



Life Cycle of a Trade



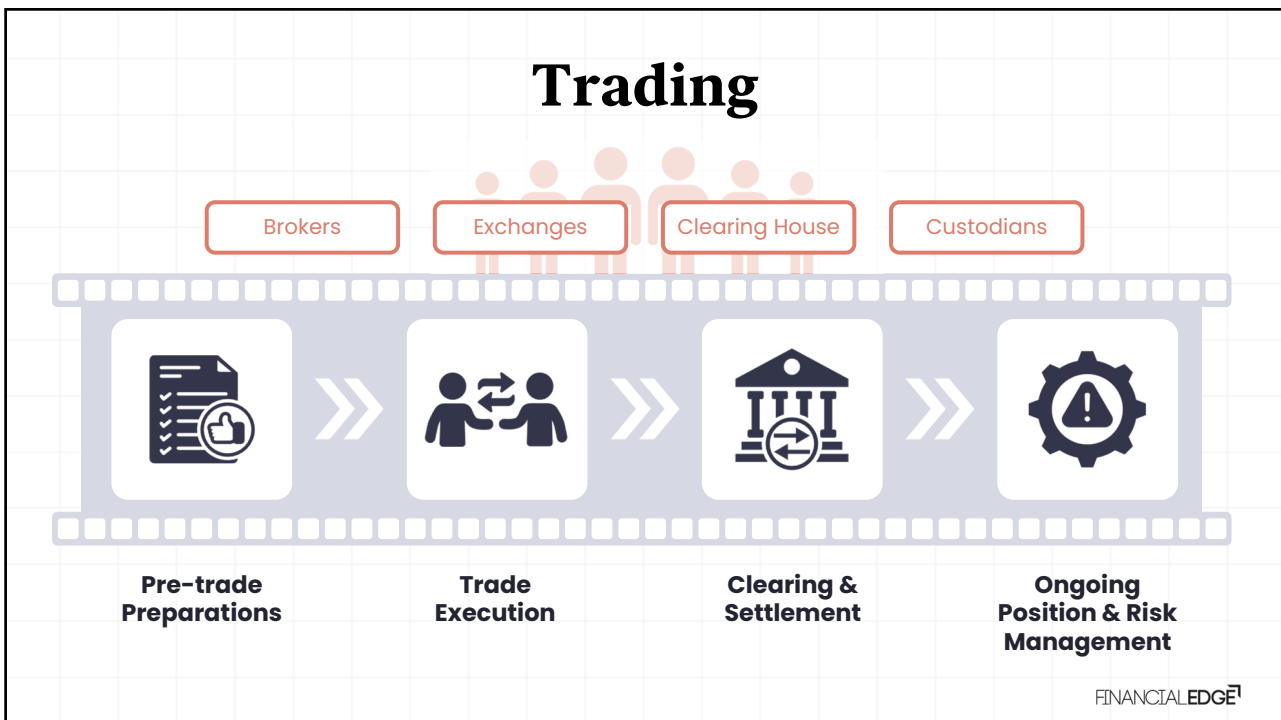
Lifecycle of a Trade - Overview

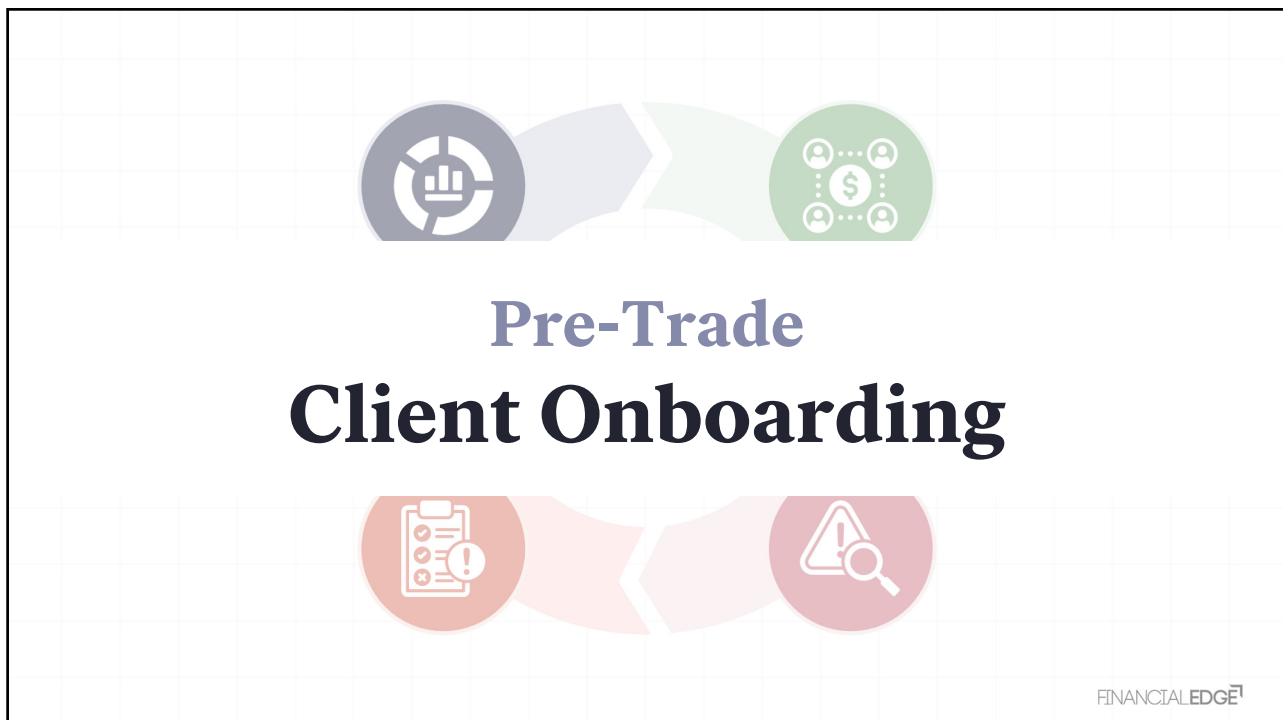
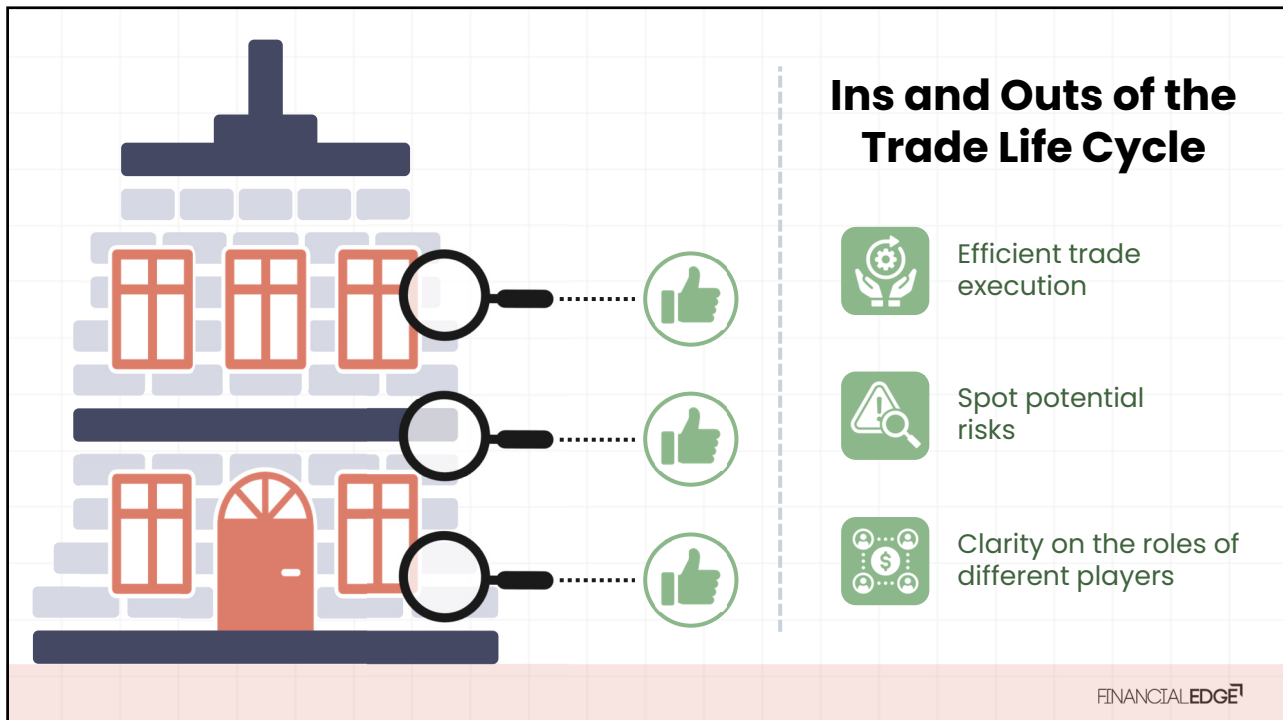


What is the Lifecycle of a Trade?



Trading





The Pre-trade Process



Client Onboarding



Market Research & Analysis



Order Preparation & Placement



Compliance Checks



Counterparty Checks & Limits

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CLIENT ONBOARDING



Collecting essential client information



Investment goals and risk appetite



Regulatory compliance is met

First interaction a client has with a financial institution

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Know Your Customer (KYC) Checks



All necessary **documentation** should be **collected** and **verified**.



Compliance and **risk assessments** as well as the setting of **trading limits**.

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Pre-Trade Market Research & Analysis

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The Pre-trade Process



Client
Onboarding



**Market
Research &
Analysis**



Order
Preparation &
Placement



Compliance
Checks



Counterparty
Checks &
Limits

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Comprehensive Market Research & Analysis



Understanding of current
market dynamics



Spotting trading
opportunities



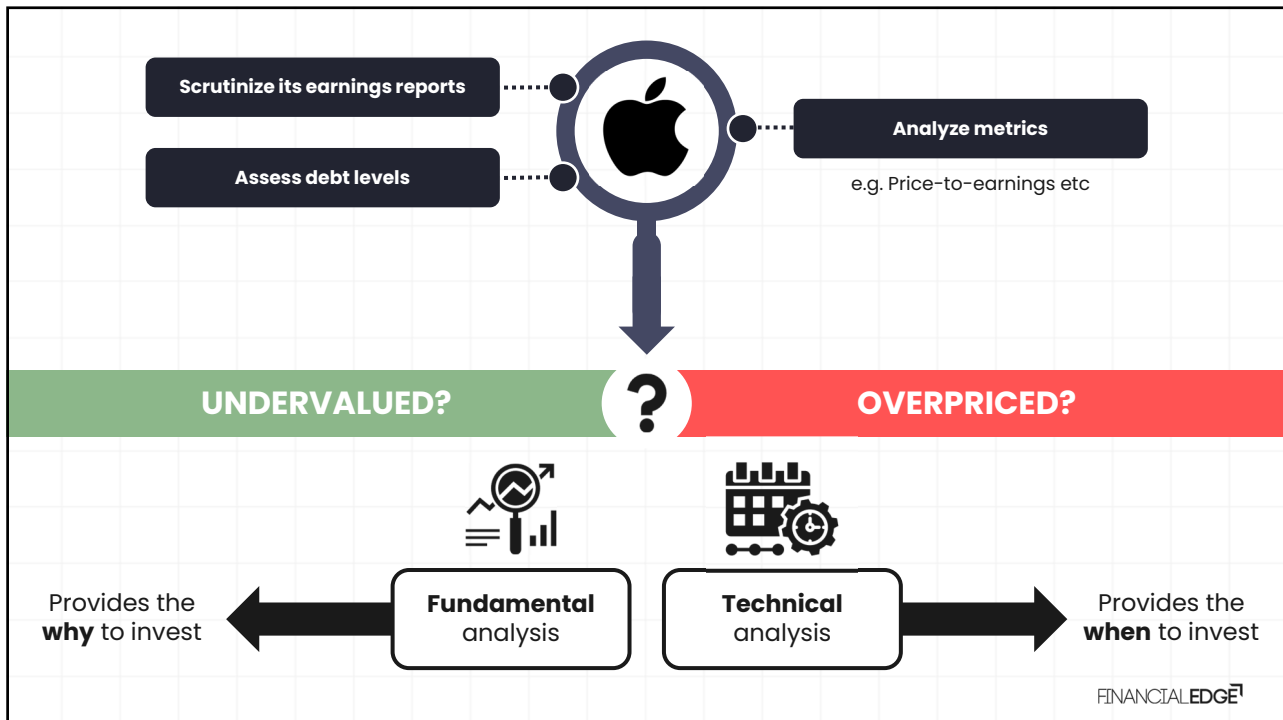
Assessing potential
risks and returns

A comprehensive approach –
360-degree view of the market.

