

Next-generation trading

Navigating financial markets can be a nightmare for beginners. However, retail investors who feel bogged down by confusing jargon and technical terminology can now find solace in the burgeoning world of social trading

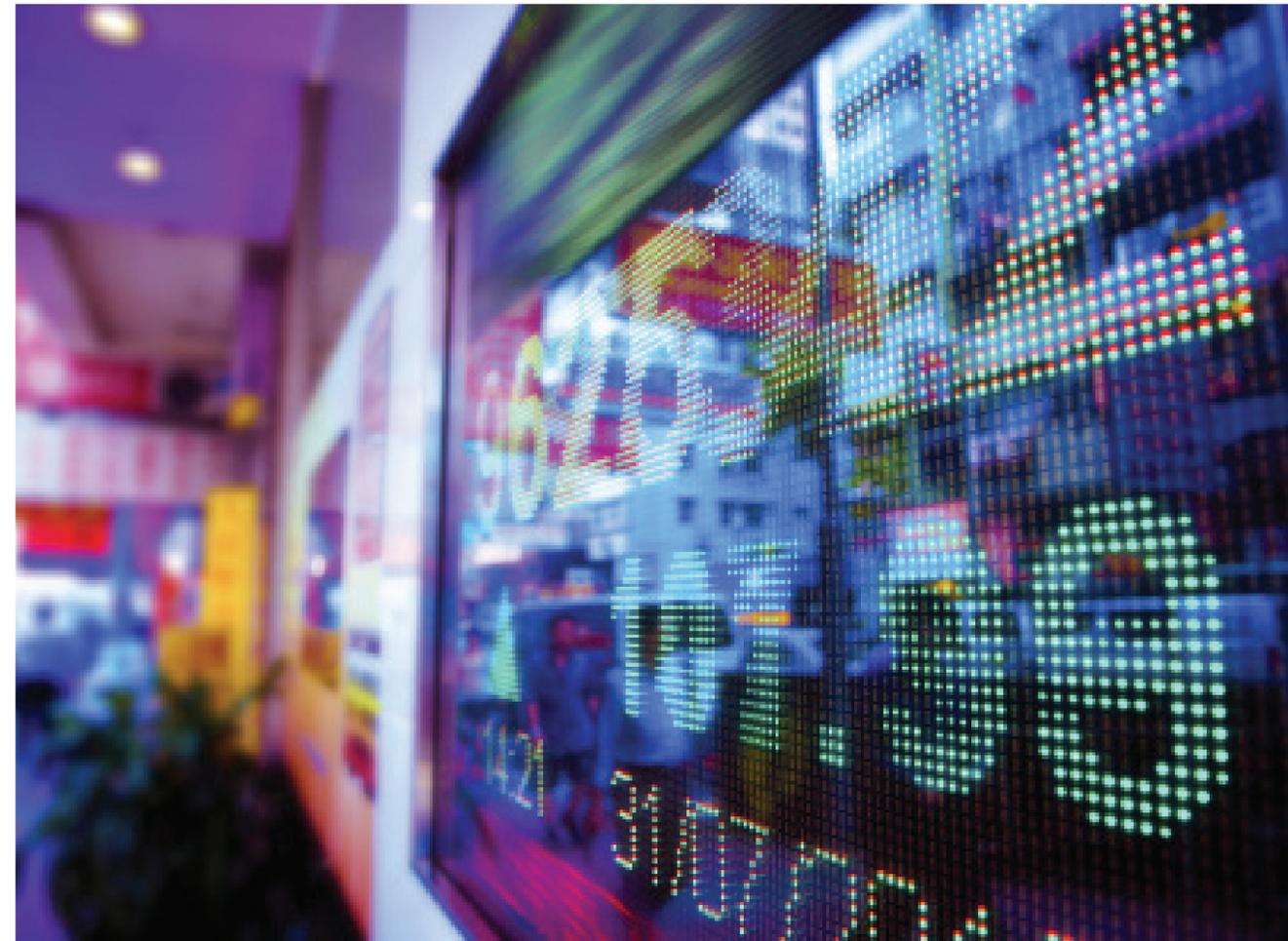
Of the countless day-to-day activities that have been transformed in the internet age, financial trading is one of the less discussed, but most affected. It was once a world solely populated by traders, brokers, pits, bourses and exchanges. Now, you have to head down to the London Metal Exchange or the New York Mercantile Exchange to see the traditional spectacle. Digitalisation is in full swing and has infiltrated the financial sector as aggressively as any other, with old open methods forced to yield to electronic trading systems that offer a faster, cheaper and more efficient means of executing trades.

The sector has always been on the cutting edge in terms of technology, quick to adopt and adapt in such a hyper-competitive marketplace. With the rise of social media platforms, such as Twitter and Facebook, the industry quickly saw that they could be adapted and tailored to suit the needs of investors. These applications laid the foundations for what is now known as 'social trading', allowing investors to use the wisdom of crowds as an advantage in the marketplace. It is designed to assist novice users in understanding financial markets through interaction and collaboration with seasoned pros. The concept gives people the chance to interact with one another, view each other's trades, and even mimic the actions of other users in order to get to grips with the world of puts, pips, shorts, longs and calls.

