



THE MARKET WIZARDS PARTNERSHIP MODEL

The costs of running a proprietary trading firm have increased exponentially over the past decade. Increased regulation and fee increases have seen costs and complexity soar and owners of proprietary trading firms are spending more time on compliance than on trading as a result.

Mifid II changed the game for proprietary trading firms. Being an investment firm requires specialist staff and dedicated resources focused on maintaining compliance with EU rules rather than revenue generation.

Brexit and new capital rules coming in as part of CRD IV are further increasing the costs of business. Many larger UK-based firms have established offices in the EU in order to continue operations on EU-based markets. Those that do not have the resources to do so are left at the mercy of politicians negotiating long-term deals or risk being shut off from international markets.

Market Wizards, the long-established Dutch-based proprietary trading facilitator, has for more than 20 years operated a partnership model to allow managers of proprietary trading firms to focus on what they do best: trading.

The partnership model allows your business to:

- Trade on UK and EU markets without being a Mifid II investment firm
- Trade on Asian and U.S. markets using ABN AMRO Clearing's Global Execution Services
- Benefit from cutting edge connectivity and trading infrastructure
- Avoid punitive IFR and CRD IV capital charges
- Mutualise the costs of exchange memberships
- Maintain your brand and company identity
- Access ABN AMRO Clearing's unique margining model
- Retain the flexibility of how you want to trade
- Partner with a firm boasting more than 20 years' experience in proprietary trading



Market Wizards offers a trading and regulatory platform for professional traders that need to access European markets.

How does it work?

The Market Wizards Partnership Model allows UK and EU-based proprietary trading firms to trade on EU and UK markets under the umbrella of its Mifid II licence. The partner firm establishes a Dutch limited company which enters into the partnership with Market Wizards and agrees the terms of the cost and profit sharing between the two entities. The partner firm then trades through the Market Wizards trading entity and clears trades through the Market Wizards account at ABN AMRO Clearing. Market Wizards will risk manage the positions intra-day according to pre-agreed risk parameters and margin calls come from ABN AMRO Clearing via Market Wizards to each partner firm. If a partner firm wants to hold overnight risk, an additional step is required due to prudential requirements set out in CRD IV and CRR. Under this step, the partner firm must establish an additional legal entity via which the trading capital is deposited as premium on the issue of one share in Market Wizards. Trading capital deposit as premium will be regarded as core capital of Market Wizards and as such can be used to cover the overnight haircut requirements of the partner firm. At all times under this model, the partner retains its independence in terms of location, branding and trading styles only giving up their EU exchange memberships and EU investment firm registration. This allows them to focus on trading without the cost and complexity of being a Mifid II investment firm.

Who are Market Wizards?

Market Wizards is a Dutch proprietary trading facilitator that provides services to over 45 traders from 18 different entities. The firm operates from Amsterdam and operates an advanced dealing room as well as offering remote services to independent trading firms. Market Wizards is an independent member of various exchanges including NYSE Euronext, BATS Chi-X Europe, ICE Europe, Eurex, Xetra, SIX, NOMX and the London Stock Exchange. Market Wizards is a member of the Dutch Proprietary Trading Association (APT).

What are the benefits of the Market Wizards Partnership Model?

The model enables proprietary trading groups to trade on UK and EU markets without the cost and complexity of establishing themselves as an investment firm giving those groups the freedom to focus on trading. Partners can trade through Market Wizards' low latency infrastructure and co-location facilities as well as accessing ABN AMRO Clearing's market-leading margining and clearing services.

What functions will Market Wizards perform?

Market Wizards will take care of all your IT, risk management, compliance and back-office functions leaving you free to concentrate on trading. Trade reporting is also fully handled by Market Wizards.

Does Market Wizards support algorithmic trading?

Yes, Market Wizards partners with several algorithmic trading groups and supports traders to connect directly to the exchange API so that they can run their algo trading scripts directly on the exchange.

How does Market Wizards manage risk?

All trading accounts are monitored by Market Wizards' risk team according to the parameters and methodology set out by each exchange in their risk GUIs. Market Wizards will set risk and position limits with each partner firm. Market Wizards retains the ability to close out positions if necessary.

Are partners' funds segregated?

Market Wizards does not commingle funds between partner firms. Partners also benefit from offsets among the positions of their traders leveraging ABN AMRO Clearing's unique margining offset mod-

What front-end trading systems does Market Wizards support?

Market Wizards is agnostic to the trading systems it supports. It currently supports SOL-3, Actant and GenXs.

Do partner firms retain their own brand identity?

Yes, all partner firms can retain their own brand identity and physical location. All traders get a Market Wizards email address for certain communications with exchanges, where it is required that contact is made from a Market Wizards domain. However, the public facing brand of all partners is retained.

“Market Wizards has been supporting proprietary traders for over two decades and has a deep understanding of the business of trading. Our partnership model allows proprietary trading groups to continue to operate post-Mifid II and Brexit without the additional cost and complexity of becoming an Investment Firm and establishing an office in both the UK and EU. Our business has evolved with the market over the past 20 years with risk management at the fore of what we do.”

Sven Diepenbach, Managing Director, Market Wizards

