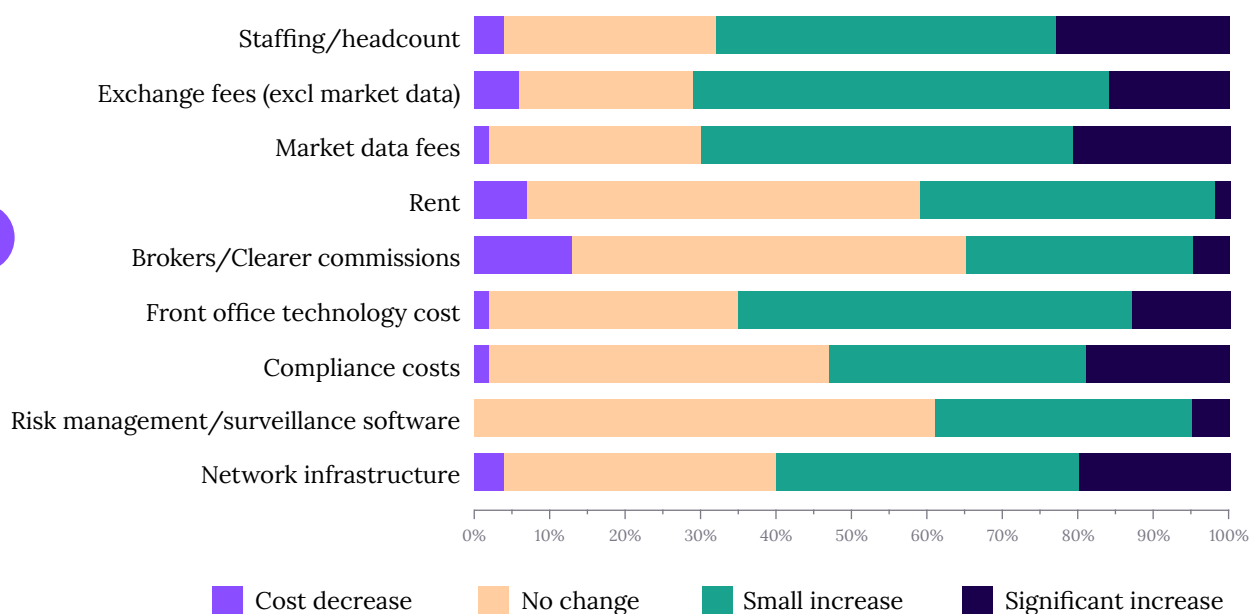
Overall, how did your cost base change in 2024?



Overall, 83% of the network reported cost increases in 2024. This was particularly evident in exchange and market data fees, which firms

said are having an impact on their ability to trade new products or expand into additional markets.

How did your cost base change in the following areas in 2024?



The most significant cost increases were seen in staffing, exchange fees, market data and network infrastructure. Exchange data fees are disproportionately hitting smaller firms, with larger firms able to mitigate the cost more effectively. Many in the prop community have raised concerns that this dynamic is hindering growth in the market.

Nearly half of network members said that the increasing costs will negatively impact their ability to onboard new products or enter new markets. A third suggest it will hamper their ability to innovate.

As firms look ahead to the rest of this year, market volatility remains the key driver of profitability. To remain competitive, firms are also prioritising automation, expanding into high volatility markets, and refining risk management practices.

Prop firms are also expecting to continue expanding into new asset classes throughout the year, with FX, cryptocurrencies, and commodities being the primary areas in which firms were looking to expand.

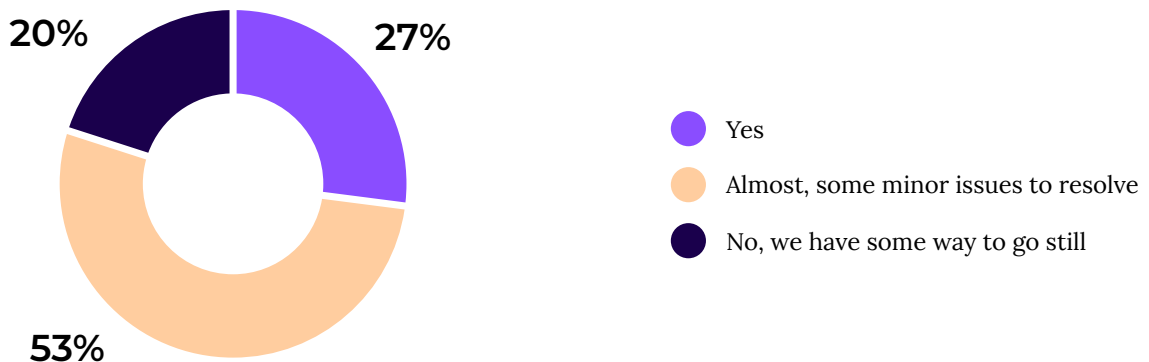
Digital Operational Resilience Act (DORA) Compliance



The EU's Digital Operational Resilience Act (DORA) is intended to ensure that firms have the operational resilience to deal with

cyber-attacks and other issues threatening the operations of their information and communications technology (ICT) stacks.

