

Grey Costs per Trade

the ValueExchange's Key Findings





Grey Costs Per Trade



Over **5,000** financial market specialists polled

Asia-Pacific, Europe, Africa and North America

Fund managers, Brokers, Banks, Custodians and Service providers

CEOs, COOs, Compliance, Front office, Product managers, Middle office, Back Offices

Context

In the last 10 years, **the ability to accurately calculate a reliable cost per trade has moved from an operational KPI to a core organizational metric.**

Without it, organisations are doomed to fall short of regulation, to mis-manage their businesses and to threaten their long-term viability.

This paper summarises #theValueExchange's Key Findings on the '**Grey Costs per Trade**', as part of our industry-wide survey on how we are tracking and managing our costs per trade today.

**Why track
a cost per
trade?**



What is a Cost per Trade for?

A growth enabler: Not just an internal metric



to Survive

Regulation

to Manage

Internal Planning
Capacity Planning
Strategy

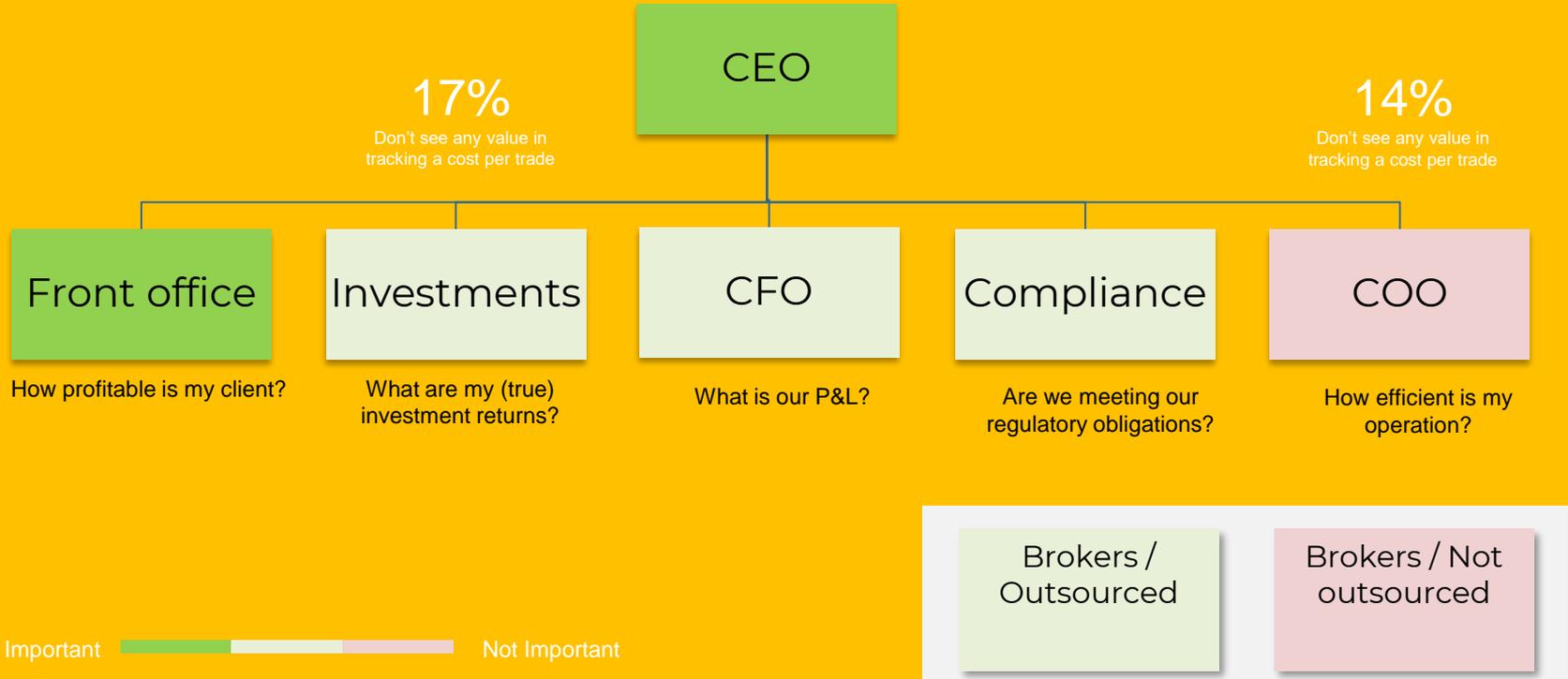
to Grow

Competitive Edge
Client profitability



Who wants to track a cost per trade?

