

# High-Tech Companies

Internet

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# Is the online financial trading industry part of Israeli high-tech?

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In recent years Israel-related companies have taken a leading role in the rapidly growing world of online financial trading. Online financial trading – including predominantly Forex and Binary Options – developed alongside the evolution of the online gaming industry and has matured into a separate industry.

In most major jurisdictions, online financial trading is now regulated by relevant regulating bodies. Despite some growing pains, online financial trading is generally perceived as a legitimate investment tool.

Although online financial trading is focused on financial tools, the players in this market produce innovations in a multitude of areas. As in most online areas, the ability to innovate is a key ingredient in the success of online financial trading companies.

In this regard, some of the Israeli Forex and Binary Option trading platform providers have gained a leading industry position due to an ability to introduce new solutions for all aspects of their online activities. These solutions include multi-platform operation, online marketing and retention applications, risk management tools and new investment features.

Similarly, Israeli companies have made their mark by practically creating the social financial trading environment, allowing financial traders to liaise and track other financial traders.

Another key driver to innovation is the ever developing regulatory regimes which shape the world of online financial trading. From an almost 'wild west' environment in its early days, Forex and Binary Options are now regulated in many jurisdictions, including the major developed countries.

The emergence and development of regulatory regimes – many of which are still to be harmonized – had a dual effect on the industry. The first and obvious effect is that the industry is constantly being required to upgrade to conform to regulatory standards. The second, but not least important, is that key players are incentivized to implement innovative solutions to meet the ever-changing requirements of the regulatory regimes and thus maintain a leading position within the industry.

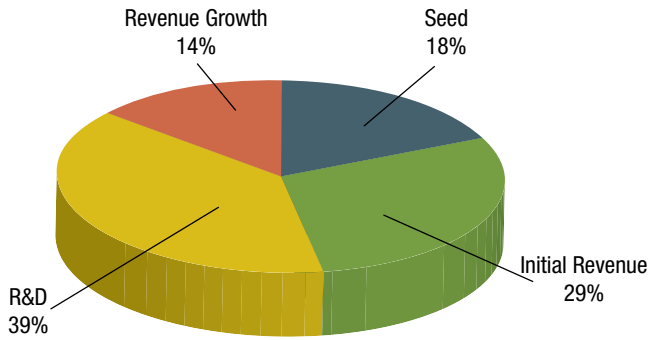
An indication that the online financial trading industry is maturing is the emergence of different classes of players. These include small innovative startups, medium sized companies and large players, which occupy substantive positions in the market and its different niches.

The bigger established companies have also drawn the attention of investors. The combination of innovation, market position, growth and financial performance makes certain of the better performing companies ideal targets for private equity and public investors.

It is difficult to gauge the actual size of the online financial trading industry in Israel. It's even a challenge to identify companies actually within this somewhat 'low key' industry. Many companies engaged in the industry do not follow the normal path of high-tech ventures. They are often started by entrepreneurs from outside the high-tech scene and are self or angel funded. Their Israeli nexus is often understated, and they may grow rapidly without going through the usual development stages. Reputation and regulatory challenges also contribute to the relatively low profile of this industry.

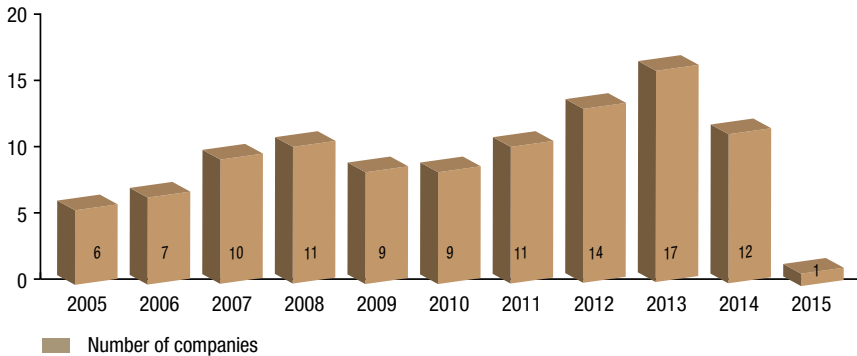
However, some basic information is available. As of March 2015, IVC identified close to 100 active online trading platform companies.