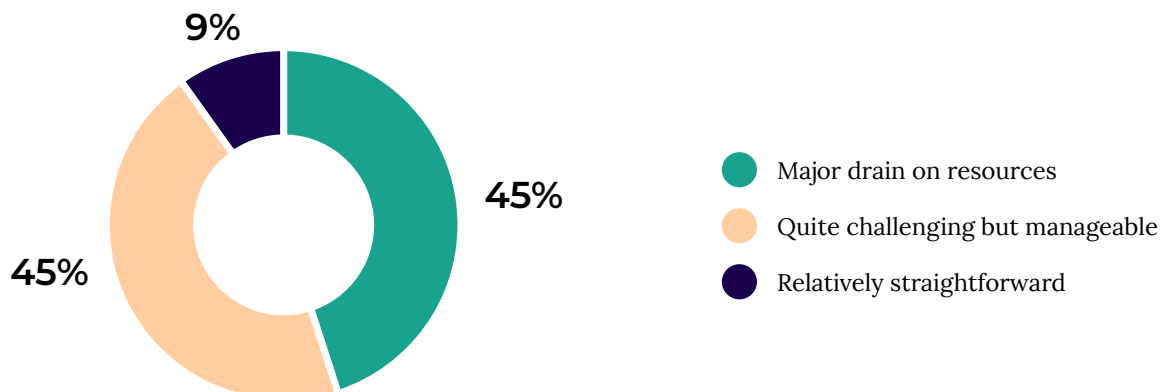
Was your firm fully compliant with DORA by the implementation date of 17 January 2025?



Getting ready for DORA represented a big compliance lift across the European prop community and only a quarter of firms were

fully compliant on the implementation date with a fifth saying that they still had some way to go.

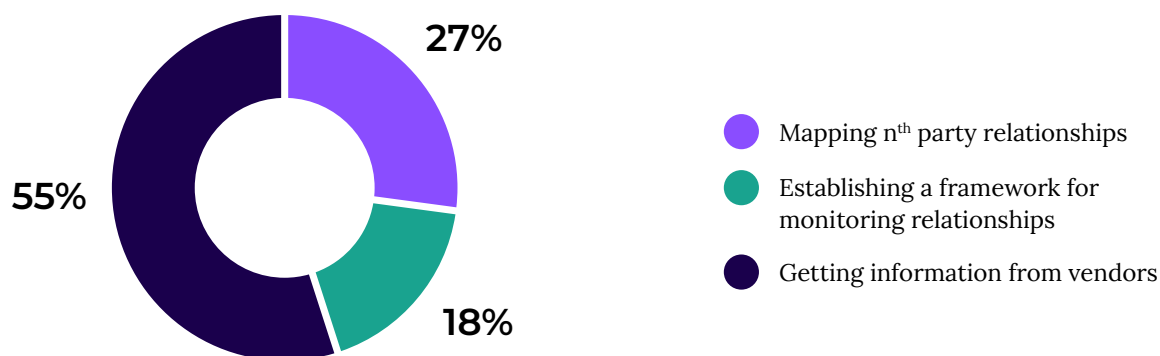
How much of a challenge was the work on DORA in the run up to the January implementation date for your firm?



In the rush to hit the January 2025 deadline for DORA compliance, firms faced significant challenges in implementation, with nearly half reporting a major drain on resources from

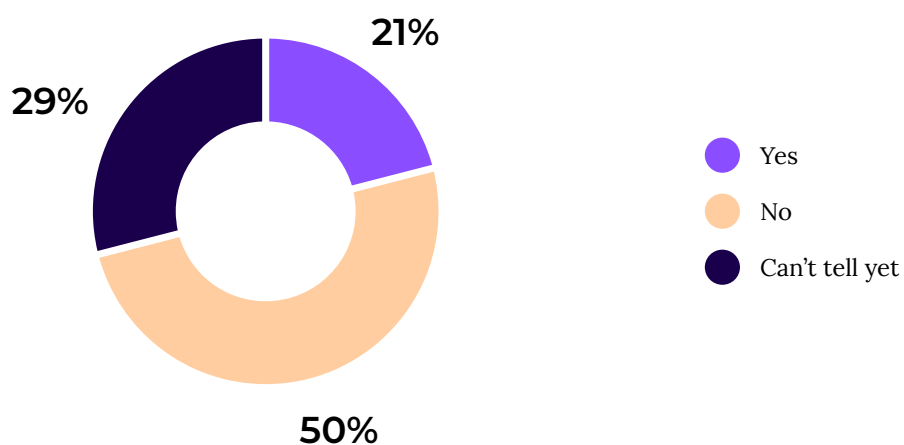
the lift. The biggest challenge in achieving compliance was obtaining information from vendors, followed by mapping nth-party relationships.

What was the biggest challenge in getting DORA-compliant for your business?