71% consider cost per trade important



Who is tracking a cost per trade?

But 30% don't have any visibility on trade costs



Do you currently track a cost per trade? (Yes/No) / How important is it to you to track a cost per trade?

**Why aren't we
tracking a cost
per trade?**



Why aren't we tracking a cost per trade?

61% lack the access or data to track costs



Don't own the costs

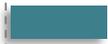
38%

No data

23%

Not tried / Too complicated

38%



CEO



COO



Product



Sales / Dist



Equities



Fixed income



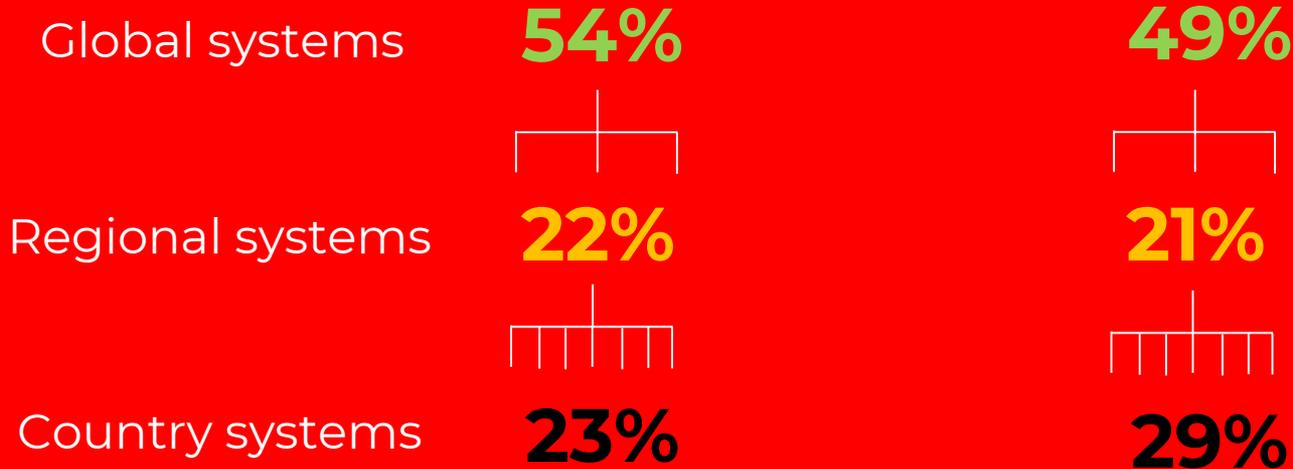
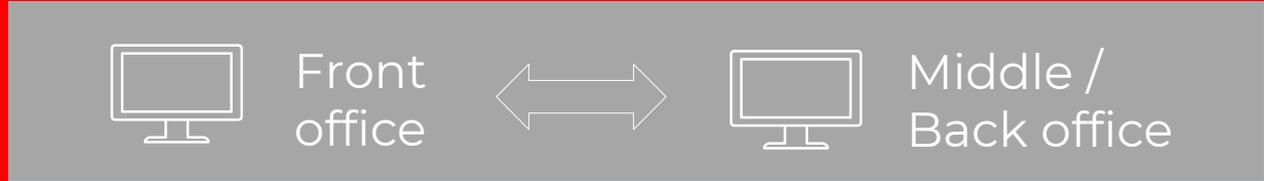
Listed Derivs