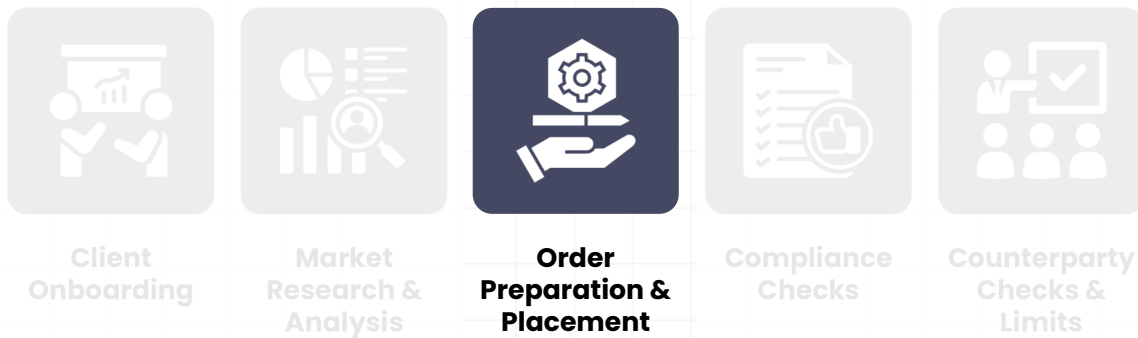


Critical techniques: **fundamental**
analysis and **technical** analysis.

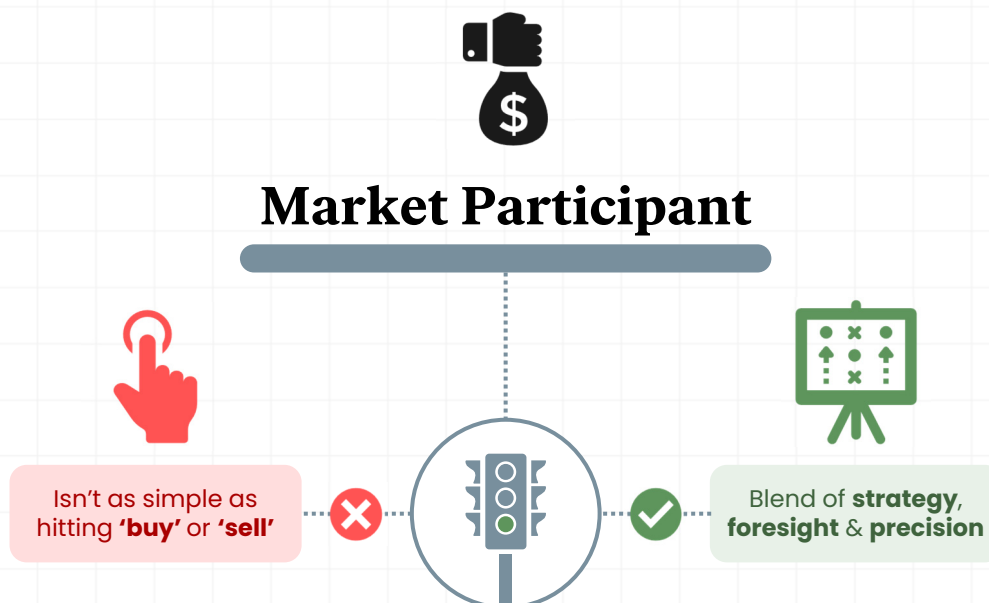
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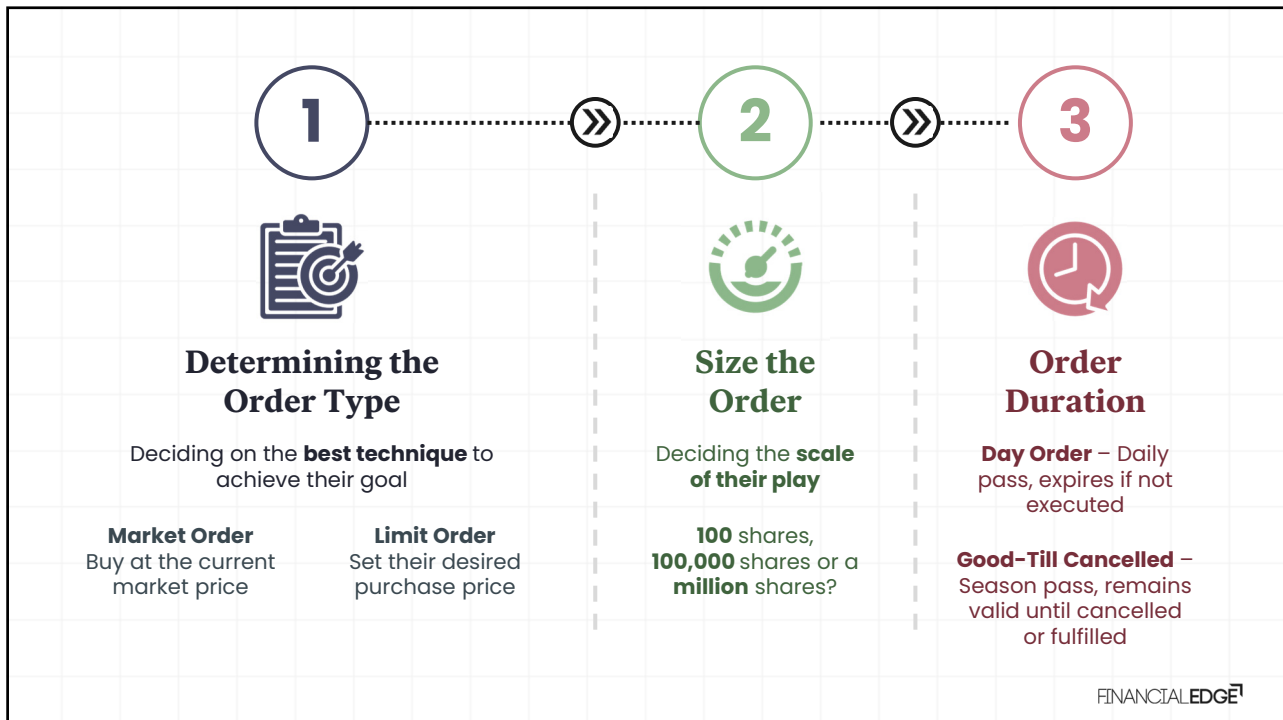


The Pre-trade Process

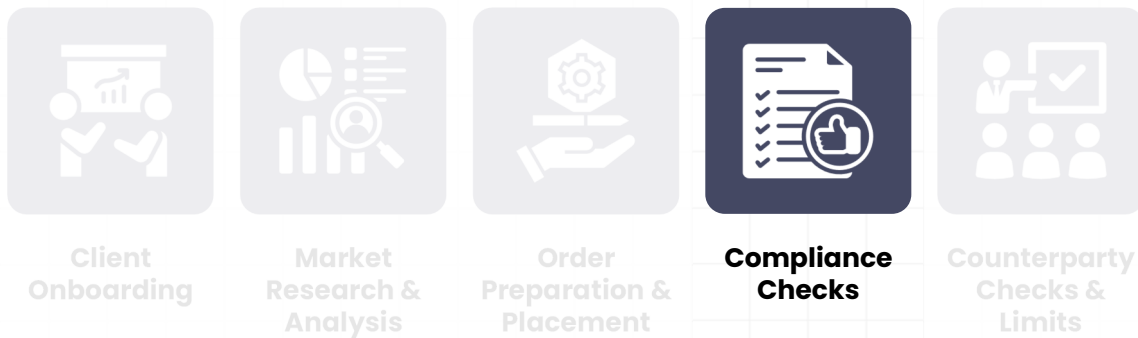
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Market Participant

