

# Executive Summary: 2024 Introducing Broker Handbook

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The Introducing Broker (IB) community and CME Group have gone through many changes together. New markets, new technology and new methods have helped us all reach new customers and keep our industry growing.

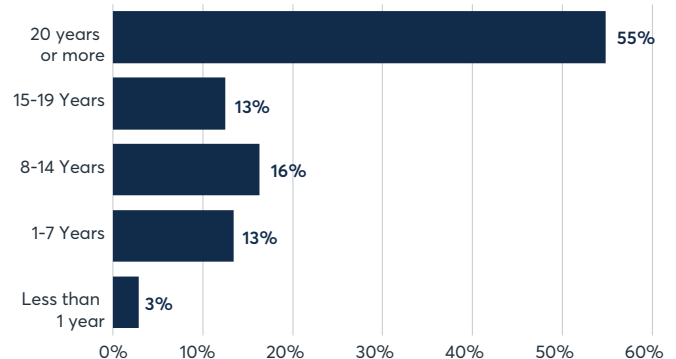
Introducing Brokers were recognized as a registration class by the CFTC in 1984. They play an important and unique role in the futures and options business by offering market access, customized trading programs and professional knowledge. For many market users – both hedgers and speculators – their IB is the market professional they rely on.

By the first publication of The Complete IB Handbook in 1998, IBs had proven they could meet the difficulties of a changing industry – an industry that was increasingly global and more reliant on emerging technology. Following 9/11 and during the 2000s, IB firms faced additional disruptions including weathering the consequences of the failures of two clearing houses, raising costs of operations and the overall general aging of IB owners – not to mention the challenges caused by the COVID-19 pandemic.

IBs have met both industry and personal challenges by responding and adapting quickly and robustly. For some firms, that meant adding a Branch Office or an additional registration to service new customers or offer new products. Other IBs changed their registration status from Guaranteed to Independent Introducing Broker. The entire IB community welcomed new ways to grow their businesses as they kept up with regulatory change and compliance issues.

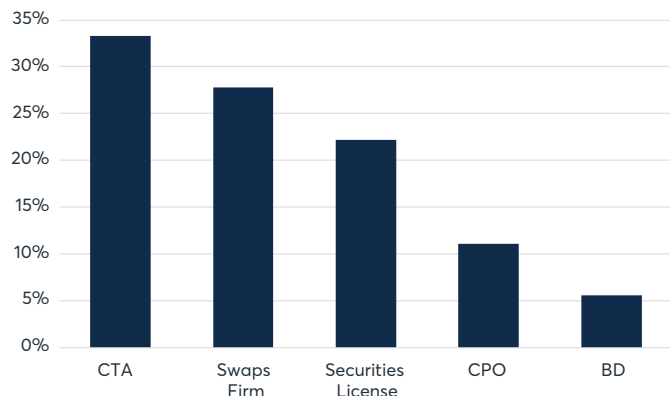
During January 2024, CME Group sponsored a survey of all National Futures Association (NFA)-registered Introducing Brokers. The results of the entire Survey will appear in the Tenth Edition of The Complete IB Handbook, a guide to doing business as an Introducing Broker – a guide which I have written since 1998. This Summary focuses on seven questions and responses which provide a quick overview of the IB community today.

## How many years has your IB been registered?



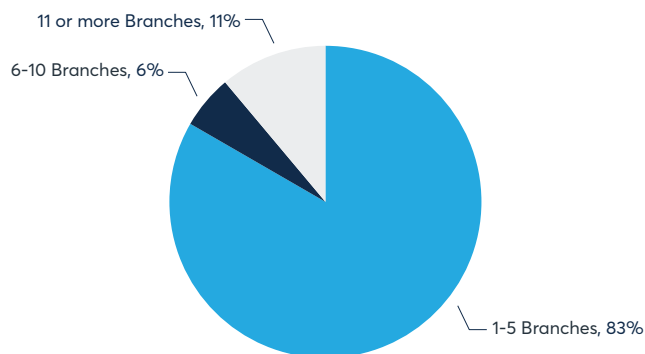
Over 55% of the firms which responded to the 2024 IB Survey have held Introducing Broker registration for more than 20 years. Those responses, which were very similar to the 2021 Survey responses, confirm that well-run firms have a plan for the future, which includes establishing and maintaining long-term relationships with customers and firms as they continue to adapt to a changing industry. This year's Survey respondents included a few firms which have been registered for less than one year...a bit of good news that indicates the IB registration class has attracted some new participants.