**Chart A: Active Online Trading Companies by Stage**



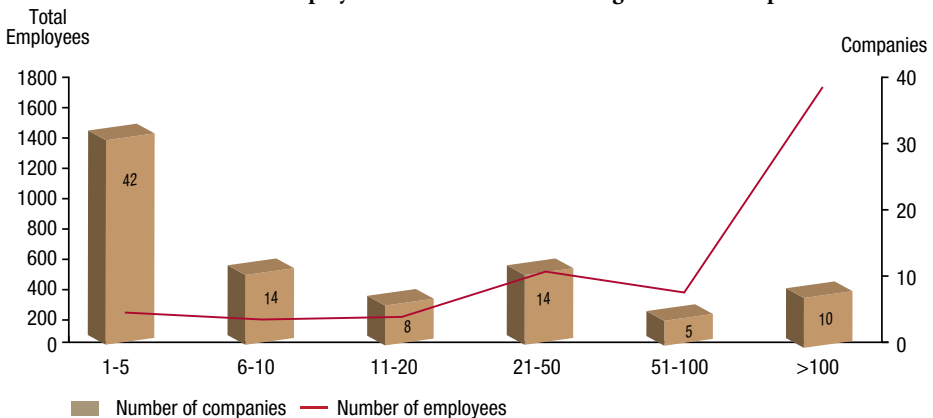
The following graph shows the number of new Israeli online trading platform companies established from 2005 through March 15, 2015.

**Chart B: New Israeli Online Trading Platform Companies 2005-2015**



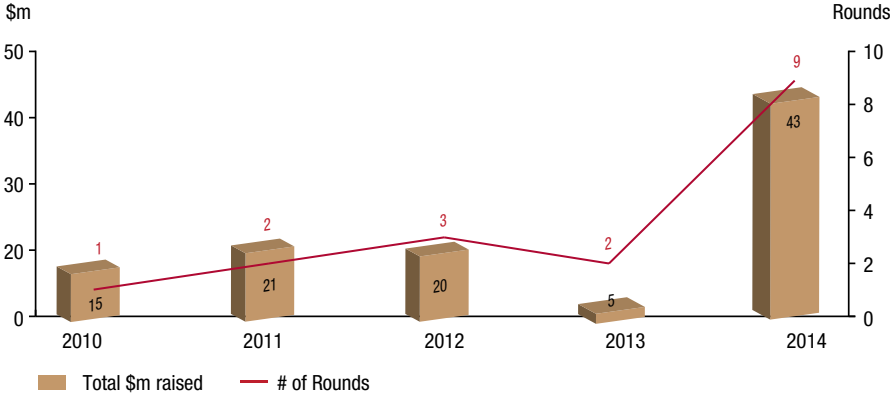
Israeli online trading platform companies are estimated to have a total of more than 2,800 employees. Just over 10 percent of these companies have more than 100 employees and account for 60 percent of the employees in the sector.

**Chart C: Employees of Israeli Online Trading Platform Companies**



As mentioned above, companies in the online financial trading industry do not rely on traditional high-tech industry financing sources. Financing rounds by Israeli online trading platform companies seem to be mostly on the low side, representing in the aggregate less than 0.5 percent of annual capital raised by Israeli high-tech companies:

**Chart D: Financing Rounds by Israeli Online Trading Platform Companies**



Innovation’s continuing push as well as the shaping forces of tightened regulatory regimes and the emergence of bigger and better players point to an Israeli online financial trading industry that is destined to grow in the coming years. Innovation, regulation and growth are destined to draw increasing attention from the investment community, which is sure to impact the industry as it matures.