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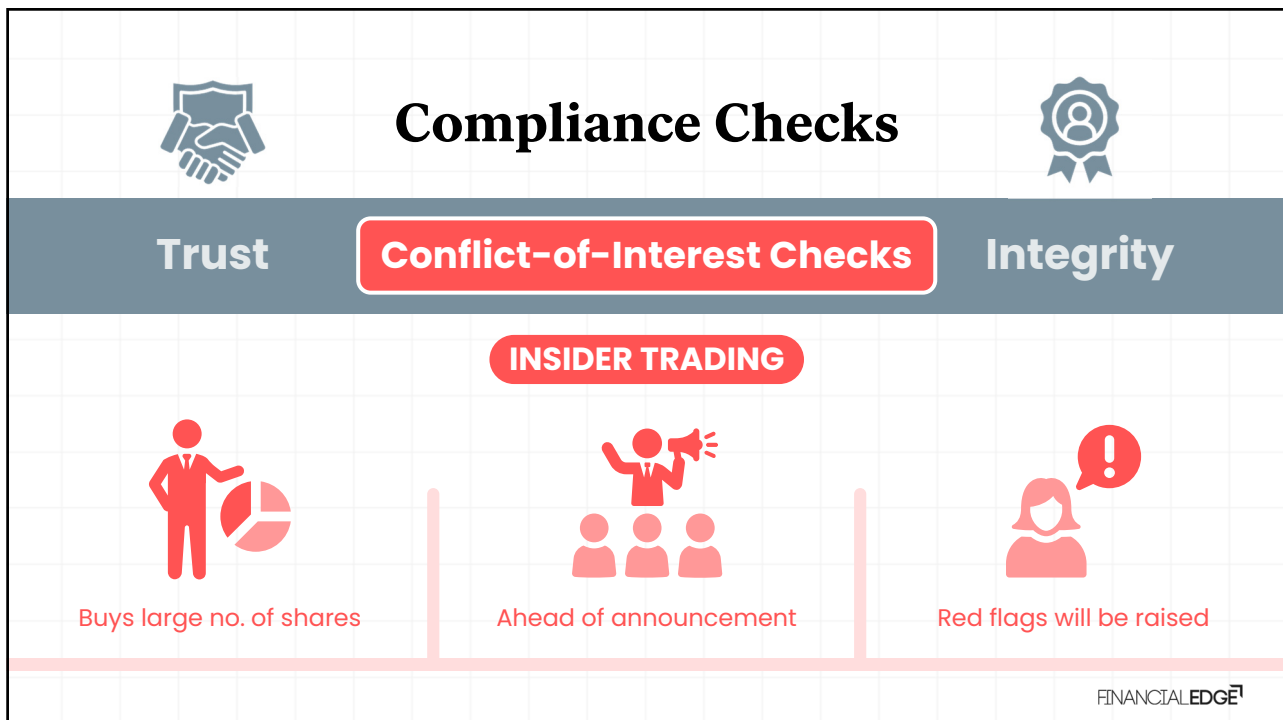
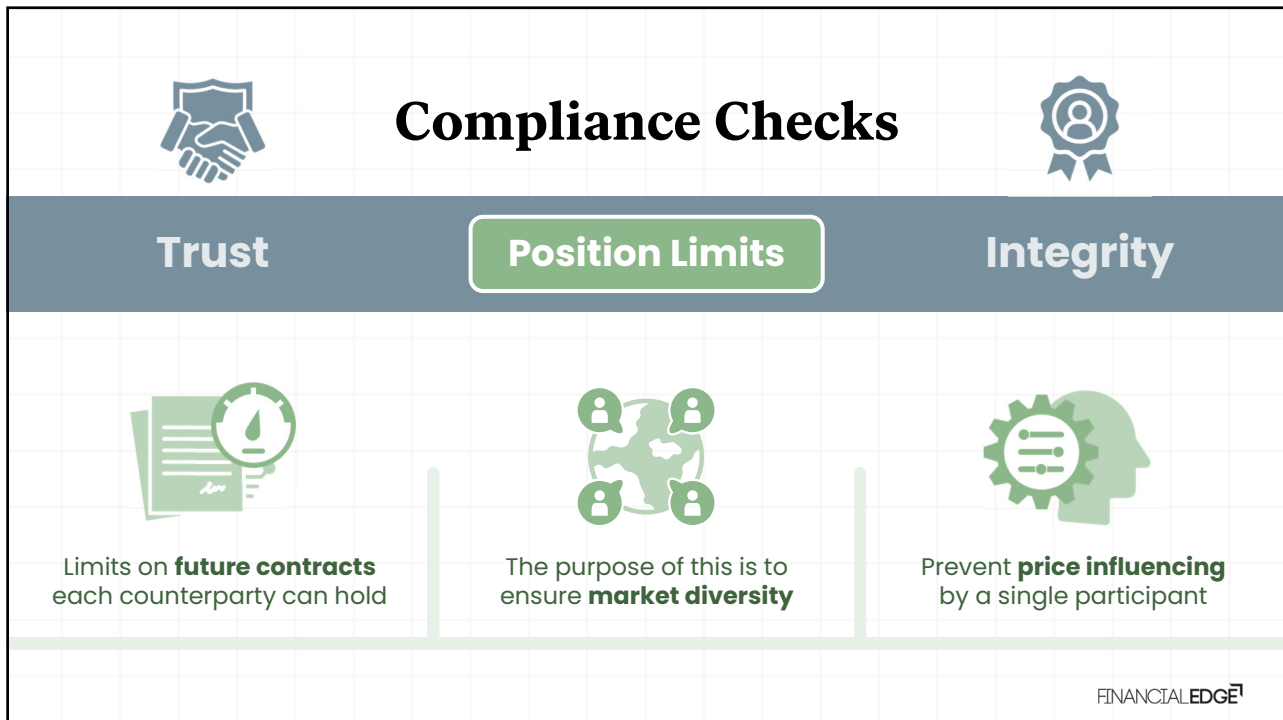


The Pre-trade Process

FINANCIALEDGE⁷**Trust**

Compliance Checks

**Integrity****Trade Compliance****Regulatory and exchange**
requirementsLimitations on the **size of a trade**Investor's order
is **accepted**FINANCIALEDGE⁷





Pre-Trade Counterparty Checks & Limits

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The Pre-trade Process



Client
Onboarding



Market
Research &
Analysis



Order
Preparation &
Placement

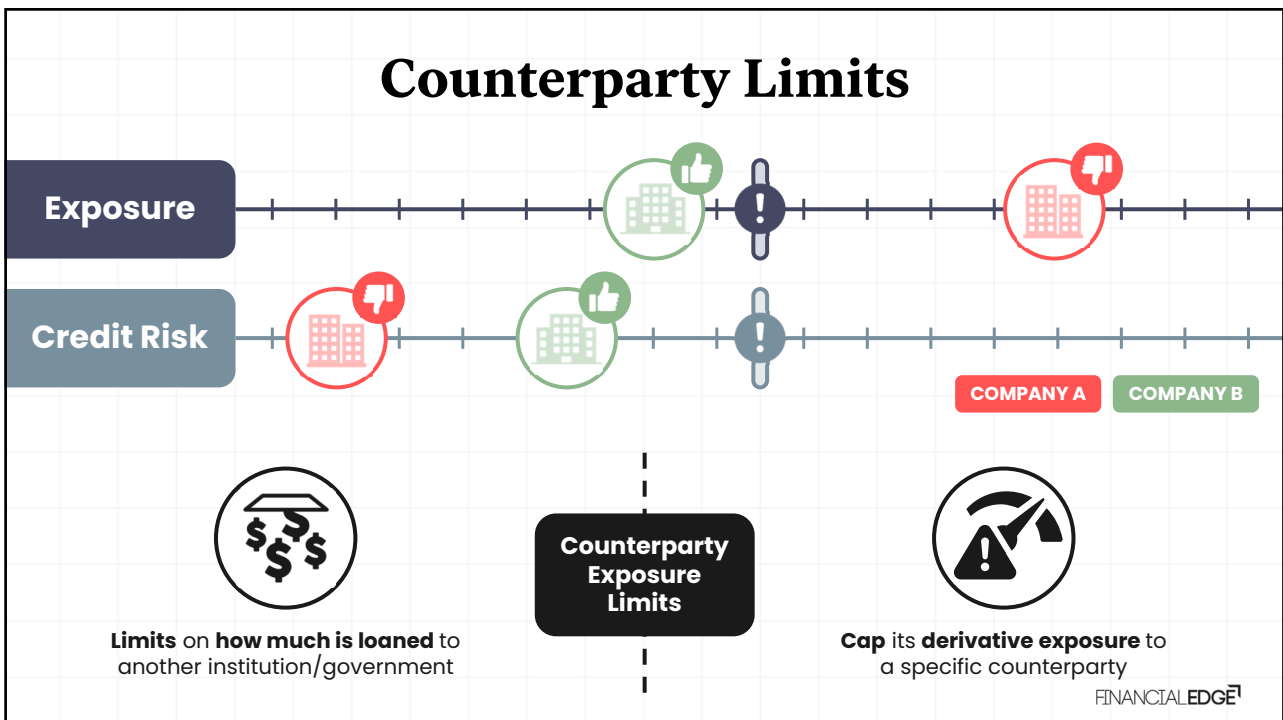
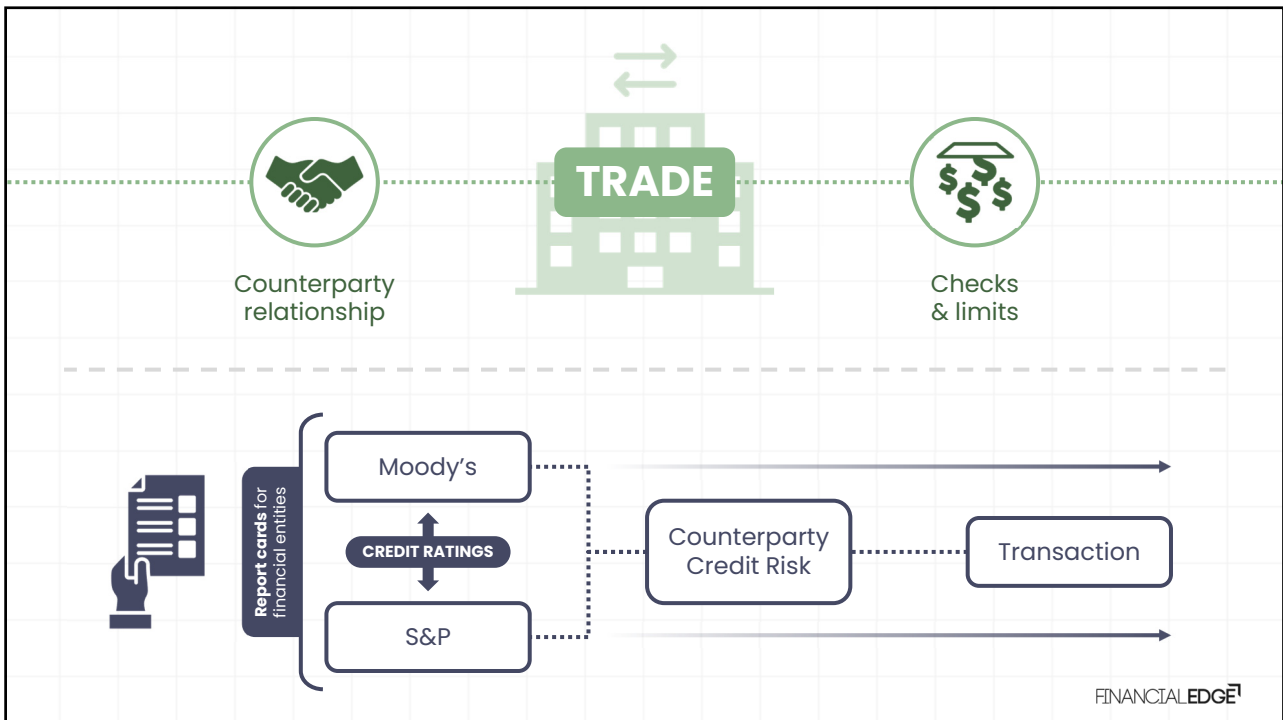


Compliance
Checks



Counterparty
Checks &
Limits

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Trade Execution Trading Venues