Mut. Funds

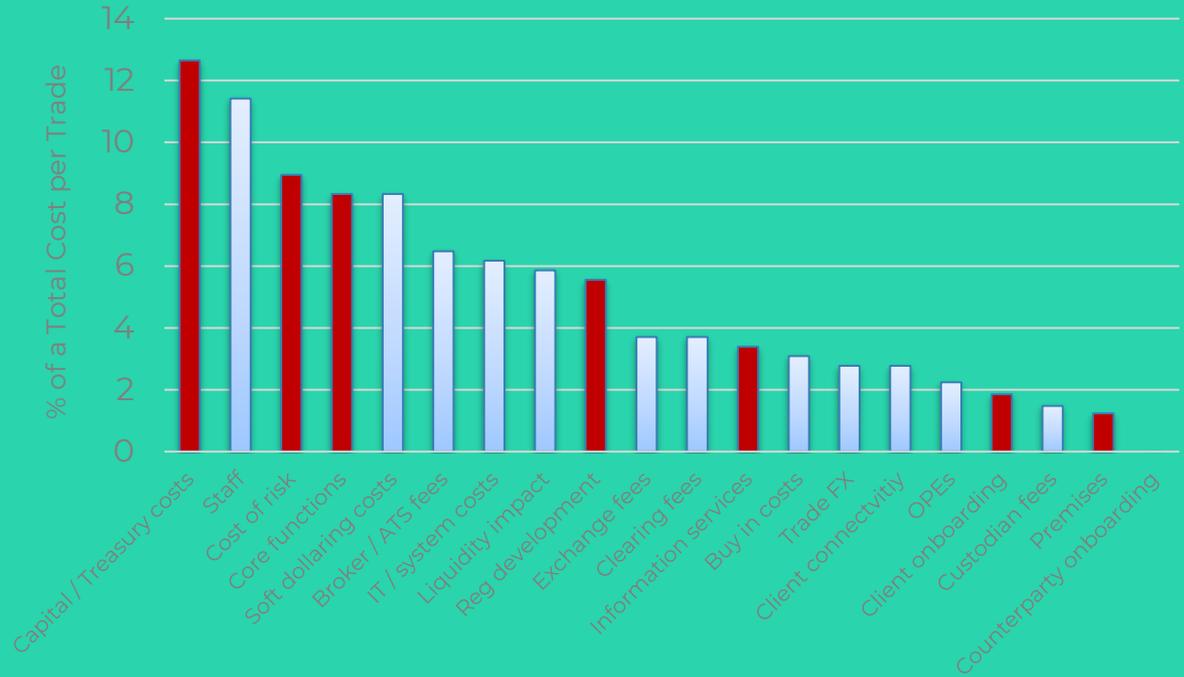
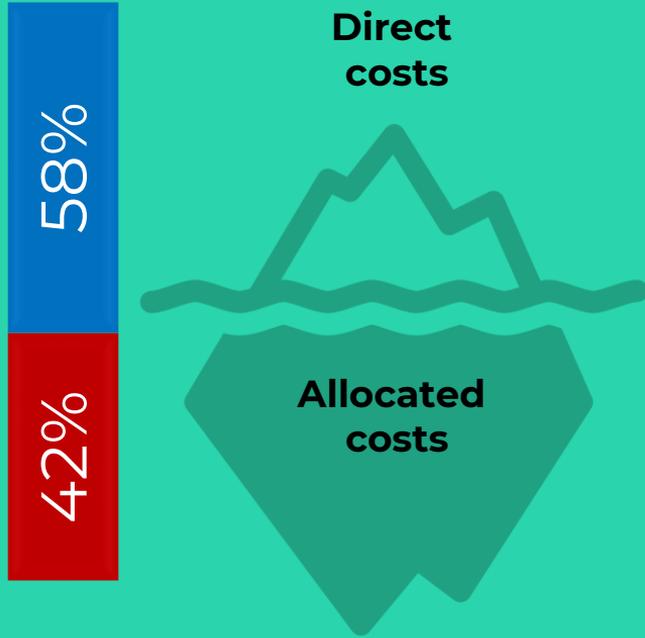
Why aren't we tracking a cost per trade?

...because 48% of systems are factionalised



Why aren't we tracking a cost per trade?

...and 42% of costs are allocated



How you would estimate these costs as a % of the total cost per trade?

**What does that
mean for us?**



How does the market calculate a Cost per Trade?

Current cost vs True cost



Current



Clearing fees
IT / System costs
Exchange fees
Staff
OPEs
Reg development
Custodian fees
Information services
Liquidity Impact
Broker / ATS fees
Cost of risk
Trade FX



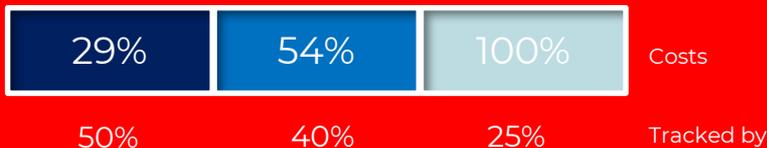
Ideal

What does that mean?

