

# Drivers in Trading

## Transformation: Technology

The constant advancement of trading infrastructure has left many leaders in technology struggling to keep pace with the industry. In a time where latency, speed and the ability to differentiate are directly related to the ability to attract and maintain clients, firms must constantly evaluate their technology infrastructure and innovate to stay ahead of the curve. From building in house to purchasing technology through a third-party vendor, there are numerous technology options, with no clear prescriptive approach. More and more, firms are weighing the costs and benefits of building versus partnering for their technological requirements to best optimize their resources.

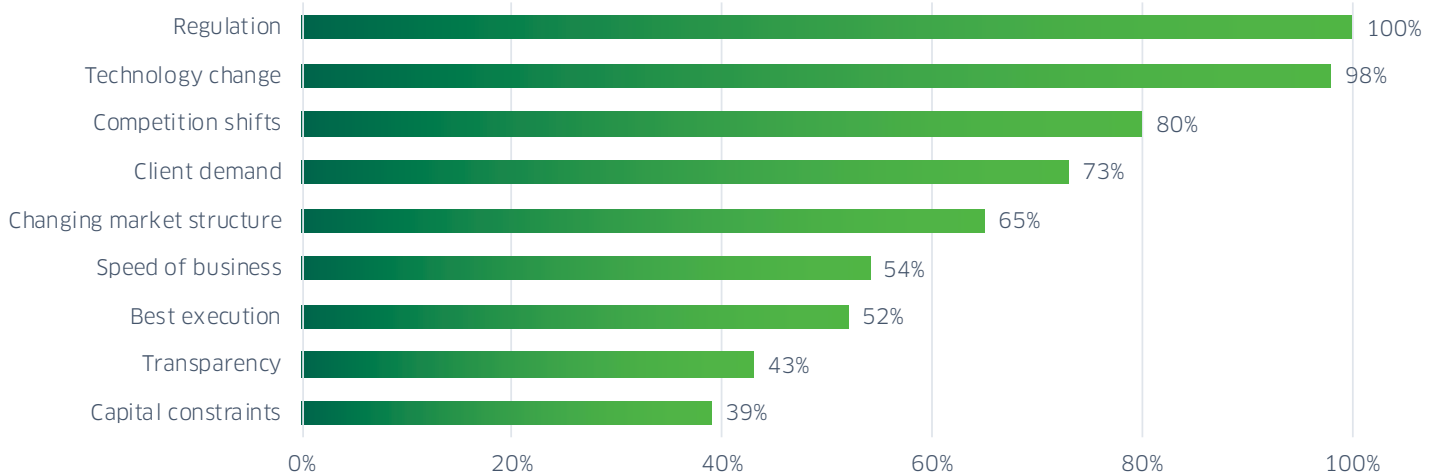
In a collaborative report, **Nasdaq** and **Celent** uncovered **key drivers in trading transformation** through surveying over 50 heads of trading and technology across a spectrum of asset classes. This study identified key concerns, challenges and opportunities senior leaders must address in order to successfully adapt to a perpetually changing trading landscape.

**With 82% of respondents viewing technology as a key competitive differentiator**, it is clear that technology is essential for firms to be successful and competitive. As such, industry leaders must continually reassess the strength of their technological infrastructure.

## NOT ALL TRADING TECHNOLOGY IS CREATED EQUAL

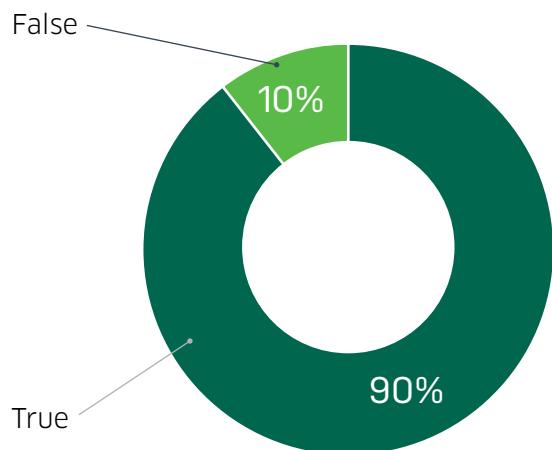
The ever-changing regulatory environment coupled with the unpredictability of global markets has stress-tested the technology stacks currently in place at firms industry-wide. It is evident that not all trading technology operates with the same level of efficiency and flexibility when financial and geo-political pressures rise. As depicted in Figure 1, it was revealed that **98% of heads of trading and technology say that technology is a key driver for changes in trading.**

The Key Drivers of Change in Trading (FIGURE 1)

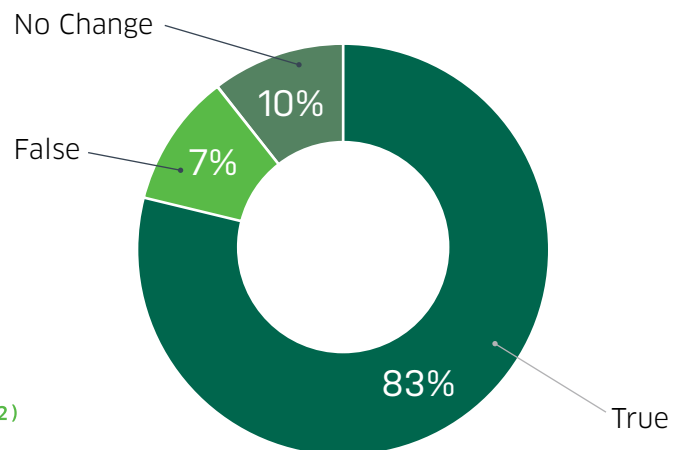


Furthermore, the evident shift in how trading technology is perceived and valued can be demonstrated by how the role of senior trading and technology leaders has evolved. **With technology and trading business heads making 90% of crucial business decisions,** it is clear that the strength of a firm’s tech stack has become both a key concern as well as a point of differentiation. **With 83% of respondents agreeing that there are more stakeholders involved in making trading technology decisions than ever before,** the demand for implementing the right technological infrastructure has proven to be crucial both internally and externally.