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Trade Execution



Intentions meet **reality**



Order transforms into
transactions



Completing a **buy** or **sell**
order in the market

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Market Participants



Navigate **venues, order types**, and **liquidity conditions**



Achieving the **desired speed**



Getting the **right price**



Ensuring the **certainty of execution**

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Trading Venues



Traditional exchanges: **NYSE** or **NASDAQ**

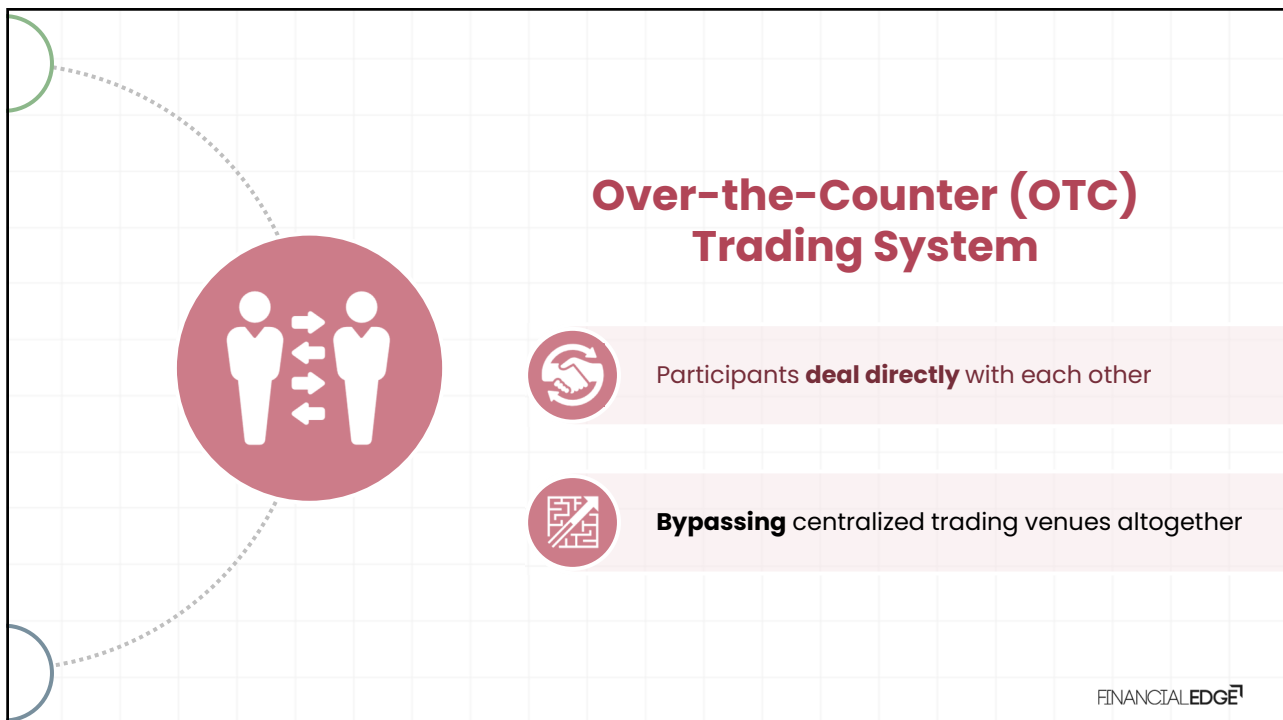
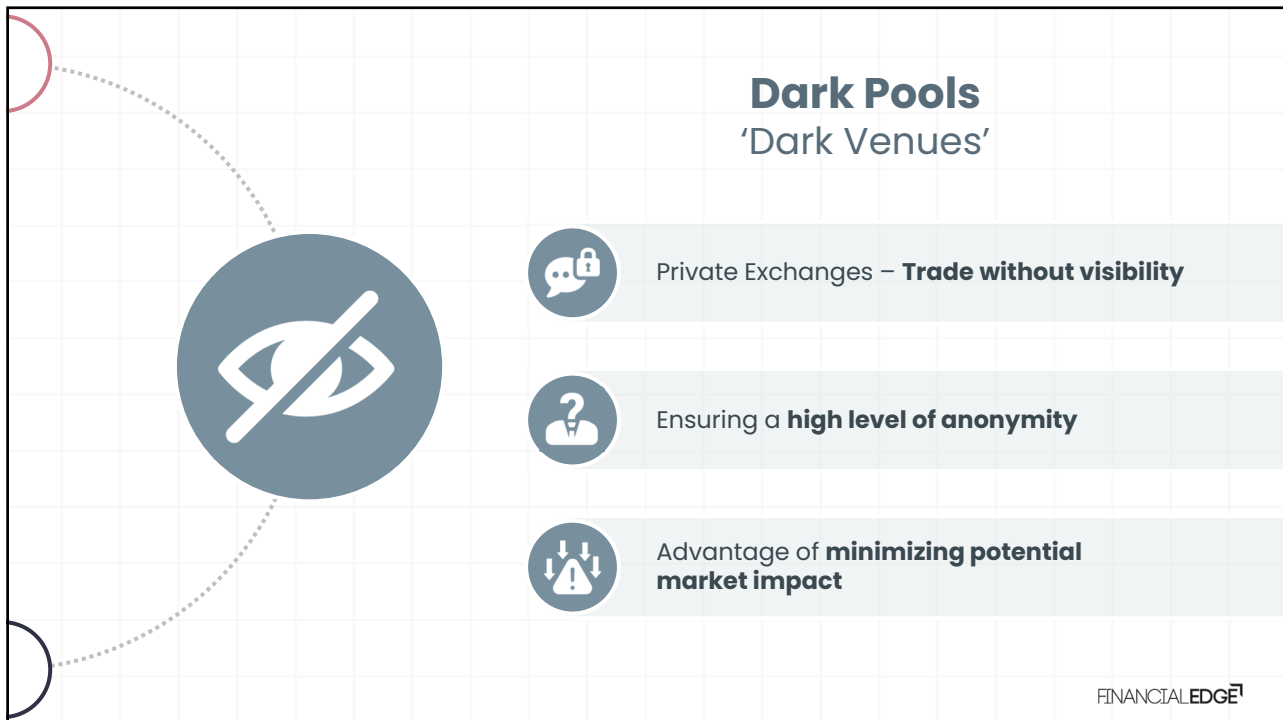
Centralized venues where orders are publicly displayed and matched



Electronic Communication Networks (**ECNs**)

Automated systems where buy and sell orders meet in a digital realm

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Trade Execution Order Types

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Order Types



Market Orders

Best available price

Prioritizing execution speed



Limit Orders

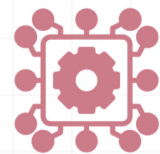
More control over the price

Specific ceiling or floor



Stop Orders

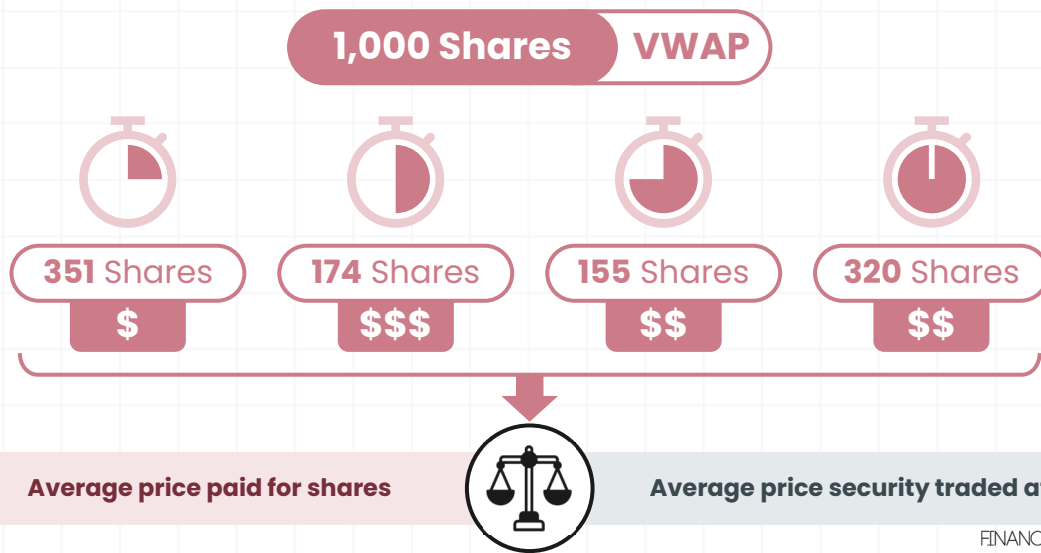
Activate when pre-set price is reached



Algorithmic Orders

VWAP –
Volume Weighted
Average Price

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VWAP – Volume Weighted Average PriceFINANCIALEDGE⁷

Trade Execution Liquidity

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Market Liquidity

Drives the ease of executing a deal on a chosen venue

Order Book Depth



How many **buy and sell orders** are waiting at different price levels?

Bid-ask Spread



Difference between **highest price** a buyer is willing to pay and the **lowest price** a seller is willing to accept

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**Price
Stability**

« **Liquidity** »