50% of our industry is tracking only **29%** of the total costs of a trade



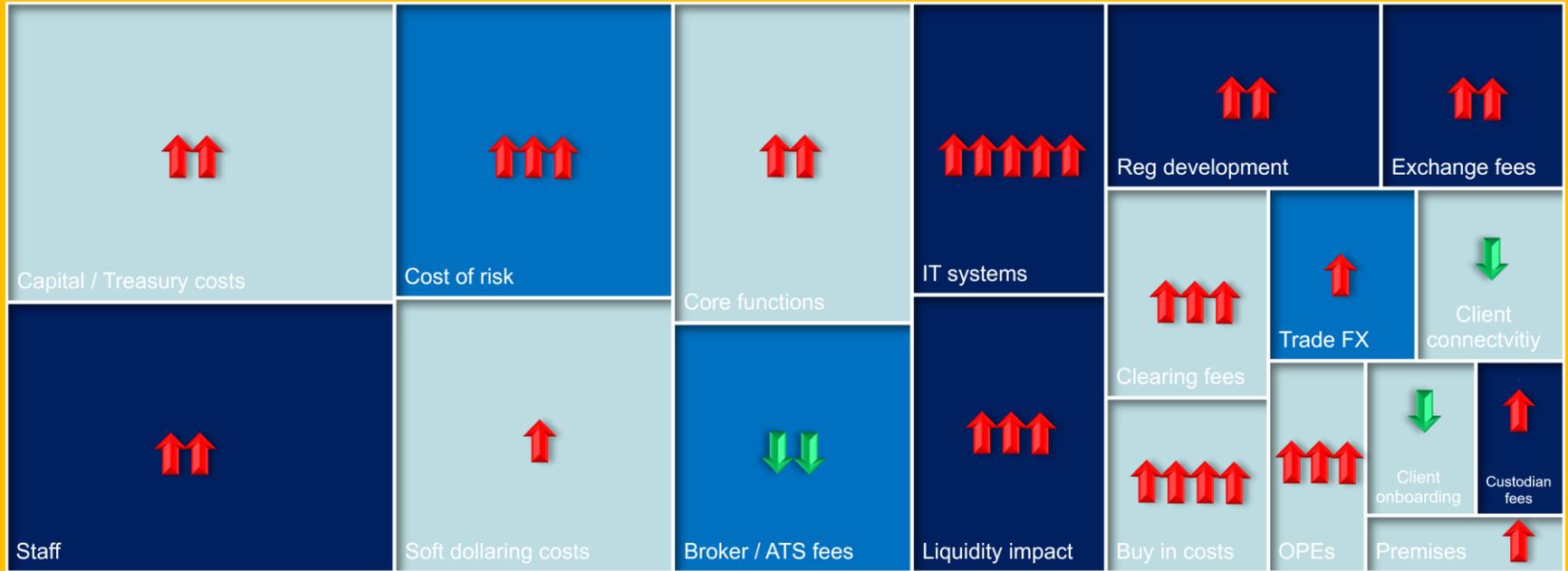
Box sizes are proportionate based on their cost



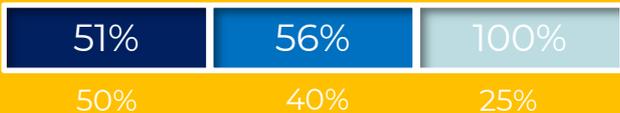
How you would estimate these costs as a % of the total cost per trade?
Which elements do you / would you track as part of a cost per trade?

What does that mean?

50% are tracking only **51%** of cost growth in the next 5 years



Box sizes are proportionate based on % of total cost per trade
Each arrow represents 1% change in costs over 5 years



% of Cost Growth

Tracked by

How you would estimate these costs as a % of the total cost per trade?
Which elements do you / would you track as part of a cost per trade
How do you expect each element to grow / reduce in the next 5 years?

Zoom on Due Diligence costs

Vendors are the new headache



Due diligence on....

Fund Manager

Broker-Dealer

Bank

Outsourcing Provider

Technology and Services Vendor

Due diligence by....



Fund Managers



Broker-Dealers



Banks



How do you expect your due diligence costs on the following partners to change over the next 5 years?

**What are we
doing about it?**



Who are we turning to to manage our costs?

A new generation of partners



3.1

iCSDs (Euroclear, Clearstream)

2.8

DLT providers

2.3

Banks

2.1

Software / technology firms

What are we doing to manage our costs?

Driving fundamental change



Buy side

1. Renegotiating agreements
2. Business Process Outsourcing
3. Insourcing
4. Participating in utilities
5. IT outsourcing

Broker-Dealers

- 1= Clearing outsourcing
- 1= Participating in utilities
3. Insourcing
4. Middle / Back Office outsourcing
5. IT outsourcing
6. Renegotiating agreements

Banks

1. Clearing outsourcing
2. Participating in utilities
3. Renegotiating agreements
4. Insourcing
5. IT outsourcing
6. Middle / Back Office outsourcing

What are we doing to manage our costs?

...but are we ticking enough boxes?