Technology and business are making decisions together



More people than ever are involved in making trading technology decisions



(FIGURE 2)

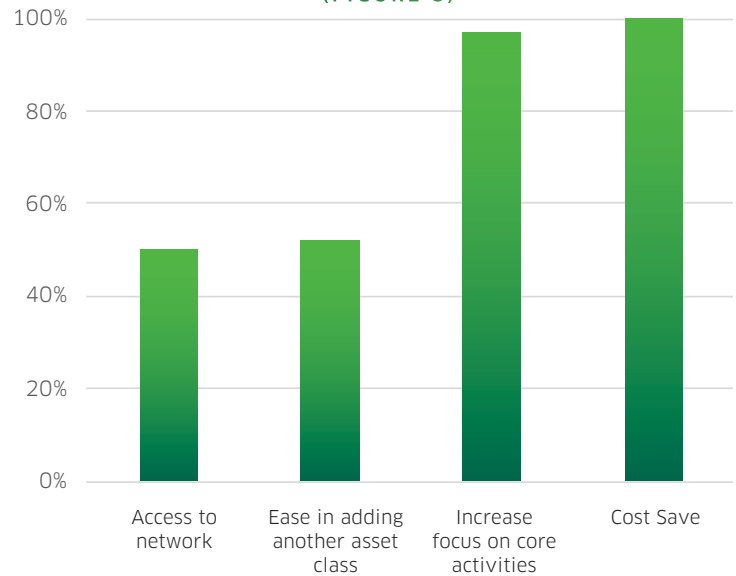
## COSTS VERSUS BENEFITS

With more and more firms considering partnering with a third-party provider to operate their technology stack, firms must evaluate the benefits of third-party hosting and operation versus the costs of relying on an in-house build. In exploring how leaders in trading and technology view outsourcing front office functions, **100% of respondents believe that this would be a cost-saving purchase.** While overhauling technology infrastructure can have a large upfront cost, the long term benefits are clear. Cost savings can be reallocated to a firm's core capabilities and enable them to further differentiate and better compete in a saturated market.

In addition to direct cost, purchasing trading technology can ultimately save time and resources for firms. As displayed in Figure 3, this point is further supported by **97% of senior trading leaders responding that outsourcing would allow firms to increase their focus on core activities.**

### Pressing Concerns in Trading Technology

(FIGURE 3)



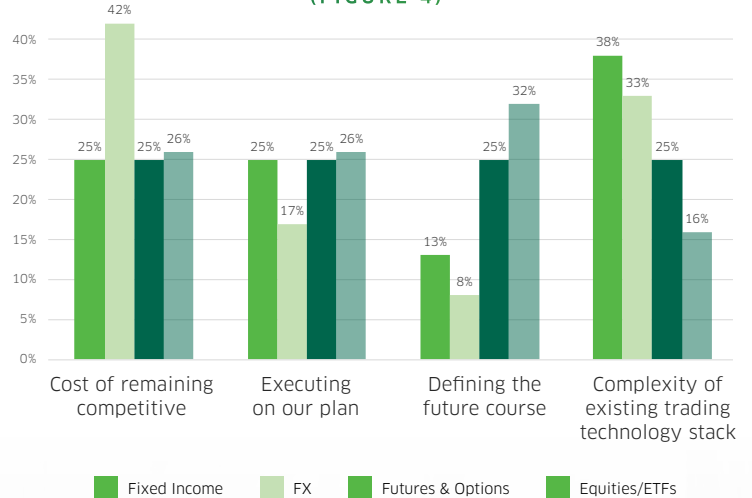
## LOOKING TO TECHNOLOGY AS A DIFFERENTIATOR

As firms continue to evolve and adapt to regulatory, competitive, and global pressures, **it is essential for their technology infrastructure to grow in parallel.** The strength of a firm's trading technology has proven to dictate the fate of their place in the industry. A firm is only as strong as its tech stack, making it crucial to invest in a solution that scales with it.

When surveying pressures in trading technology, the complexity of firms' existing trading technology stack proved to be a cause for concern for a large group of industry leaders.

### Key Concerns for Trading Leaders

(FIGURE 4)



## CONCLUSION

Investing in trading technology has become the cost of admission for modern firms looking to remain competitive. It is no longer financially viable to continue relying on antiquated infrastructure. Nasdaq's Execution Platform provides faster trade matching, low latency, and strength during periods of high market volatility that is second to none. From Tier 1 Banks to Regional Brokers to Proprietary Trading firms, Nasdaq's Execution Platform has proven to be an essential point of differentiation.