Half of respondents believe the introduction of DORA will have no net benefit on the operational resilience of their business. Only a fifth believe it will have a net benefit.

Do you think that DORA will have a net benefit for the operational resilience of your business?

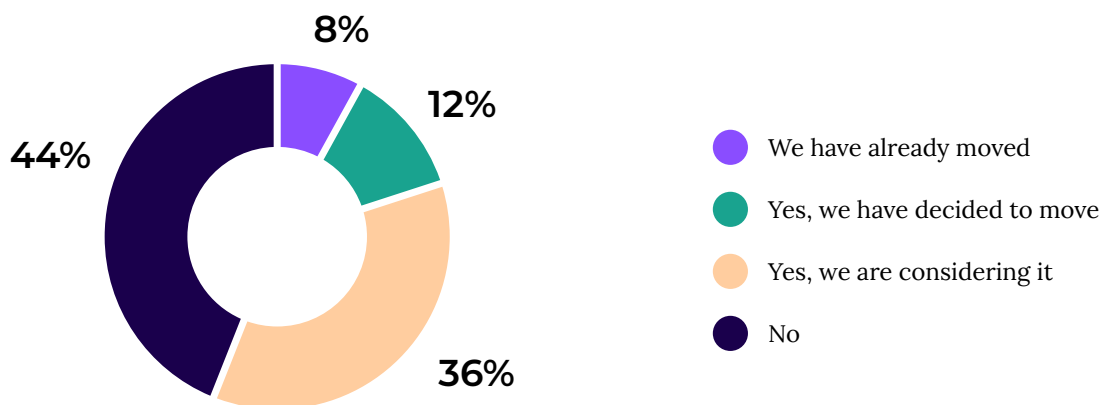


Relocating outside the EU

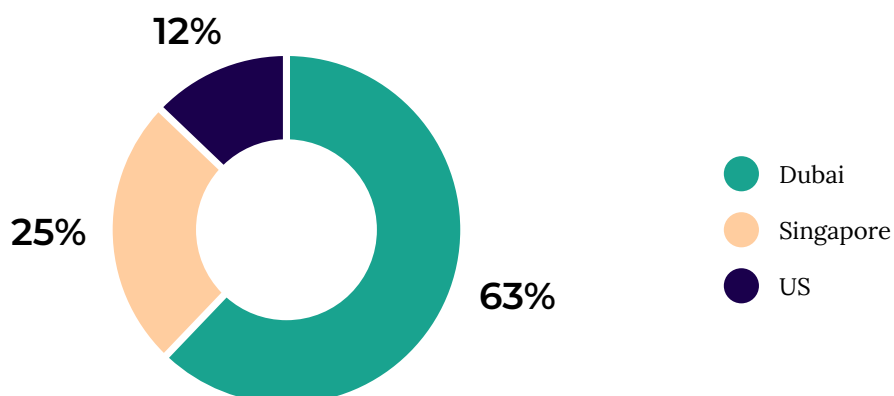
DORA is just one element of the complex regulatory landscape facing proprietary trading firms in Europe. Many have decided that a better option is to relocate outside the EU to reduce the burden. This survey found that 12% of trading firms in the network that were based in Europe have decided to relocate and a further

36% were considering doing so - representing a potentially significant hit to Europe's capital markets. These firms will join those that have already relocated. Among those who had decided to move, Dubai was the most favoured location by a clear margin with Singapore favoured by a quarter of firms.

Are you considering relocating your headquarters or trading activities outside the EU/UK in order to reduce the regulatory burden on your firm?



Which jurisdiction have are you planning on moving to?