## In which additional capacity is the firm registered, if other registrations are held?



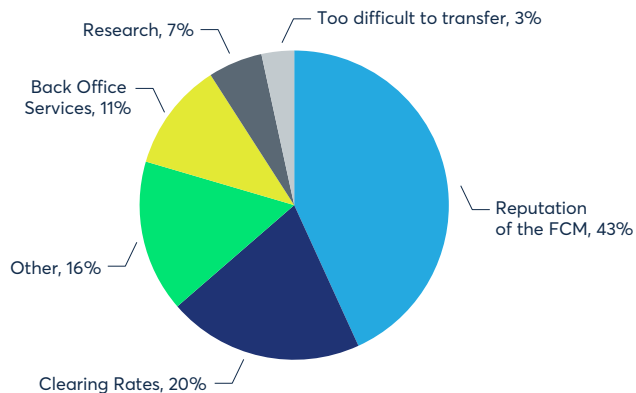
The majority of firms holding registrations in addition to IB status, report they are registered Commodity Trading Advisors (CTAs) – a natural registration requirement for some IBs who produce and distribute market reports and advice. Swaps registration and securities licenses are also frequently held by IB firms, their principals and employees.

## If your IB supports Branch Offices, how many are there?



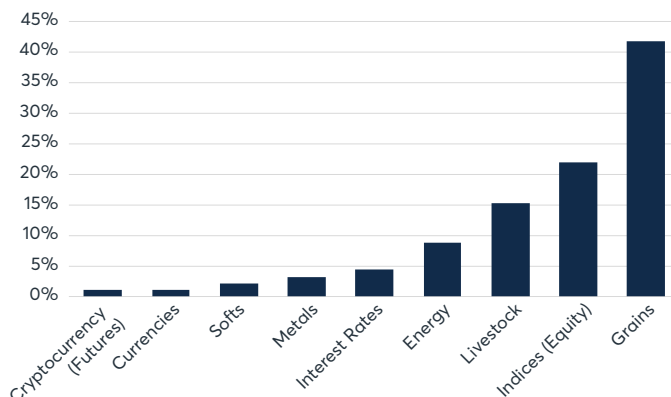
Adding a Branch Office is a good way to grow an IB business. Branch Offices are also a popular way for a newly registered IB to gain experience, or for older IB owners to remain active in the business while their parent IB handles some of the regulatory requirements. One of the consequences of the COVID-19 pandemic and the work-from-home movement is adjusted NFA regulations, which help clarify the best way to handle supervisory and other requirements related to a Branch Office. Those clarifications have made the IB's Branch Office regulatory obligations easier to understand and meet.

## Why did you choose your current FCM?



Approximately 43% of the 2024 IB Survey respondents say that reputation of the FCM is the most important reason for choosing one FCM over the others. About 20% of the respondents chose their current FCM primarily because of its clearing rates. Back office support continues to be important to all IB respondents, with research coming in far behind the other reasons. A significant number of IBs – about 3% – responded that it was simply too difficult to transfer, so they would remain with their current FCM.

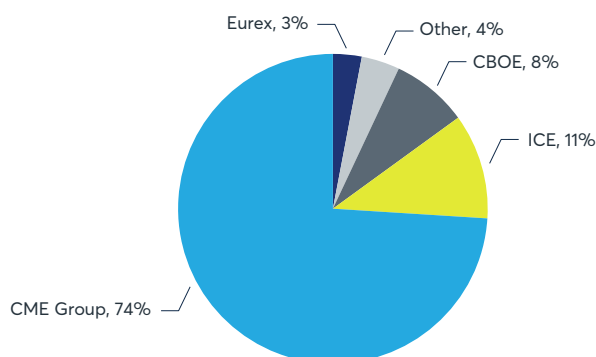
## Futures Markets Most Actively traded by IB Customers



In a repeat from the 2021 IB Survey, grains are the top market category traded from IB offices, followed by livestock and equity indices. Interest rates remained at about the same level as in 2021 with metals, currencies and softs (sugar, cotton, cocoa, orange juice) each losing some market participation from IB offices. Cryptocurrency was not represented on the 2021 chart because the response was so small it was essentially unmeasurable. In this year's Survey, about 1% of IB offices report it is traded by their customers.

*\*Not represented on this chart, but reported on the IB Survey: nearly 90% of the firms responding do not offer swaps transactions, 96% do not offer cash forex transactions and 79% do not handle physical commodities.*

## What percentage of the IB's total monthly orders by Exchange



CME Group remains the exchange which handles the majority of IB customers' transactions by far with over 74% of the total. That finding makes sense because IB's top-traded markets are found at CME Group. Compared to the 2021 Survey, CBOE and ICE each slightly lost participation by IB customers while Eurex slightly gained.

## Top challenges faced by Introducing Brokers

Higher outside vendor costs (legal and accounting)

Increasing regulation and cost of compliance

Finding new clients (particularly in smaller communities)

Attracting new APs and qualified employees

Lack of new "younger" interest in the IB business

Fewer FCMs to clear business

The full results of the 2024 Introducing Broker Survey will appear in The Complete IB Handbook, written by Melinda Schramm and sponsored by CME Group. It will be available on CME's website, [cmegroup.com](https://cmegroup.com) and the website of the NIBA, [theniba.com](https://theniba.com). Download is permissible. Re-branding or deletion of credit of the copyrighted handbook is not permissible. Please contact Melinda with any questions, [melinda@futuresrep.com](mailto:melinda@futuresrep.com).

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