

Failure for the Sake of Progress

August 11, 2016

The majority of startups fail. A little googling told me that over 90% fail within three years. Despite the fact that the cost of starting a company has decreased considerably via cloud computing and open source technology, taking into account the personal sacrifice required to start a company and the high failure rate it's amazing that so many people think the path of an entrepreneur is a good one.

The prospects of creating the next unicorn are of course a major driver, but that's not really the reason people do it. Escaping big company bureaucracy and wearing a hoodie to work certainly is motivating too, but the real reason is passion for an idea. Passion that the world is missing something, and you have the idea that can help fill that void. This passion is what gives founders the confidence that they can beat the odds, and the world will see in their idea the opportunities that they saw when they first wrote it on a napkin.

The past few years have introduced us to several people and new companies with this passion for changing how bonds are traded. In every single meeting that I've been lucky enough to have with these innovators, I'm continuously impressed with their willingness to go against the grain and quite literally put their money where their mouth is. Most left high profile and high paying jobs with good health insurance to go off on their own and roll the dice. I'm fully self-aware that I do not have that level of risk taking in my blood.

But the sad fact is most of them will fail, or best case be acquired for a fraction of their original valuation. Trading desks don't like change, and building liquidity from a standing start has to be one of the hardest things to do in institutional FinTech. But before we start dismissing anyone as an unimportant flash in the pan, it's important to remember a few things.

First, incumbents were startups once too. Bloomberg, MarketAxess and Tradeweb were also just ideas a few decades back, but managed over decades to drive change in markets that people thought impossible when they first launched. They are now all market leaders in electronic trading, and handle between them the vast majority of electronically traded fixed income in the world. One of today's startups could very well become the incumbent of the future.

Second, startup trading venues make the markets better before they've ever done a single trade. The ideas they bring to the table and conversations they catalyze amongst market participants about the current market structure at a minimum make everyone step up their game, and occasional start full-scale disruption. Incumbent platforms are driven to innovate even faster than they already are, dealers reexamine their trading desk to ensure they're still servicing clients as efficiently as possible, and investors stop and wonder if what they're currently doing is the best path forward or there is in fact another way.

My point here is that we should never minimize the importance of new trading venues, regardless of whether

they succeed, fail or end up somewhere in between. They're stirring the pot in a way that will only improve the markets. So even if some of them do ultimately fail, it will have been a failure for the sake of progress.

www.greenwich.com | ContactUs@greenwich.com

Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics and insights to the financial services industry.

We specialize in providing unique, high-value and actionable information to help our clients improve their business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide.

CRISIL is India's foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and Singapore.

For more information, visit www.crisil.com

Disclaimer and Copyright

This Document is prepared by Crisil Coalition Greenwich, which is a part of Crisil Ltd, a company of S&P Global. All rights reserved. This Document may contain analysis of commercial data relating to revenues, productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies' products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Crisil Coalition Greenwich as on the date of the Document and Crisil Coalition Greenwich has no obligation to update or change it in the light of new or

additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data contained in the Document is based upon a particular bank's scope, which reflects a bank's data submission, business structure, and sales revenue Reporting methodology. As a result, any data contained in the Document may not be directly comparable to data presented to another bank. For franchise benchmarking, Crisil Coalition Greenwich has implemented equal ranking logic on aggregate results i.e., when sales revenues are within 5% of at least one competitor ahead, a tie is shown and designated by = (where actual ranks are shown). Entity level data has no equal ranking logic implemented and therefore, on occasion, the differences between rank bands can be very close mathematically.

The data in this Document may reflect the views reported to Crisil Coalition Greenwich by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Crisil Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES CRISIL COALITION GREENWICH BELIEVES TO BE RELIABLE. CRISIL COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT. CRISIL COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT.

Crisil Coalition Greenwich is a part of Crisil Ltd., an S&P Global company. ©2025 Crisil Ltd. All rights reserved.