

EUROPEAN RETAIL BROKERS DIVERSIFY: OFFERING A MULTITUDE OF FINANCIAL PRODUCTS

Nicos Demetriades, Managing Director of Raydius and BrightPool



With rapid changes in the retail investing industry, firms must prove the worth of their offering if they want to thrive, according to **Nicos Demetriades, Managing Director of Raydius and BrightPool.**

In a dynamic and ever-evolving financial landscape, adaptability is key for any brokerage firm seeking to succeed. European retail brokers are recognising this imperative, and many are now venturing beyond their traditional offerings to provide a broader spectrum of financial products to their Investors. This strategic move not only expands their market reach but also aligns with the evolving needs and preferences of modern investors.

Historically, retail brokers in Europe have predominantly focused on facilitating the trading for one product category like stock-brokers and derivatives brokers. While those principal products remain integral to their operations, the competitive landscape and changing consumer behaviour have prompted a shift towards a need for products expansion. As investors become more sophisticated and demand comprehensive solutions, brokers are responding by broadening their product portfolios to encompass a wider array of investment instruments and asset classes.

In the midst of this diversification journey, European retail brokers also face constraints imposed by regulations, particularly concerning riskier products like Contracts for Differences (CFDs). Regulatory bodies such as the European Securities and Markets Authority (ESMA) have implemented measures to protect retail investors from the inherent risks associated with CFD trading, including leverage restrictions and mandatory risk warnings. These regulatory interventions aim to enhance investor protection and mitigate the potential for excessive losses. As a result, brokers must navigate stringent compliance requirements and adapt their product offerings to comply with these regulations, while also seeking innovative ways to deliver value within the prescribed framework. While these restrictions pose challenges, they also present opportunities for brokers to prioritise transparency, responsible trading practices, and products that are less risky for the investors, ultimately fostering trust and confidence in the markets.

The move towards offering multiple financial products also reflects a strategic imperative for brokers to differentiate themselves in a crowded marketplace. By expanding their product range, brokers can attract a broader clientele and deepen their relationships with existing clients by becoming one-stop destination for all their investment needs. This differentiation not only enhances customer loyalty but also strengthens the competitive position of brokers.

However, the expansion into new product categories also presents several challenges for European retail brokers. These may include operational complexities both on the front end and back end, regulatory compliance burdens, and the need for robust risk management frameworks.

Securitised derivatives are one such product that offers to satisfy the multi-asset gap. These are exchange-traded products, with all the advantages that come with this: transparency, fair fees, equal treatment of investors, and on-venue execution, to name a few. Furthermore, through securitised derivatives, retail investors can access higher leverages than with traditional securities.

At Raydius we offer Knockout warrants that are the first securitised derivatives open for trading on a 24/5 basis branded as Turbo24's. The offering includes products on a range of over 200 underlying markets on Indices, FX, commodities, equities and cryptocurrencies. The advantages of Turbo24s expand further than the continuous pricing and low fees. Investors can select the knock-out level that best suits their risk appetite (leverage).

Moreover, the trades are continuously priced with firm quotes, and orders are executed instantly through Spectrum Markets, a trading venue that possesses the unique ability to offer this service 24/5 in the market.

For the brokers, the benefits are apparent and go beyond the multi-product expansion. Some of the main benefits are no market risk management and no product operations as all these are managed on the market maker and issuer level. Moreover, the products are pan-European and provide the ability to the brokers to venture into nine different countries.

In conclusion, the trend of European retail brokers diversifying their product offerings marks a significant evolution in the financial services industry. By expanding the products categories, the brokers are positioning themselves for sustained growth and relevance in an increasingly competitive marketplace. Through strategic adaptation and technological innovation, European brokers are poised to meet the evolving needs of modern investors while unlocking new opportunities for value creation.

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