**Execution
Certainty**



**Analogous to a busy
marketplace**

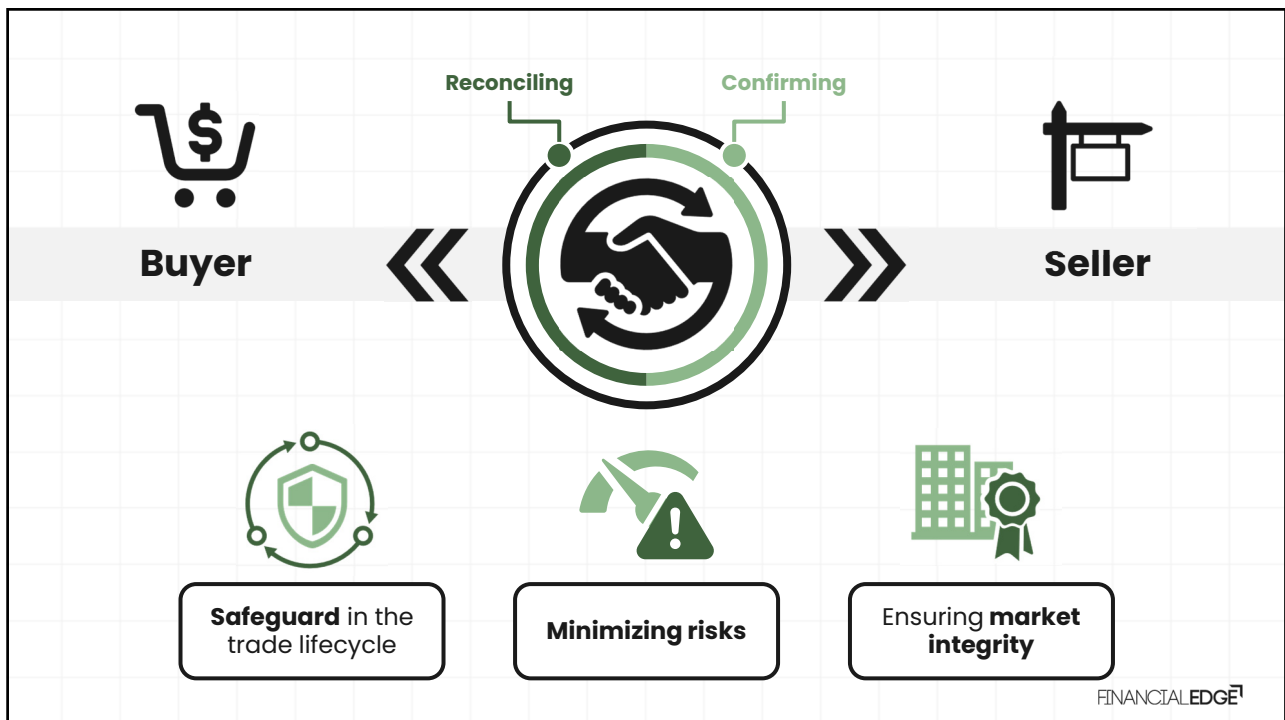


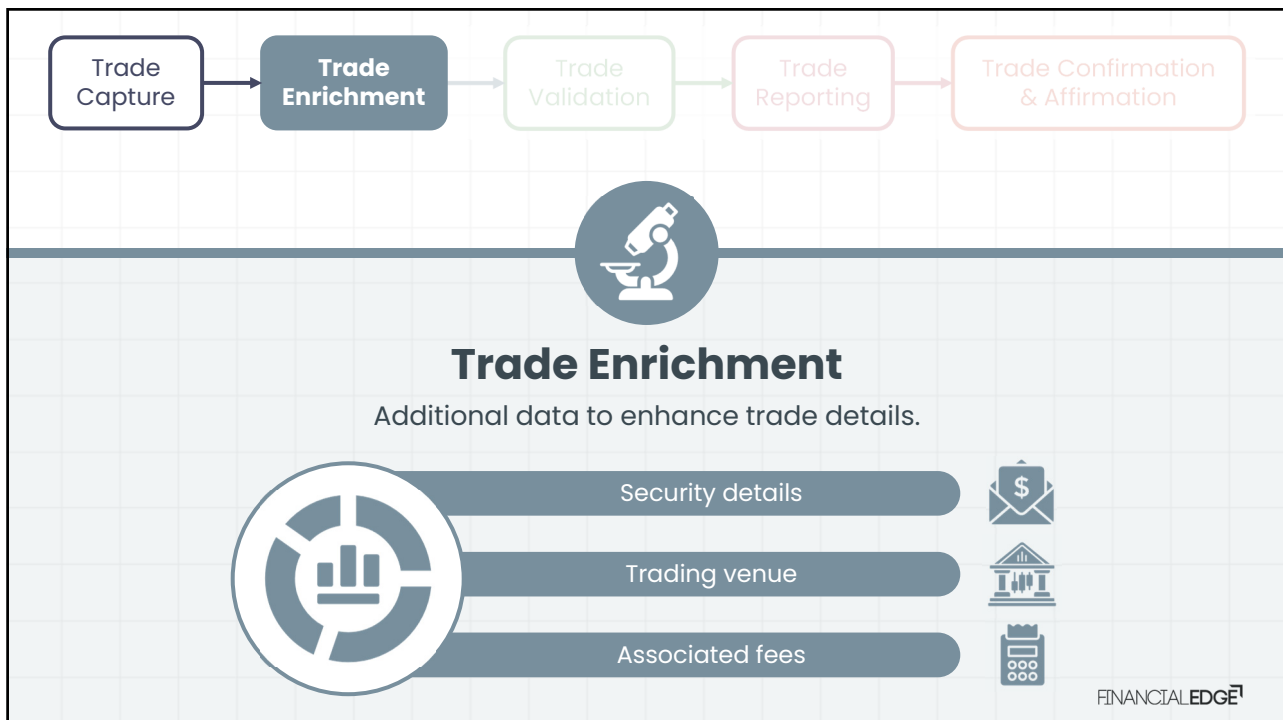
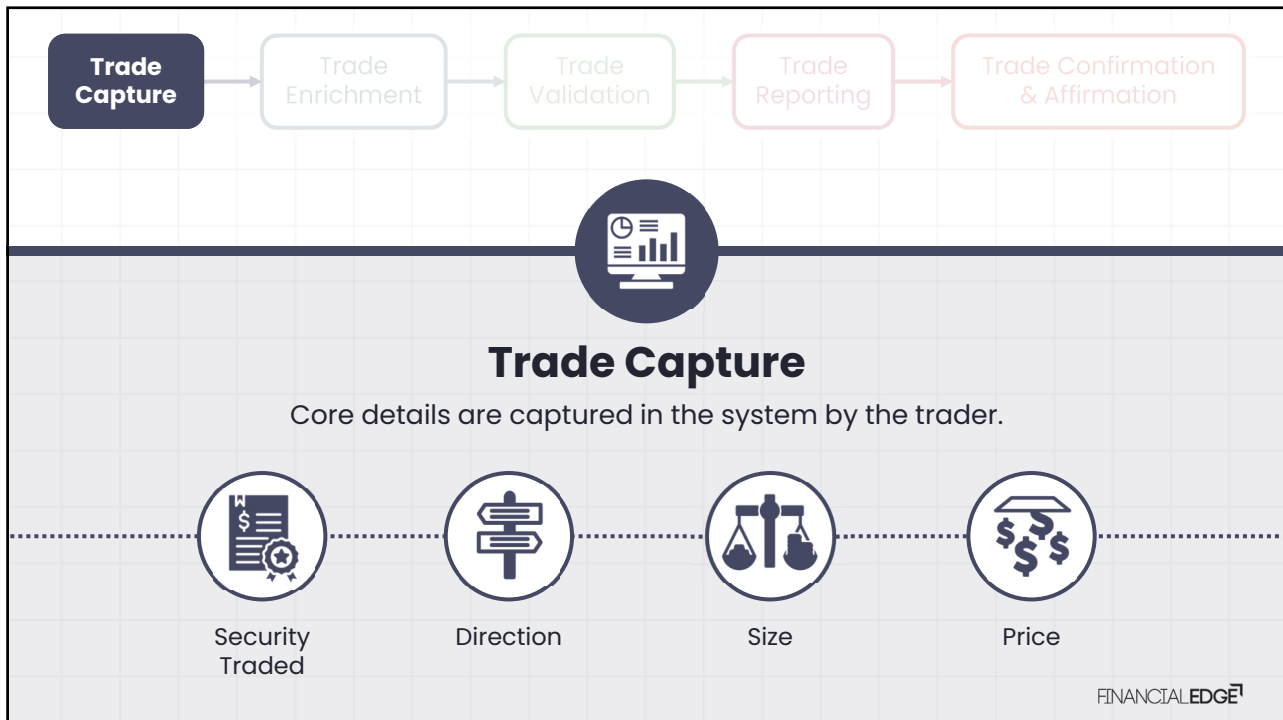
**Swiftly and
efficiently trade**

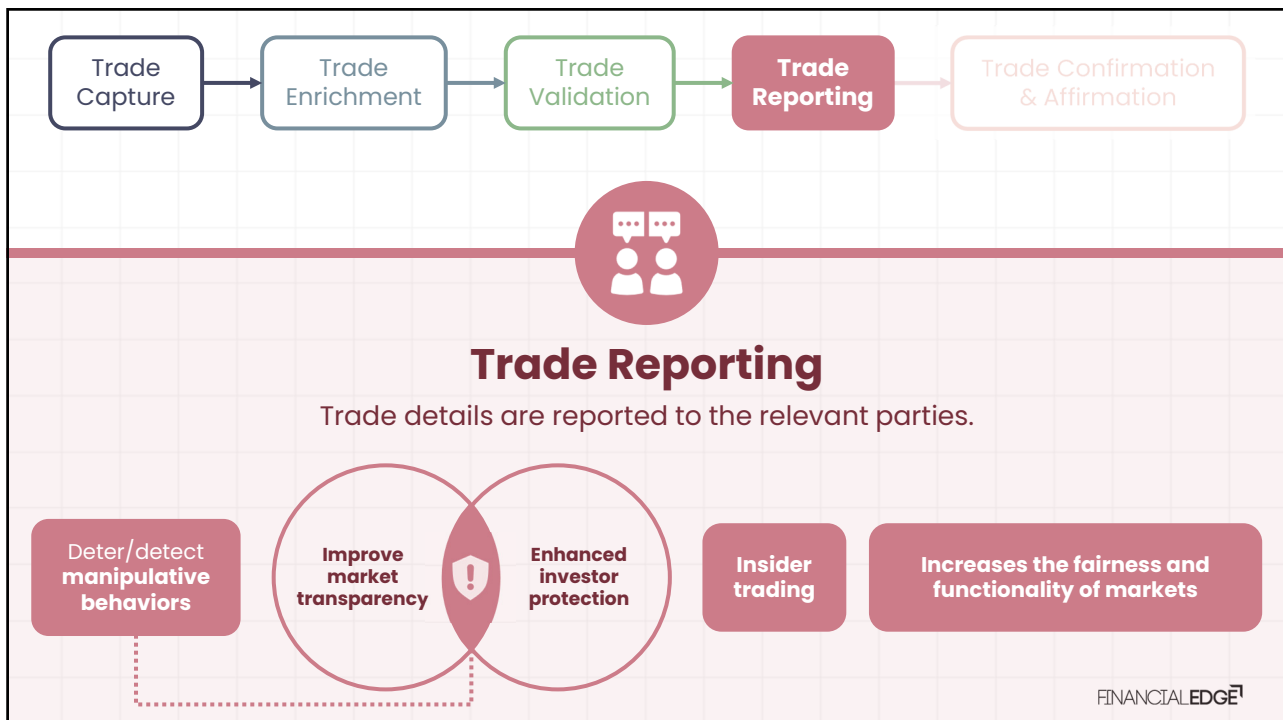
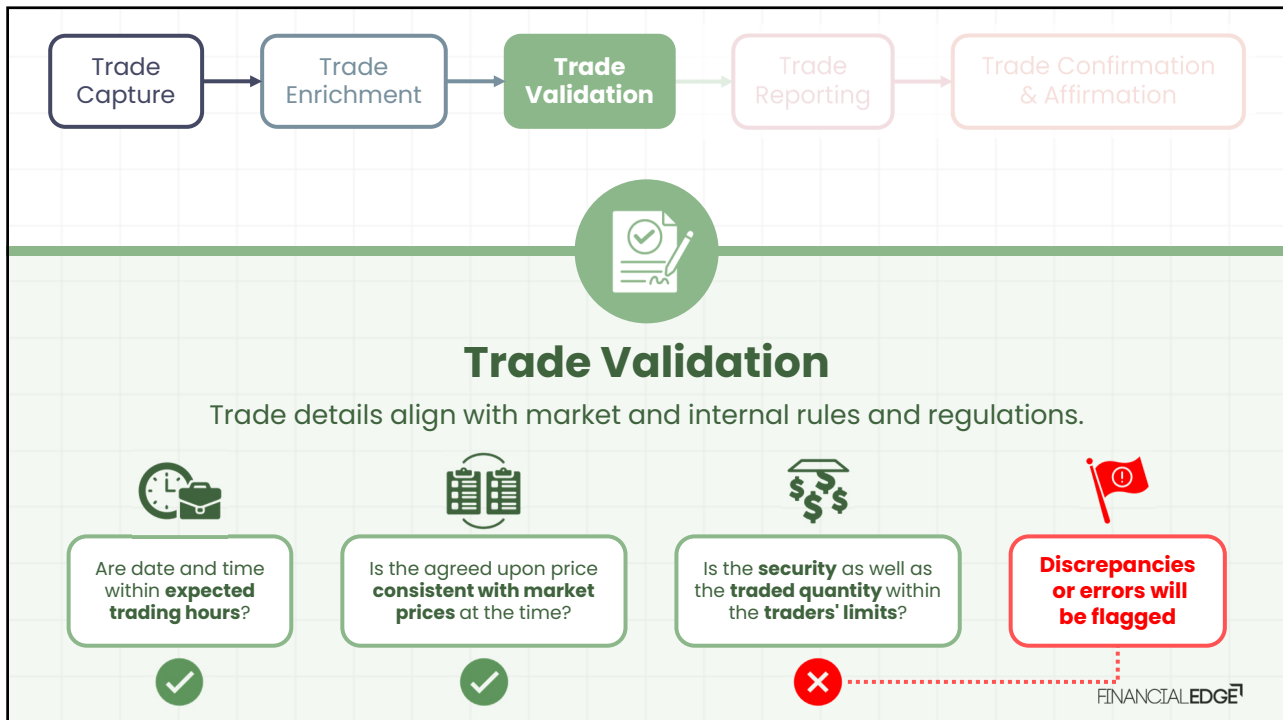


**No disruptive
price fluctuations**

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Trade Confirmation & Affirmation

Mutual agreement of the trade details between parties.



- ☐ Mutual understanding
- ☐ No discrepancy
- ☐ Formal acknowledgement of the confirmed trade

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Settlement

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Settlement

Completion of the agreed upon transaction.



