Buy-Side Trading Desks Spend Big Money on Talent and Technology

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Executive Summary:

Institutional investors around the world report spending more than $12 billion on their trading desks last year as they raced to keep pace with the growing speed of electronic markets, changes in market structure and lower trading costs.

- In 2014, nearly two-thirds of the budgets supporting buy-side trading desks went to trader compensation. The remainder was spent on spent on technology, including software, hardware and infrastructure.
- Sixty percent of the technology spend went to fixed income, where trading desks are navigating the movement of increasing amounts of trading volume to electronic platforms.
- Order Management Systems (OMS) and market data terminals remain the top two technology expenses for buy-side traders, accounting for 53% of the total technology budget.

Fixed-income trading desks remain in an investment phase, with spending up 11% from 2013. The market structure for government and corporate bonds continues to evolve, as investors focus on better access to both liquidity and improved cost analytics.

The importance of human capital on bond trading desks is also important with budget allocated for trader compensation growing in 2014.

Methodology:

Between August and September 2014, Greenwich Associates interviewed 358 buy-side traders across the globe working on equity, fixed income or foreign exchange trading desks to learn about trading desk budget allocations, trader staffing levels, OMS/EMS/TCA platform usage, and ATS satisfaction levels.

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