Hot Topics

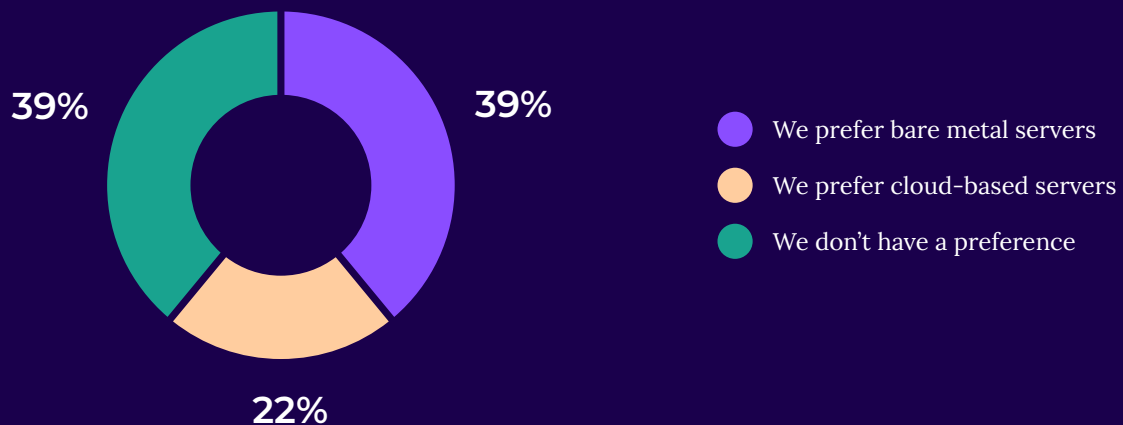


Cloud vs. Bare Metal Infrastructure

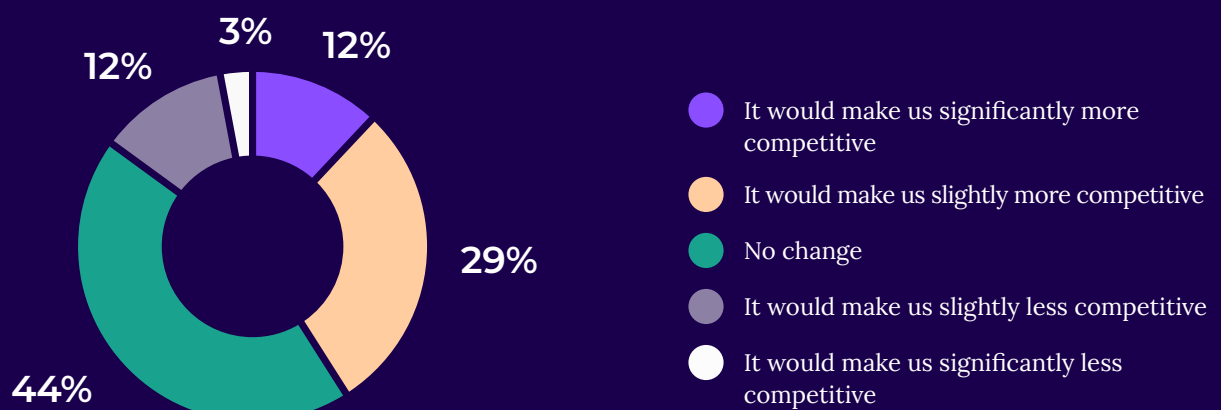
Infrastructure decisions between cloud-based and traditional server set-ups continue to be debated, with firms weighing performance and cost considerations between the two. Most of the network prefer bare metal servers over cloud-based servers, although just as many were agnostic on the choice between the two. While views on the matter have mostly remained static over the last five years, more network members had moved towards the

cloud than bare metal servers during this time. Nearly half of firms expected a wider move to cloud-based matching engines at exchanges would make no difference to the competitiveness of their trading strategies. Around a third thought such a development would make them slightly more competitive while only around one-in-ten thought it would make them significantly more competitive.

What best describes your approach to the cloud when it comes to your trading infrastructure?



What impact do you think that a widespread move to cloud-based matching engines at exchanges would have on the competitiveness of your trading strategies?

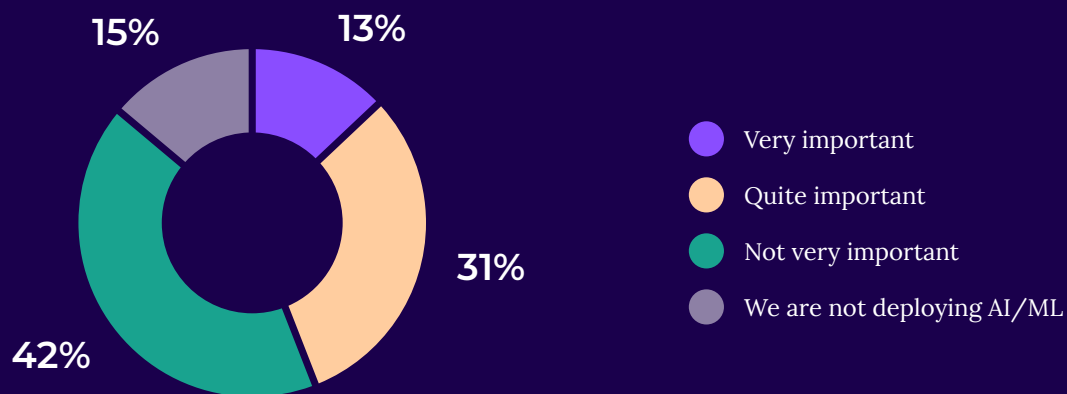


AI and Machine Learning

AI and machine learning are gradually making inroads into prop trading firms. While only 13% of firms consider artificial intelligence/machine learning (AI/ML) critical to their business, a third view it as quite important.