Selling



**Financial
instrument**



**Agreed
payment**



Buying



Obligations in the transaction are fulfilled



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**Delivery vs.
Payment**



**Delivery Free
of Payment**

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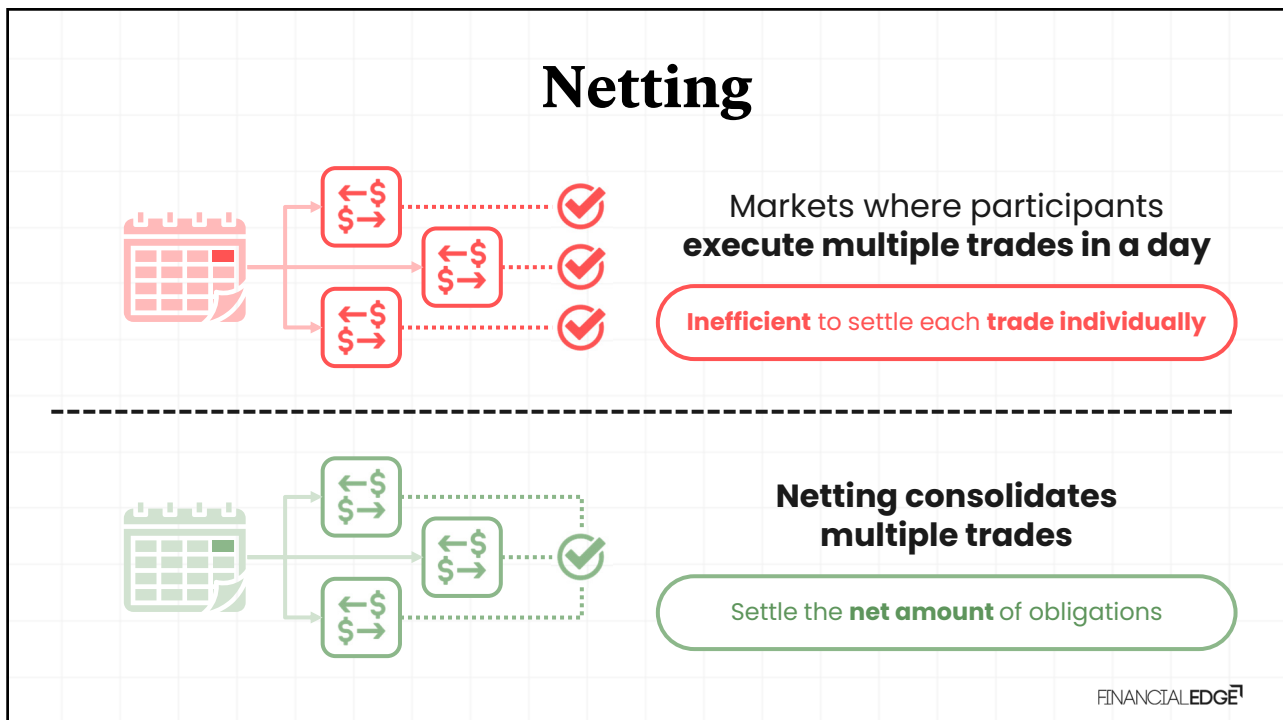
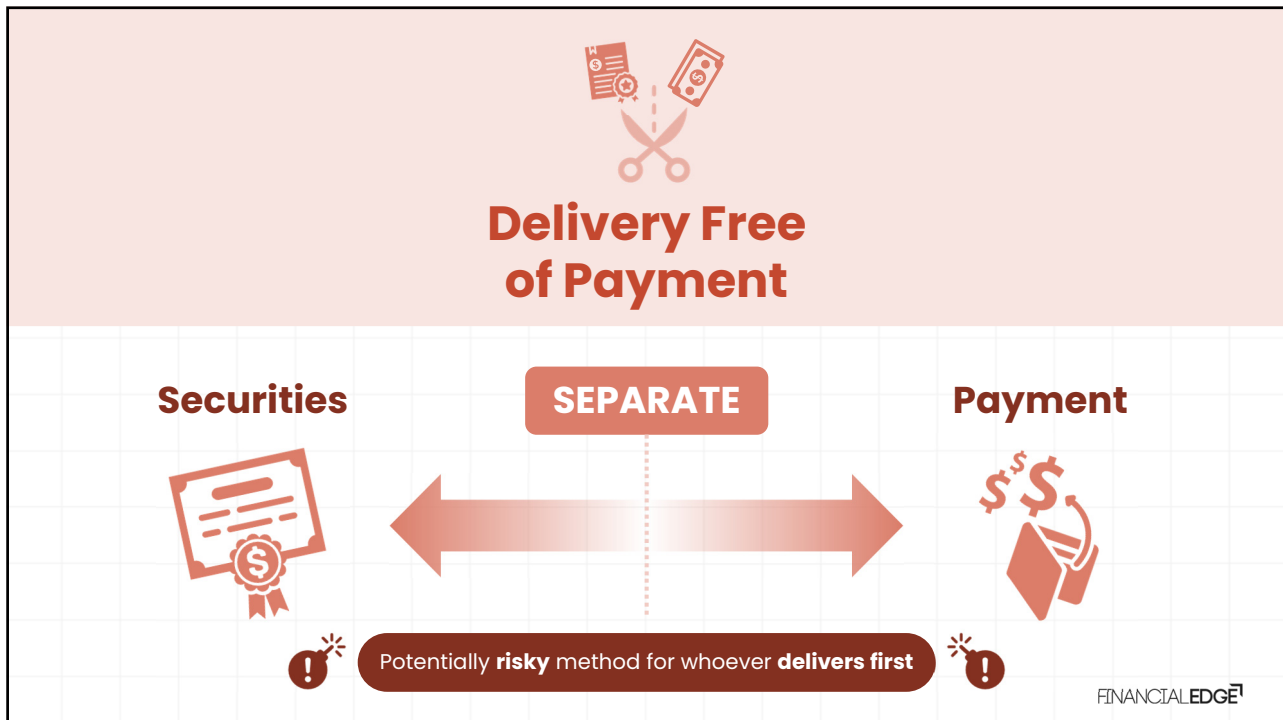
Delivery vs. Payment

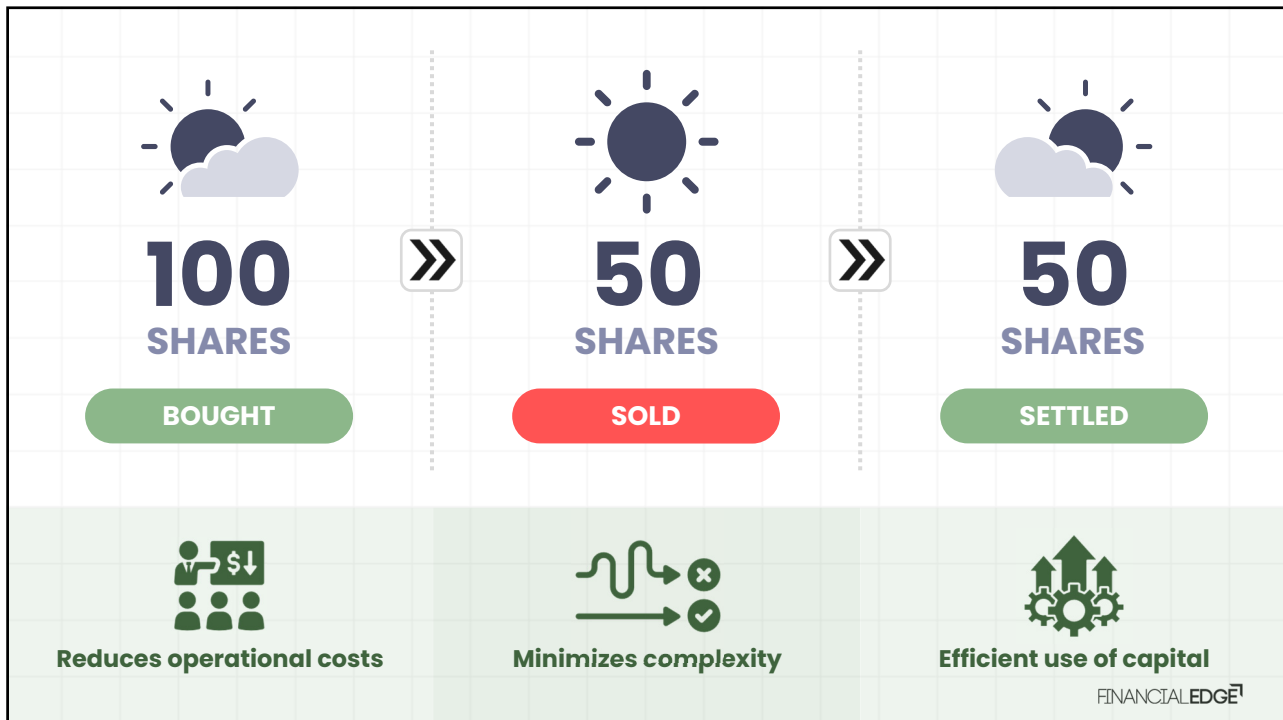


Delivery vs. Payment

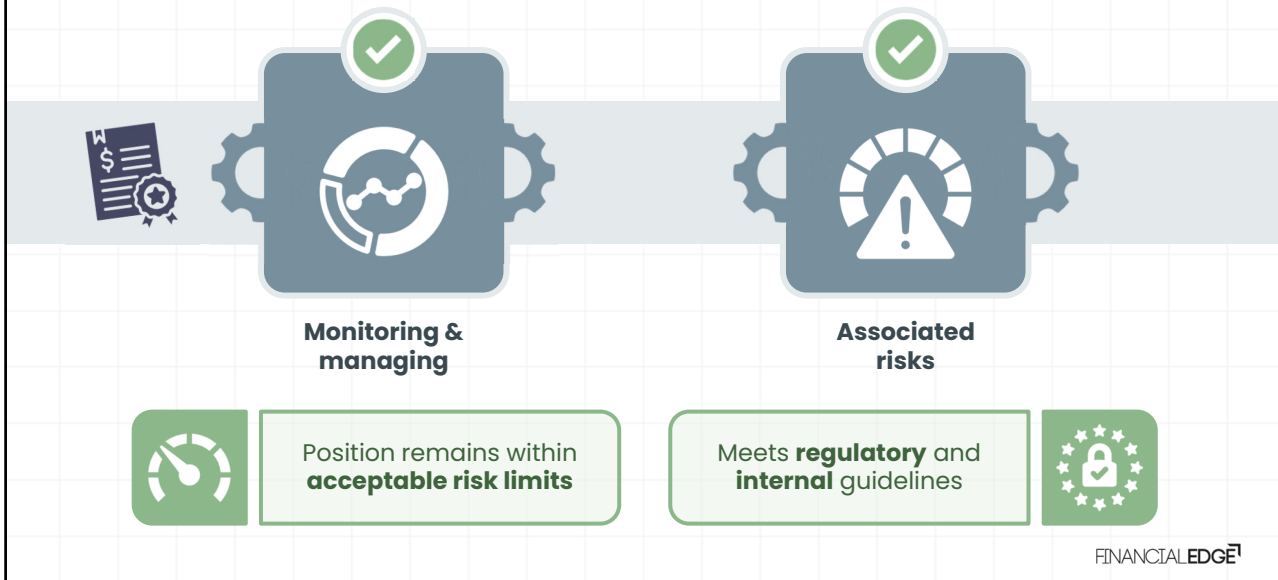


Delivery Free of Payment



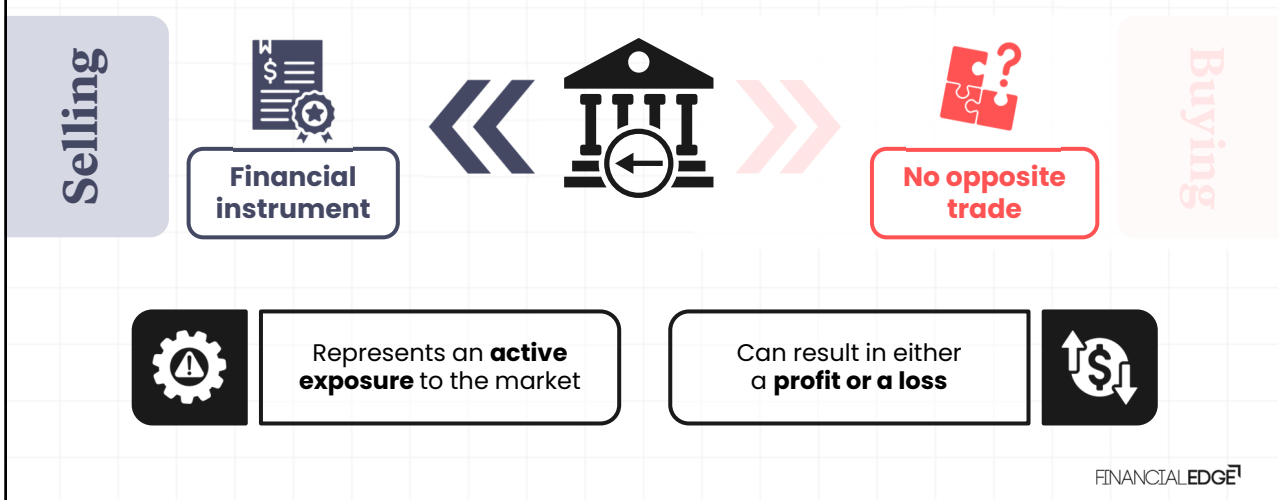


Ongoing Position & Risk Management



What is an Open Position?

