

## Ideal Customer Profile (ICP) for the Americas Equity Trading Desk of a Tier 1 Bank

### Objective:

Define the ideal customer for solutions targeting the equity trading desk, focusing on operational specifics and 2024 challenges.

### Template Sections:

#### Demographics

- **Desk Size:** ~100 traders, with desks specialized in equities, options, and futures.
- **Trading Volume:** Daily average of \$1-2 billion in equity trades.
- **Regional Offices:** New York (HQ), Chicago, São Paulo, Toronto, and Mexico City.

#### Needs

- **Primary Needs:** Best execution, reducing slippage, managing operational risk, and regulatory compliance (e.g., SEC Rule 606, MiFID II).
- **Challenges:**
  - **Liquidity Fragmentation:** With market liquidity increasingly split across various platforms and dark pools, traders struggle to efficiently access diverse liquidity pools, increasing slippage risks.
  - **ESG Trading:** The rise of ESG (Environmental, Social, Governance) mandates forces desks to integrate ESG-compliant strategies, which complicates execution and reporting.
  - **Market Structure Changes:** Updates to market-making and payment for order flow practices, driven by regulatory reforms, are disrupting long established execution strategies.
- **Risk in 2024:**
  - **Algorithmic Trading Risk:** A growing reliance on algorithmic and high-frequency trading introduces heightened vulnerability to market shocks and flash crashes, with limited ability to quickly recalibrate.
  - **Regulatory Scrutiny on Best Execution:** Heightened scrutiny from the SEC, particularly around best execution under Rule 606, exposes trading desks to significant fines if execution transparency or reporting is inadequate.

## Ideal Customer Profile (ICP) for the Americas Equity Trading Desk of a Tier 1 Bank (cont'd)

### Buying Behavior

- **Head of Trading:**
  - **Role in Process:** Oversees platform selection, focusing on execution speed, slippage reduction, and trading strategy compatibility.
  - **Timeframe:** 3-6 months for performance testing and strategy evaluation.
  - **Risk Evaluation:** Assesses performance under high-volume and volatile market conditions before sign-off.
- **CTO:**
  - **Role in Process:** Ensures platform compatibility and low-latency performance across all systems, along with cybersecurity standards.
  - **Timeframe:** 2-4 months for testing integration with existing infrastructure.
  - **Risk Evaluation:** Focuses on tech-related risks like system outages or latency failures, verifying fail-safe protocols.
- **CRO (Chief Risk Officer):**
  - **Role in Process:** Responsible for assessing market, operational, and liquidity risks, ensuring the platform supports comprehensive risk management.
  - **Timeframe:** Simultaneous with Head Trader evaluations, 3-6 months.
  - **Risk Evaluation:** Analyzes the platform's ability to handle market shocks, liquidity fluctuations, and regulatory compliance.
- **Compliance Officer:**
  - **Role in Process:** Reviews alignment with regulatory requirements (SEC Rule 606, MiFID II), ensuring compliance.
  - **Timeframe:** Typically 1-2 months for a thorough compliance audit.
  - **Risk Evaluation:** Focuses on risks of non-compliance, potential fines, and ensuring transparency in reporting.

## Ideal Customer Profile (ICP) for the Americas Equity Trading Desk of a Tier 1 Bank (cont'd)

- **Procurement:**
  - **Role in Process:** Negotiates pricing and contractual terms after performance and compliance evaluations.
  - **Timeframe:** 1-2 months for negotiations and final agreement.
  - **Risk Evaluation:** Analyzes vendor reliability, ongoing support, and cost-effectiveness to ensure long-term viability.

### Challenges:

- **Client Retention:** Losing smaller hedge fund clients due to limited personalized execution services and higher fees, leading to increased client segmentation.
- **Cost Pressure:** Increasing demands from institutional clients to reduce trading fees while maintaining top-tier execution quality and regulatory compliance.

### Success Factors

- **Execution Speed:** Ultra-low-latency trading systems are crucial, where milliseconds can make or break profitability.
- **Liquidity Access:** Platforms must provide seamless access to multiple liquidity pools, including dark pools, to handle fragmented markets.
- **Regulatory Compliance:** Seamless integration with tools that handle SEC and MiFID II requirements for best execution and ESG compliance.
- **Client Retention:** Tailored execution strategies, improved reporting, and stronger analytics are key to retaining institutional and hedge fund clients.

### Use Case

A Tier 1 bank's equity trading desk implemented a low-latency trading platform, reducing trade execution times by 15%. The platform's advanced access to diverse liquidity pools lowered slippage by 10%, while integrating ESG compliance tools led to higher client satisfaction and a 20% improvement in profitability.