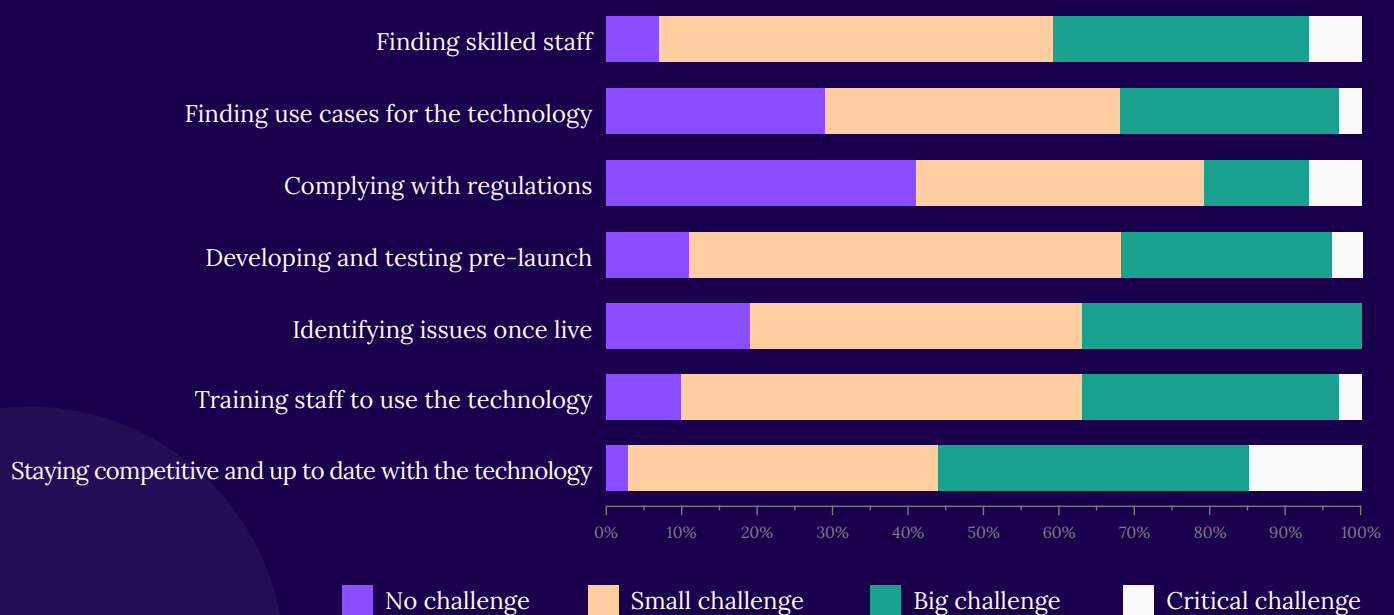
However, nearly half (42%) say these nascent technologies are not very important to their business. A significant minority (15%) are not deploying AI/ML at all.

How central to the development and growth of your business currently is artificial intelligence or machine learning?



Bottlenecks in deploying AI stem from identifying issues once up-and-running, staying competitive and up-to-date with the technology, and finding and training skilled staff.

How challenging do you find the following when deploying and developing AI

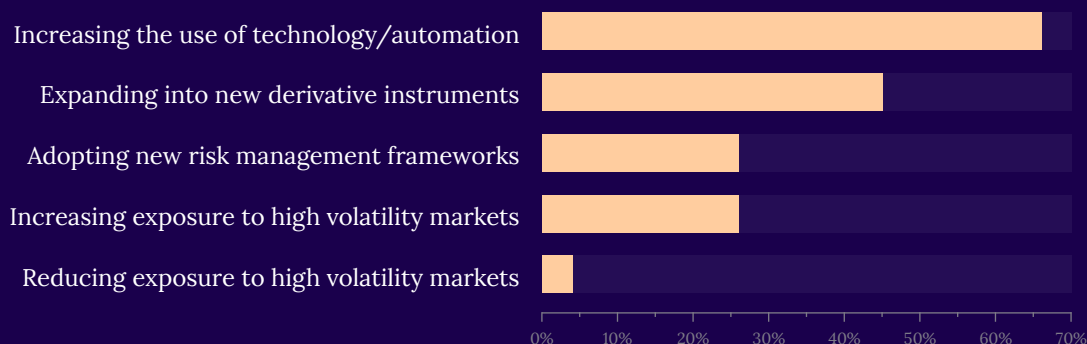


Trading Strategy Adjustments

Firms are adapting their trading strategies in 2025, with two thirds looking to increase automation and implementation of new technologies. Nearly half have plans to expand

into new derivatives instruments. A quarter are adopting new risk management frameworks, while a quarter aim to increase exposure to high volatility markets.

What changes do you anticipate making to your trading strategies in the next 12 months due to recent market trends?

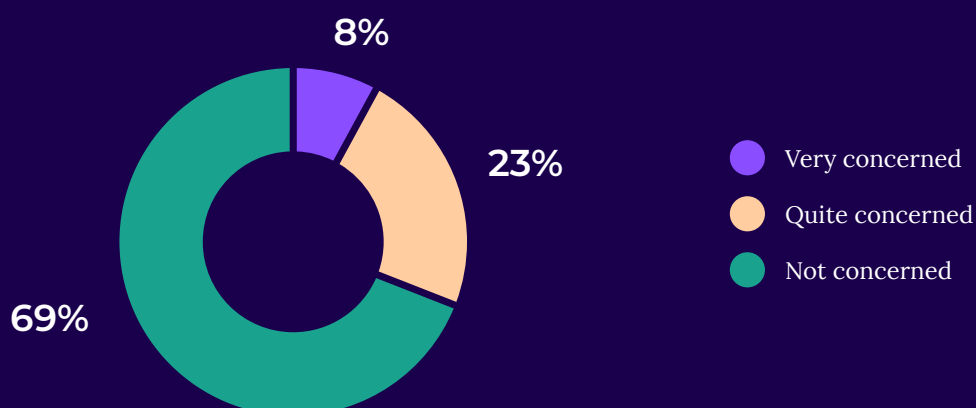


Increased Protectionism

The rise of protectionist policies and trade restrictions has the potential to put a dampener on global commerce. Given the unpredictable way in which many of these policies are being rolled out, some network members have wondered if cross-border exchange access could be affected too.