A trade that has been **executed** and not been offset with an **opposite trade**.





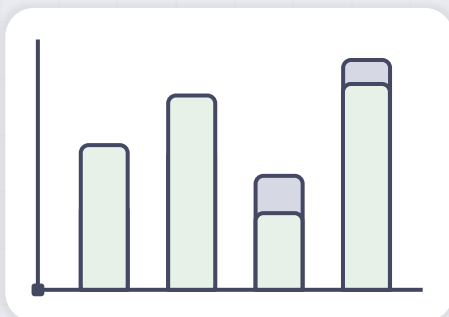
Position & Risk Management Measuring Profit & Loss

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Assessing Profitability

MARKED TO MARKET

Open Position

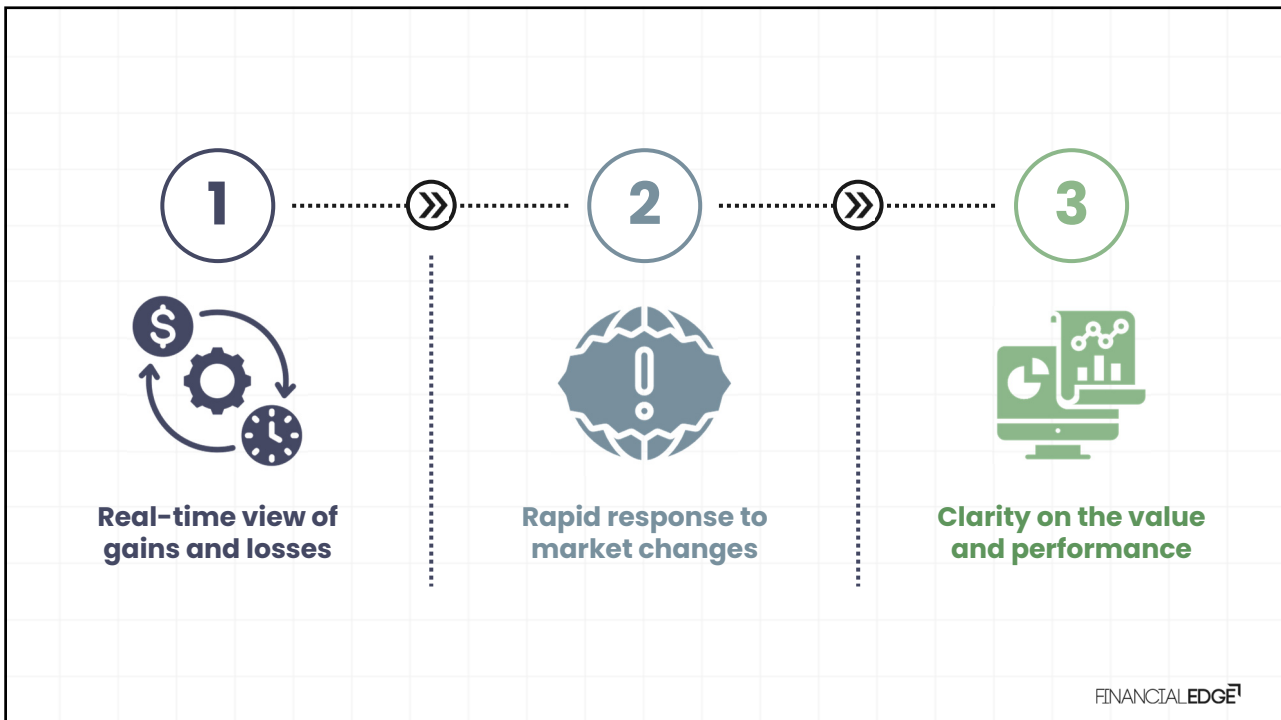


Current Market Prices



The position is **revalued** based on current market prices

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Corporate Actions



Events **initiated** by issuers of securities

Can considerably **impact** issued securities

STOCK-RELATED EVENTS



**Dividend
payouts**



**Stock
mergers**



**Stock
splits**

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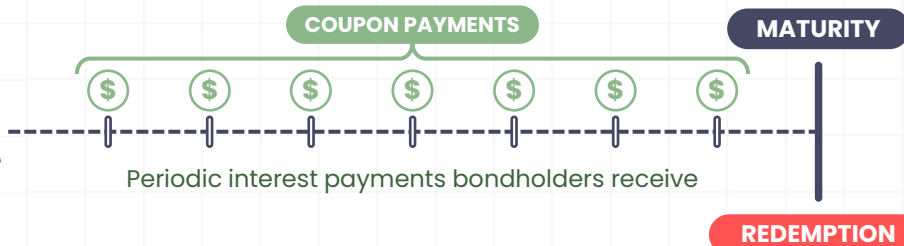
Corporate Actions



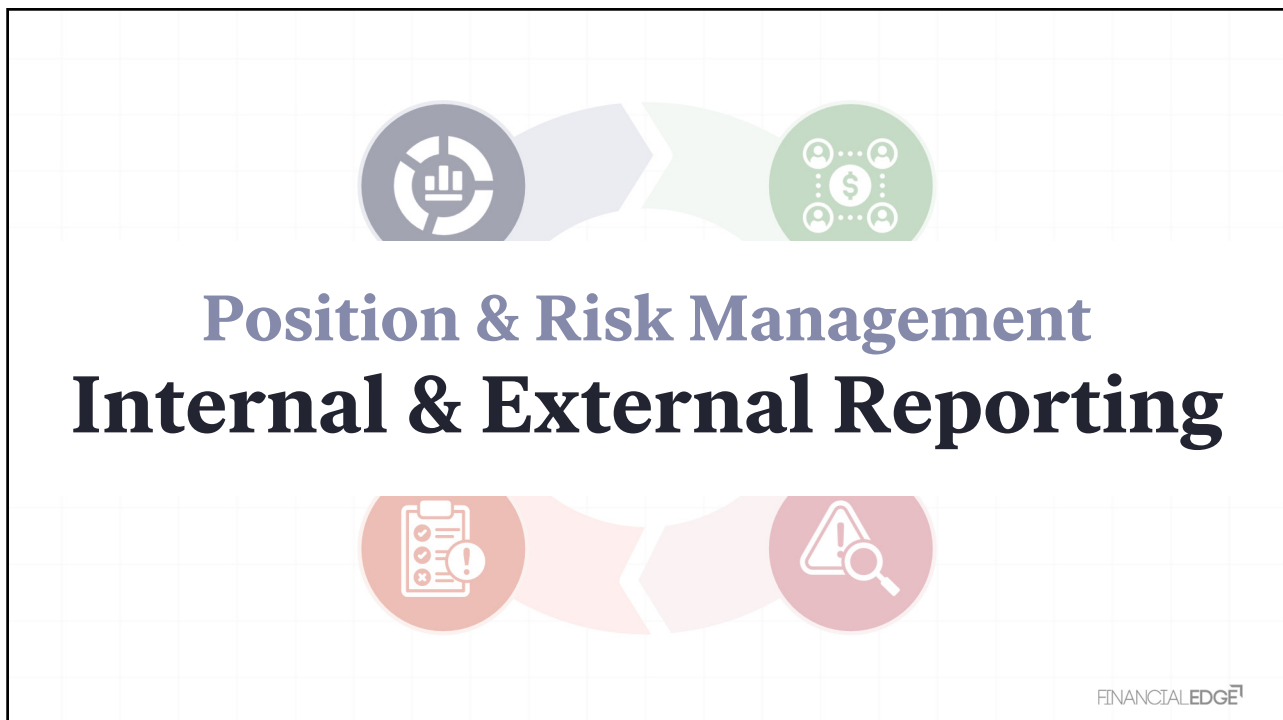
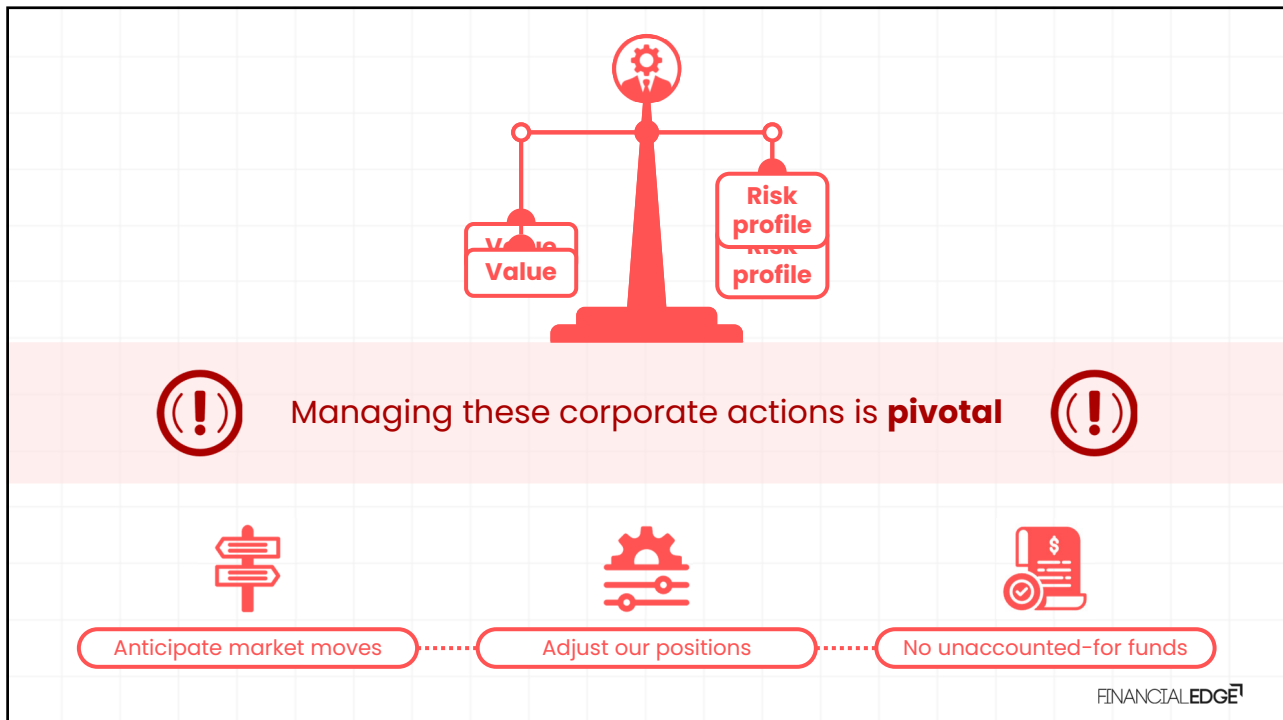
Events **initiated** by issuers of securities