A key player

ayondo, a financial services company well versed in social trading and a member of the FinTech50 list, has been providing innovative trading and investment solutions for retail customers and business clients since 2009. On its platform, investors are able to trade several thousand financial products; everything from equities, commodities, indices, foreign currency and fixed income. All that is required is a secure internet connection and investors are good to go, capable of accessing their services via a computer, tablet or mobile phone. ayondo gives investors the opportunity to follow a wide array of experienced investors, getting a one-to-one replication of their trades. This gives them the opportunity to participate in global active investment strategies with the security of a heavyweight picking the punches.

This democratisation of the financial markets opens up a range of new opportunities for investors, turning something that was once intimidating to outsiders into a community that can help teach newbies the ropes and lead to greater success for all involved. "My founding partner Thomas Winkler and myself were anticipating that the internet would change the financial industry significantly, as it has changed other industries", says ayondo CEO, Robert Lempka. "We believed that the greater financial significance of digital natives and better global standards regarding data transmission and security, as well as the general frustration



about the lack of innovation and transparency in the financial industry sparked during the global financial crisis in 2008/09, would form a megatrend leading to significant changes." Their intuition was spot-on, with the number of social trading networks set to grow in the coming years. This is good news for all, as greater market participation will lead to greater volume and liquidity. "Today, only five years later, we are in this megatrend with many new creative FinTech companies with innovative business models entering the market", adds Lempka.

Experience and expansion

Working for 15 years in investment banking in London and Frankfurt as a trader and trading manager in the area of fixed income no doubt assisted Lempka in creating a user interface that ayondo could cater to the needs of first-time traders. "I love the idea of offering retail investors similar tools as professional investors to help make them more successful" says Lempka. "The retail market is very diverse and different in almost every country.

You learn a lot about the world when dealing with financial products for real people rather than institutions, which work more or less the same around the globe." Though the company prides itself in helping individuals navigate the financial landscape, it also boasts a growing business-to-business (B2B) client base, providing customised technology solutions for business partners globally. ayondo works extensively with B2B customers throughout Europe, and recently acquired its first large client based in Singapore, where it has also just opened a branch.

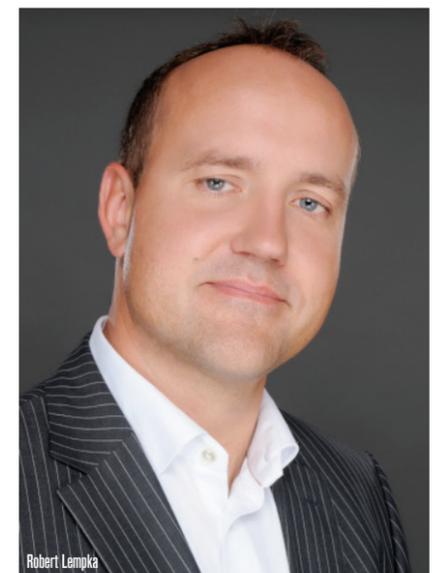
Securing clients in Asia is a key part of the company's overall growth strategy. "We believe that the Asian region is extremely interesting since it is not only very large in terms of people, but it's also the area with the fastest and largest wealth creation" explains Lempka. "We're focused on partnering with local players who own the necessary regulatory licenses in the region. Our aim is to launch three to four partnerships in the Asia Pacific region in the next 12 months." Local investors view their

ambitions in the region positively, with one of their main shareholders being Luminor Capital, a Singaporean private equity group, which boasts a strong network in Asia, making it the ideal partner for growth in the territory. That's not to say that the company is short on investor interest. Its core markets, for now at least, are Germany and the UK, with offices in Frankfurt and London, plus a Swiss office in Zug.

An accessible platform

Social trading is taking off in a big way. As a result competition is strong, increasing the importance for companies in the market to differentiate their service models from those of competitors. "At ayondo we are driven to offer the customer the best possible quality, transparency and flexibility, while keeping the price very low", says Lempka. "Therefore, we allow customers to simulate our product in a demo environment and keep the entry barriers for a live account very low; you can open a live account with just €100." Once set up, apprentice traders can choose from a number of market

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experts to follow, being able to watch every trade they execute in real-time, while keeping full control of their own portfolio's exposure. The platform offers assurance to followers that those experts are truly in the know, through what it calls a 'trading career', a system that builds a detailed public track record to verify their standing in the market. Crucial if newbies are going to trust their teachers, and necessary for the industry to acquire permanence.

Social trading will no doubt play an important role in the future of financial trading. The sheer number of established institutions, particularly local regulators from around the world that have shown interest in the product already, substantiates this claim. Social trading is moving from the niche to the mainstream, but its long-term success as an alternative investment product will be determined by companies like ayondo. They will determine whether or not the wisdom of crowds can perform well enough to contend with the likes of the fund management industry. If ayondo's mission statement is anything to go by, then fund managers beware. ■