For now, though, most network members are confident that services will not be dragged into the current trade wars. Less than 10% of firms are very concerned about increased protectionism affecting their ability to access exchanges, while just under a quarter are quite concerned. A clear majority are not concerned.

Are you concerned that increased protectionism and trade wars will risk your ability to access exchanges globally?

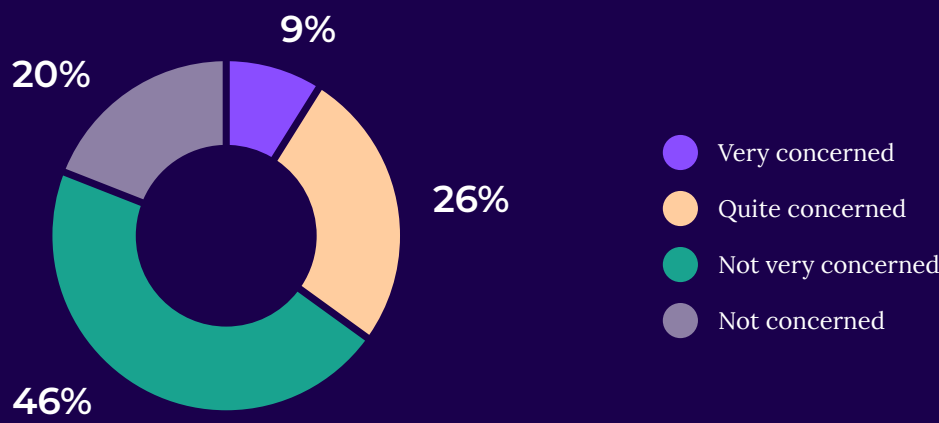


Undersea Cable Disruptions

Recent incidents of undersea cable sabotage have raised concerns about the resilience of telecommunications infrastructure, with

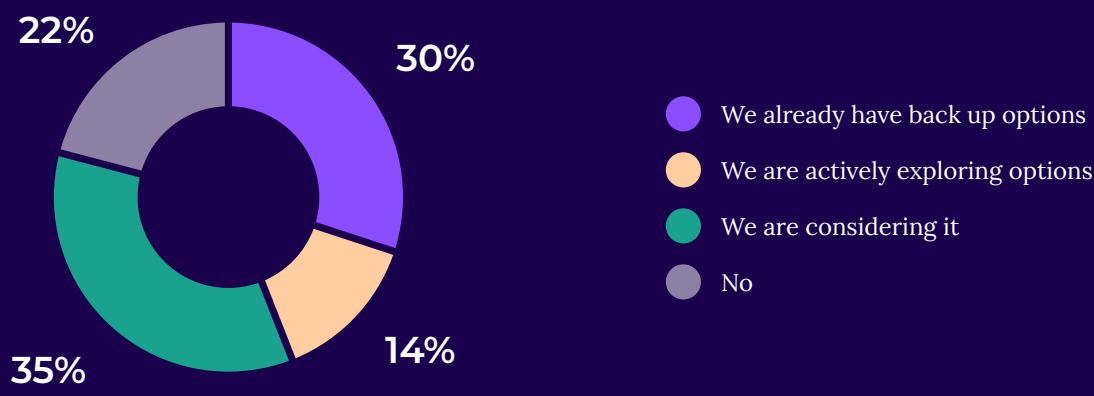
around a quarter of respondents quite concerned about this risk and less than 10% very concerned.

Following recent incidents of undersea cables being cut, how concerned are you about disruption to your telco infrastructure?



Firms are taking various approaches to mitigate these risks. Around a third already have backup options in place, and a third are considering implementing backup plans.

Are you putting in place recovery options in the event that there is disruption to your telco infrastructure from undersea cable sabotage?



Q&A with Coinbase

Momentum is accelerating on cryptocurrency trading and institutional adoption of the asset class, with the suggested reforms of the new US government set to position the country at the centre of digital asset markets. Coinbase is a key participant in this transition, and this quarter we caught up with **James Morek**, Co-Head of Institutional Sales, EMEA & APAC at Coinbase, to discuss the exchange's view on the near future of the market and how it is positioning to capture opportunity.



What are the current growth opportunities that you see in the cryptocurrency markets?