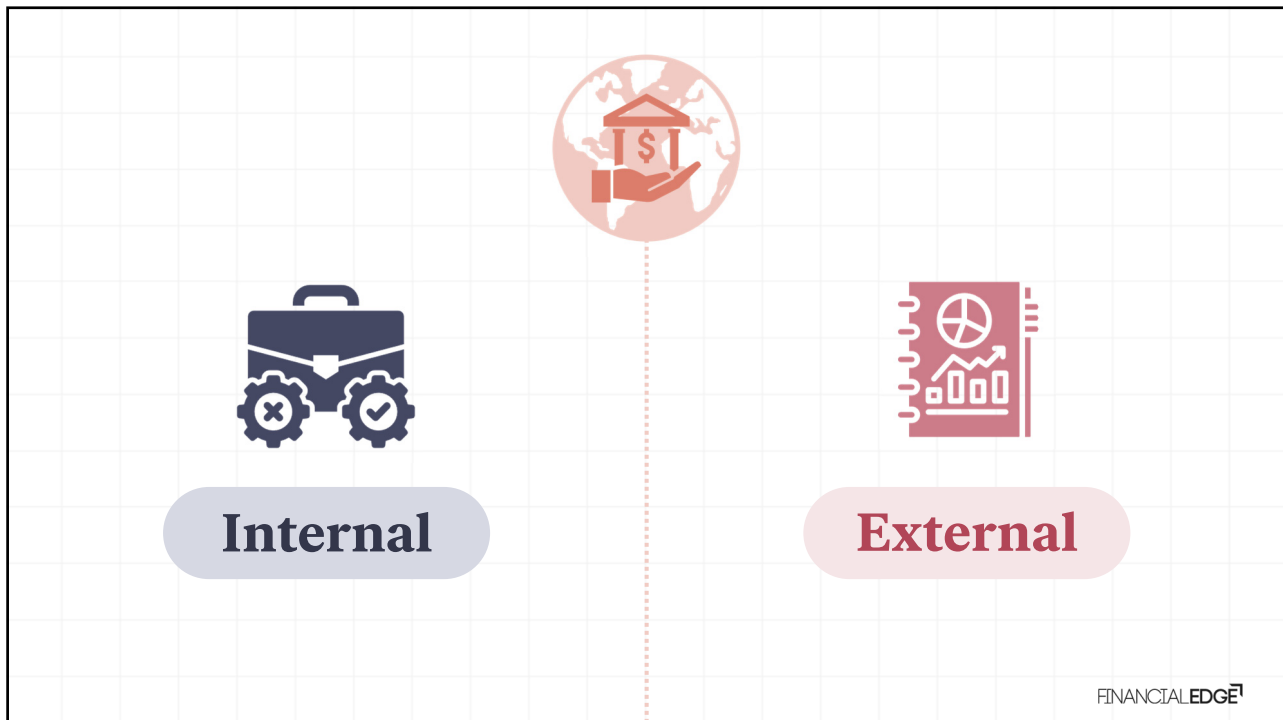
Can considerably **impact** issued securities

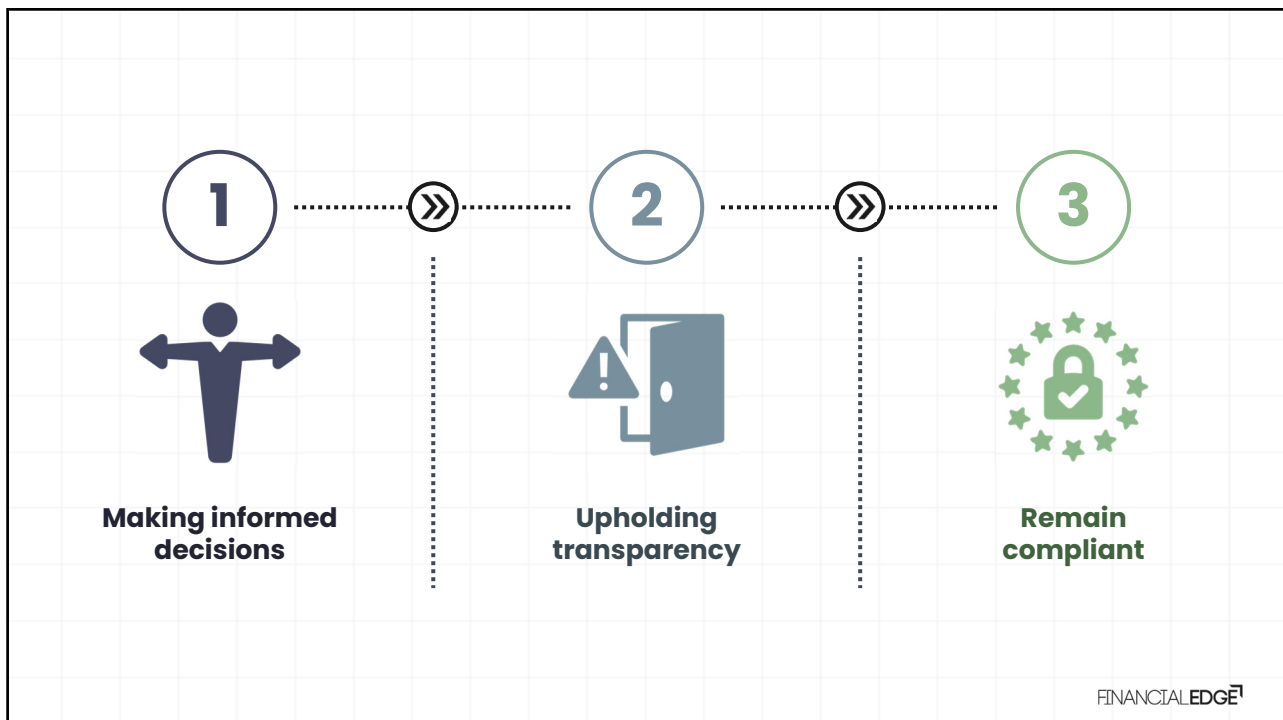
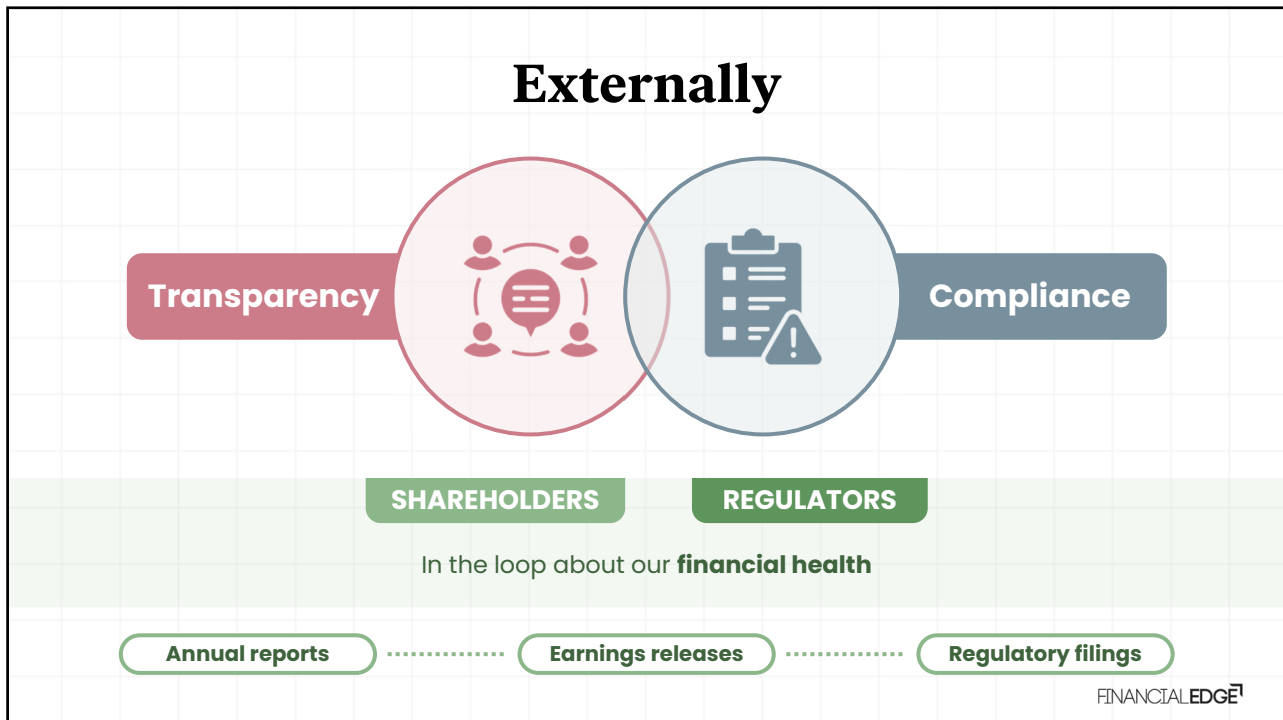
BOND MARKET



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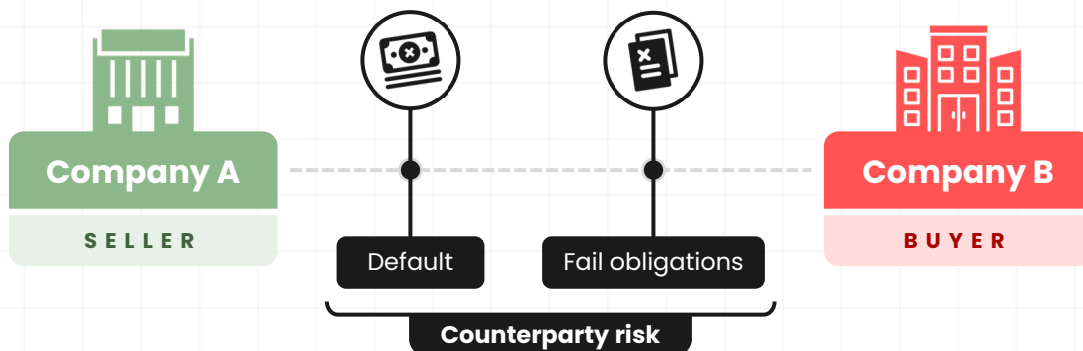
Position & Risk Management

Managing Counterparty Exposure

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Counterparty Exposure

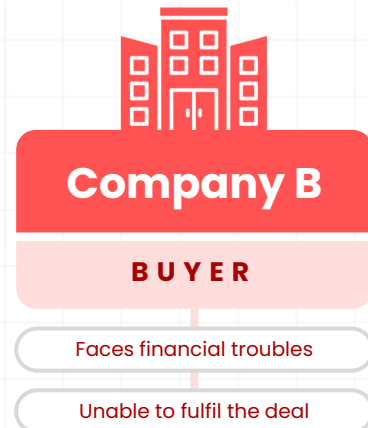
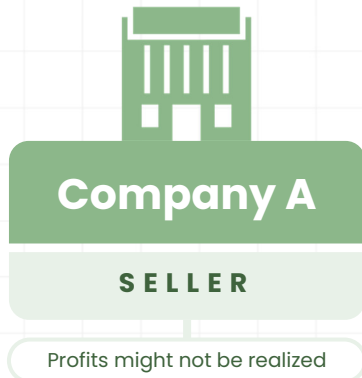
A pivotal aspect of risk management in finance.

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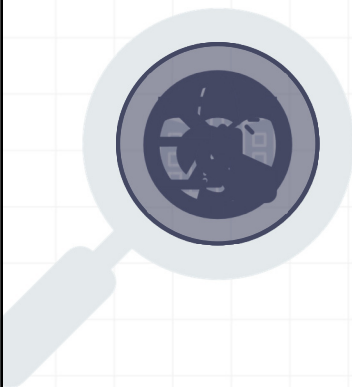
Derivative Contract



Contract has the potential to provide **significant profits**

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Assess Creditworthiness



Collateral

**Adjust
positions**

**Low risk
entities only**

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