



Open Letter to Buyside Head Traders  
Is Outsourcing Trading being discussed behind your back?

As the Outsourced Trading trend gains momentum, you might be wondering if senior management is considering outsourcing trading and operations. Or worse, is your firm already making inquiries and interviewing outsourced trading solutions?

According to some industry estimates, 20% of asset managers over \$50 billion in AUM will outsource some aspect of trading in 2022. For smaller managers this number is probably much higher.

The question...Do you turn into the headwinds or duck and cover?

My suggestion...Turn into the turbulent air.

As the head trader, you are uniquely qualified to assess the value of outsourced trading alternatives. You have spent years understanding the complexities of our fragmented markets and the subtle differences in order routing solutions. You know the desk better than anyone else and should be part of any decision related to the desk.

The first step is to understand why your firm might want to consider outsourcing some aspect of the trading desk. Is it to save money, add functionality and depth, or to serve as a business continuity solution? All of these are valid reasons to consider outsourced trading.

Second, take an honest assessment of your trading capabilities and needs.

- ✓ What aspects of your desk could be taken off your plate? (Client direction, trade rotation, wrap)
- ✓ Where could you benefit from increased depth and experience? (International, options, fixed income, FX)
- ✓ Do you have adequate back up in the case of vacations, illness, disasters, pandemics?

Finally, get educated on the possible outsourcing solutions. While traditional outsourced trading providers were geared towards hedge funds, newer entrants have focused on the needs of RIAs. In addition to CAPIS, Jones, BTIG, Northern Trust, Tourmaline and Cowen are all participants in this space. In the coming weeks, we expect Chartis Research to be publishing a listing of outsource trading providers. You may find this to be a good starting place.

Being reluctant to address the topic of outsourced trading is understandable. However, it is probably the right business move. As a result, you will become part of the conversation and can craft a solution that is more likely to be mutually beneficial. If the idea is not under consideration, breaking the ice on this topic greatly improves the chances of you being consulted if that day comes. Either way, you are in a better position to help your firm and yourself. Food for thought.

If you want to discuss your situation, please reach out to me or one of my colleagues.

Sincerely,

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