Key Areas

1. Clearing outsourcing

2. Participating in utilities (inc DLT)

3. Renegotiating agreements

4. Insourcing

5. Middle / Back Office outsourcing

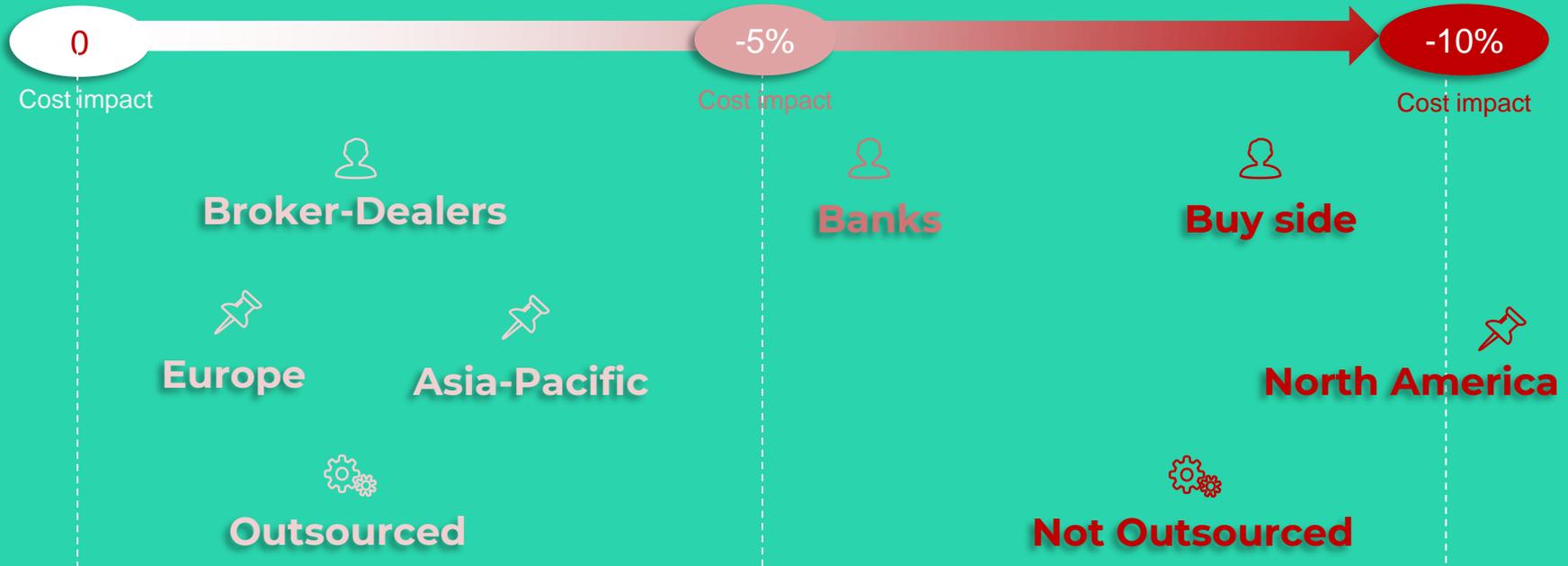
6. IT outsourcing

Top 10 elements of a Cost per trade

Capital / Treasury costs	Staff	Cost of risk	Soft dollaring costs	Core functions	Broker / ATS fees	IT / system costs	Liquidity impact	Reg Dev	Exchange fees	Clearing fees
✓	✓	✓						✓		✓
✓	✓					✓		✓		
						✓				
✗	✗	✗		✗		✗		✗		
	✓	✓		✓		✓		✓		
	✓					✓				

What impact do we expect to make?

... and are 2-5% cost reductions in 3 years achievable?





**Grey Costs
Per Trade**



Summary



**Costs per trade
aren't being
used as an
engine for
growth**

71%

Consider cost
per trade to
be important

30%

Don't have
any visibility
on trade costs

**Key obstacles
are blocking
our visibility**



Systems

Organisation

Allocated costs

**We risk making
the wrong
decisions on
our business**

50%

of our
industry is
tracking only

29%

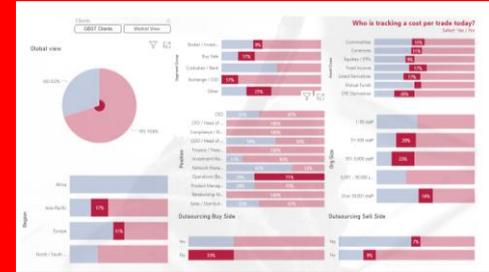
of the total
costs of a
trade

Want to know more?



We have over 150,000 data points in this survey and we'd be delighted to provide you with more detailed insights using our interactive **#vxDashboard** platform.

Please visit thevalueexchange.co/vxdashboard for more information or contact us at info@thevalueexchange.co



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