# The rise of outsourced trading in the financial industry



The movement towards outsourced trading is evolving as a significant trend within the financial industry, with an increasing number of firms opting for a full outsourcing model instead of the previously popular hybrid approach of co-sourcing. The latest survey by The TRADE indicates that the percentage of respondents who have made the transition to full outsourcing has risen from 42% to 47% in 2024, while those employing a co-sourcing model have decreased from 49% to 45%.

Dean Gray, the head of EMEA outsourced trading at Jefferies, shared insight into this industry shift, stating, “To date, smaller and mid-sized managers tend to prefer a full outsourced model. However, we are also seeing a shift from our larger clients, who want to leverage a superior trading infrastructure for a particular asset class or regional capability, towards a broader coverage model." This shift towards more comprehensive outsourcing solutions suggests that firms that have initially used external services are realising the benefits and committing to a full outsourcing strategy.

Dan Morgan, global head of portfolio solutions at State Street, commented on the significance of this trend, saying, “The TRADE’s finding of a shift from co-sourcing to full outsourcing is significant and supports what we have found to be true. Once clients try outsourced trading, they see the benefits and continue to expand their OT capabilities.” This comment aligns with the growing evidence that the satisfaction with outsourced trading services is driving demand for more extensive partnerships.

The trend is also exemplified by recent developments among notable industry players. Liontrust Asset Management is currently exploring outsourcing portions of its trading activities to BNY. This follows announcements from other firms, including Avanza Fonder, which outsourced to Northern Trust in December, and UK-based asset manager Artemis, which is set to commence outsourced trading services with the same firm for its equities and derivatives activities in January 2025. Furthermore, BNY secured a prominent agreement in March 2024, providing Goldman Sachs Asset Management with global trade execution services across multiple markets, indicating the expanding market for outsourced trading solutions.

Kevin O’Connor, global head of sales at State Street, expressed endorsement for the survey's findings, noting, “I’m not surprised by the TRADE’s findings. A survey conducted by State Street in 2024 revealed that the vast majority of firms already outsourcing were satisfied or very satisfied with their experience and planned to increase usage.” The data reveal not only a growing acceptance of outsourced trading but also an increasing willingness among firms to enhance their outsourcing arrangements.

The survey has undertaken a more in-depth analysis this year, evaluating how clients perceive the value of their outsourced trading relationships once costs associated with onboarding and operation are factored in. Approximately 43% of respondents rated their providers as ‘excellent’ regarding the net value they deliver. Furthermore, 73% of asset managers and hedge funds identified the need to address operational inefficiencies as a key reason for pursuing outsourcing, closely followed by a desire to control costs, highlighted by nearly 40% of respondents.

Chris Blackburn, head of UBS’ execution hub for the EMEA region, shed light on the dynamics within larger asset managers, suggesting that “existing trading desks are increasingly using the hub to add particular capabilities or capacity where they determine that it does not make sense for them to build in-house.” This reflects a growing trend where firms are looking to leverage external expertise and resources to improve efficiency and effectiveness within their trading operations.

Despite the overall trend towards outsourcing, the survey revealed that 55% of clients had not considered switching their current provider, with an ambiguous response from nearly half of the participants regarding potential provider changes. Aaron Hantman, chief executive at Tourmaline, commented last year on the burgeoning acceptance of outsourced trading, stating, “the concept of outsourcing or supplemental trading has become institutionalised.” This indicates a notable shift in the industry's perspective, further indicating a possible evolution in market practices related to outsourced trading services.

As these trends continue to develop, the financial sector will likely see increasing changes in business practices influenced by the growing reliance on outsourced trading solutions and the strategic partnerships that firms form in pursuit of enhanced operational efficiency.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

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