We're continuing to see strong demand from crypto-native traders for more accessible and competitive trading solutions. To meet this demand, our CFTC-regulated exchange, Coinbase Derivatives, is working on a number of initiatives that will be first of their kind. We recently announced that soon, US traders will have 24/7 access to Coinbase Derivatives' Bitcoin and Ethereum futures contracts, a first for this market. This innovation reflects the 24/7 nature of crypto, where significant market movements can happen outside of traditional trading hours. Also coming soon, US traders will have access to crypto futures contracts in order to effectively manage risk and act upon market opportunities.

Our goal is to meet the demand and be a first mover within the derivatives market serving both retail and institutional traders.

Next on our US roadmap, will be to bring perpetual-style futures to the US. We know that having futures contracts with

traditionally short-dated expiries works for many market participants, but for others it may not offer the flexibility of long-dated expiries.


With this product, we're working to mirror the global crypto derivatives market, while also abiding by US regulations so that our traders have the ability to trade crypto derivatives within a safe, secure, and highly regulated market.

What are Coinbase's plans with regards to your own FCM and growth around that?

The FCM's goal is to provide clients with seamless access to regulated futures markets. We aim to enhance capital efficiency and strengthen our institutional trading suite.

You have mentioned the US, where the regulatory environment has shifted significantly in recent months. How do you expect the cryptocurrency market there to develop in the coming months?

Governments around the globe are entering into the cryptoeconomy and with the



recent US executive order calling for the establishment of a strategic bitcoin reserve, we're witnessing a significant milestone in the history of cryptocurrency and growing institutional interest.

Coinbase is prepared to support both domestic and global governments with regulated, secure, and comprehensive solutions, and help governments explore and expand their participation in the crypto economy. As a firm, we are deeply engaged with bringing the world onchain, and that includes being a partner to governments as they become major players in crypto.

Beyond the US, what opportunities can you see in the near future?

Our international business is poised for a dynamic year as we work with regulators to expand access to a greater number of traders. Almost two years ago, we launched perpetual futures on our international exchange, reflecting our desire to be extremely competitive in global crypto markets. We've made tremendous progress on that goal - we've listed over 135 assets with up to 20x leverage, launched innovative products like crypto-native FX perps and an index perp.

We also continue to work closely with local regulators around the globe and register in regions that will support our mission to increase economic freedom. We recently received VASP registration in the UK and also successfully registered to provide crypto services in India. Closer to home, we

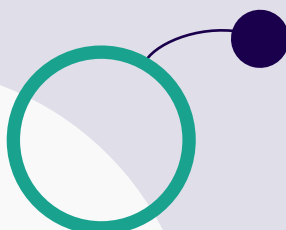
expect MiCA, the EU's framework for the regulation of crypto-assets, to go live this year, providing a comprehensive set of rules for EEA countries.

We'll continue to monitor where opportunities are for us to go deep in regions with the appropriate regulatory framework. Away from new geographies, we are seeing a lot of movement within cross-border payments, with the utilisation of USDC, as stablecoin adoption grows. We also see corporates being more active in this space, not only from a payments perspective, but also from a treasury reserve aspect, in terms of investment opportunities.

Finally, there is the US strategic reserve. Both state and local governments in the US are increasingly interested in buying and/or holding bitcoin, and foreign governments are also acquiring bitcoin and making strides to advance its adoption.

Coinbase is one of the world's largest and most heavily regulated crypto companies, and we have a long history of supporting governments. We work closely with every major US federal, state, and local law enforcement agency and international agency. We are proud of our work with over 150 government entities to help them manage and safeguard digital assets with regulated, secure, and comprehensive solutions.

We're committed to continuing this work in support of global crypto adoption, bringing institutions onchain.

