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The Transformation of the Trading Business

October 25, 2016

Executive Summary:

Sell-side trading desks have been upended by structural and cyclical changes. It is clear to most that the previous playbook doesn't work all that well anymore, and revisions need to be made to remain relevant and ensure growth over the next decade.

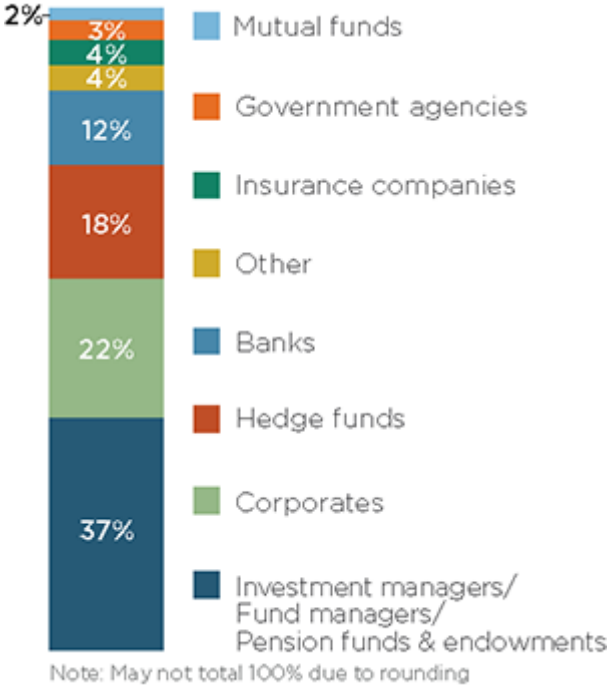
Changing a business model that has largely remained intact for decades is not easy. Feelings will be hurt and beliefs shifted while dealing desks are restructured to become more efficient and more effective given current regulations, technology and economic conditions.

What must be modified and how is different for every market player. However, several themes have emerged via conversations Greenwich Associates has had over the last several years with the sell side and the customers they serve. Here we examine why things are different, why they must change, and we provide the sell side with 10 steps for keeping their key place in the capital market ecosystem into the future.

Methodology:

Between September 2015 and April 2016, Greenwich Associates interviewed 3,175 institutional investors active in U.S. equities, U.S. fixed income or foreign exchange. Respondents included 223 U.S. equity portfolio managers and 321 U.S. equity traders, 998 institutional U.S. fixed-income investors, and 1,633 top-tier users of foreign exchange at large corporations and financial institutions in North America, Latin America, Europe, Asia, Australia, and Japan.

Interview topics included trading and research activities and preferences, product and dealer use, service provider evaluations, market trend analysis, and investor compensation. Analysis for this report was performed in the first half of 2016.



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