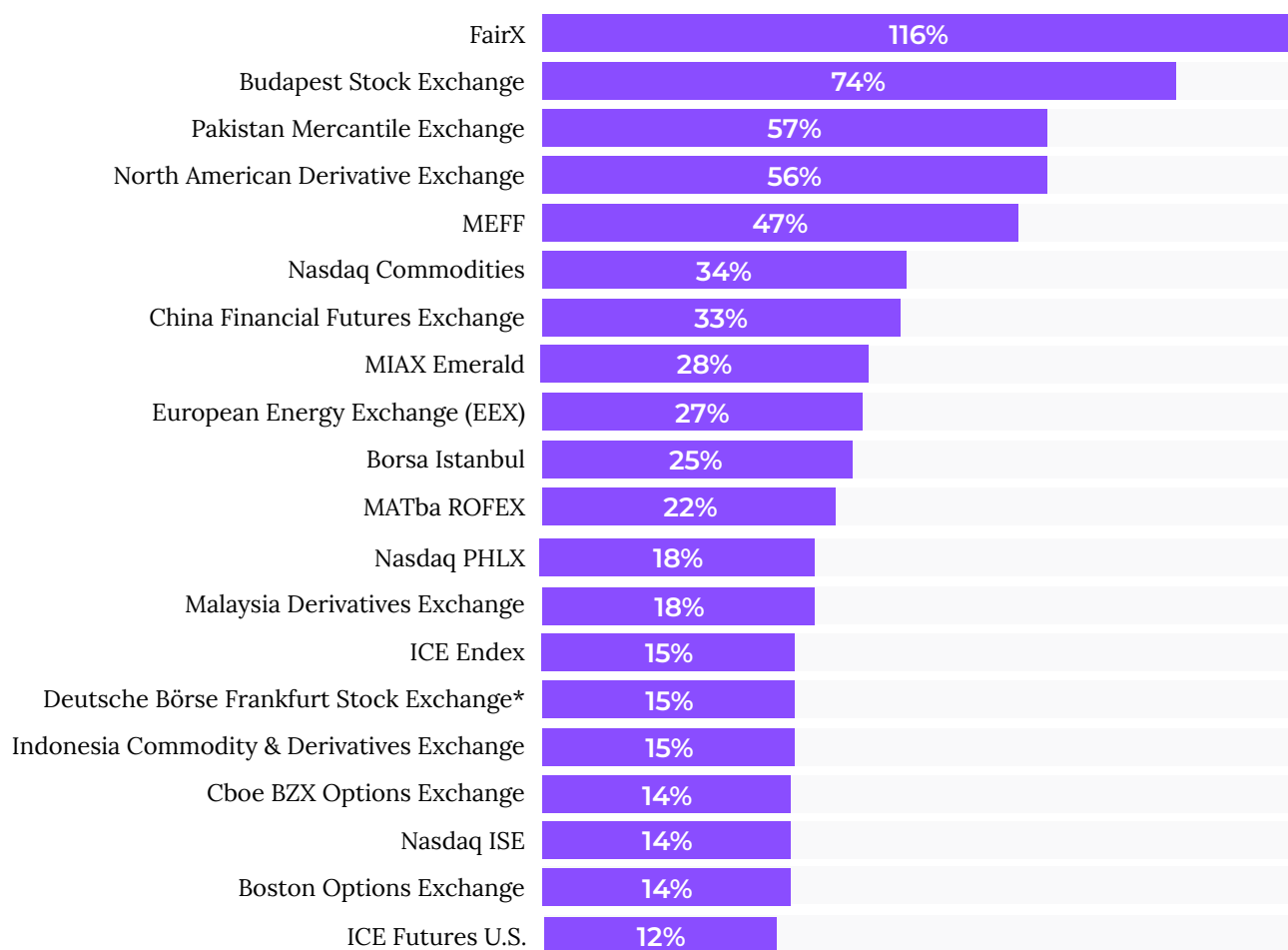


Markets and contracts

The Avelacom Exchange Growth Index

The Avelacom Exchange Growth Index is a benchmark of quarter-on-quarter volume growth across cash equities and derivatives markets. Exchanges must have been trading

for more than one year to feature in the index. Futures and options data is provided by the FIA, cash equities from the exchange websites.



*Cash equities

Source: FIA, Exchange Websites

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	Contract	Type	Volume	Open Interest	ADV	Launch
Guangzhou Futures Exchange	Polysilicon	Future	728,629	39,882	33,119	26-Dec
Dalian Commodity Exchange	Log	Future	1,617,662	43,376	26,961	18-Nov
Chicago Mercantile Exchange	Micro Nikkei 225 (Yen)	Future	215,174	10,391	3,260	28-Oct
Dalian Commodity Exchange	Log	Option	100,316	25,342	1,671	19-Nov
Coinbase Derivatives	Stellar	Future	102,206	3,020	1,596	11-Nov
Guangzhou Futures Exchange	Polysilicon	Option	32,745	9,805	1,488	26-Dec
Chicago Mercantile Exchange	Micro Nikkei 225 (USD)	Future	35,163	2,035	532	28-Oct
Coinbase Derivatives	Silver	Future	30,347	1,466	474	11-Nov
National Commodity & Derivatives Exchange	Guar Gum Refined Splits	Option	6,271	580	156	11-Dec
Thailand Futures Exchange Pcl	JPY/THB	Future	9,018	4,962	147	04-Nov
Taiwan Futures Exchange	FTSE TWSE Taiwan Mid-Cap 100 Index	Future	6,906	213	106	09-Dec
Zhengzhou Commodity Exchange	Bottle-Grade Polyester Chips	Option	2,039	780	97	27-Dec
Thailand Futures Exchange	EUR/THB	Future	1,280	590	20	04-Nov
Chicago Board of Trade	Chicago Wheat - European Milling Wheat Spread	Future	1,229	230	18	14-Oct
Cboe Exchange	Cboe Bitcoin U.S. ETF Index	Option	436	-	10	02-Dec
New York Mercantile Exchange	WTI Ex-Pipe (Argus) Vs WTI Trade Month	Future	500	500	7	14-Oct
Multi Commodity Exchange of India	Cotton Seed Wash Oil	Future	478	41	7	15-Oct
Cboe Exchange	Cboe Mini Bitcoin U.S. ETF Index	Option	326	-	7	02-Dec



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