

2015 Greenwich Leaders: Canadian Equities

Q2 2015

RBC Capital Markets leads the Canadian equity brokerage space by an extent rarely seen in other markets around the world.

As part of its 2015 Canadian Equity Investors Study, Greenwich Associates interviewed 60 institutional portfolio managers and 59 institutional traders about the brokers they use for Canadian equities. Study participants were asked to name the providers they use for research/advisory services, trade execution and other services, to estimate the share of their overall commission volume allocated to each firm, and to rate the quality of service they receive from each provider.

The study results show RBC Capital Markets captured 15.2% of institutional trading commissions in Canadian equities last year, far surpassing its nearest competitor, BMO Capital Markets, which achieved a share of 12.5%. Scotiabank and TD Securities tied for the third spot with commission shares of 9.5–10.6%, followed by CIBC at 8.4%. These firms are the 2015 Greenwich Share Leaders in Canadian Equity Trading. RBC Capital Markets is also the 2015 Greenwich Quality Leader in Canadian Equity Sales Trading & Execution Service due to its complementary strengths in both high-touch and low-touch execution.

Greenwich Share and Quality Leaders — 2015



Canadian Equity Trading Share*

Broker	Trading Share	Statistical Rank
RBC Capital Markets	15.2%	1
BMO Capital Markets	12.5%	2
Scotiabank	10.6%	3T
TD Securities	9.5%	3T
CIBC	8.4%	5

Canadian Equity Research/Advisory Vote Share*

Broker	Vote Share	Statistical Rank
RBC Capital Markets	15.5%	1
Scotiabank	14.0%	2
BMO Capital Markets	13.4%	3
TD Securities	10.2%	4
CIBC	9.1%	5

Canadian Equity Electronic Trading Penetration

Broker	Market Penetration	Statistical Rank
ITG	79%	1
RBC Capital Markets	64%	2
Liquidnet	45%	3
Credit Suisse	34%	4T
CIBC	30%	4T
Bank of America Merrill Lynch	28%	4T

Canadian Equity Sales Trading & Execution Service Quality**

Broker
RBC Capital Markets

Canadian Equity Research Product & Analyst Service Quality

Broker
RBC Capital Markets
Scotiabank

Canadian Equity Sales & Corporate Access Quality

Broker
BMO Capital Markets
RBC Capital Markets
Scotiabank

Note: Based on 60 respondents for Canadian Equity Research/Advisory Vote Share, Canadian Equity Research Product & Analyst Service Quality and Canadian Equity Sales & Corporate Access Quality. Based on 59 respondents for Canadian Equity Trading Share and Canadian Equity Sales Trading & Execution Service Quality. *Greenwich Associates Research/Advisory Vote Share and Trading Share represent a broker's relative importance to the buy-side institutions within the Greenwich Associates universe. Scores are based upon the amount of business conducted with each respondent and the size of each responding institution based on commission spend with the sell-side community. Share leaders are based on top five brokers including ties. Quality leaders cited in alphabetical order including ties. **Equity trading encompasses sales trading, execution, sector trading, and electronic and portfolio trading. Source: Greenwich Associates 2015 Canadian Equity Investors Study

The commanding leadership positions of the “Big Five” Canadian full-service brokers rest heavily on their franchises in equity research/advisory services. While some brokers capture incremental trading business above and beyond that generated by their research functions due to their willingness to commit capital, new issue deal flow and other factors, buy-side trading desks allocate about 60% of their U.S. equity trade commission payments to compensate providers of research/advisory services, including analyst service, sales, corporate access, and other services.

RBC Capital Markets leads all rivals with a 15.5% share of the institutional commission-weighted research vote, followed by Scotiabank at 14.0%, BMO Capital Markets at 13.4%, TD Securities at 10.2%, and CIBC at 9.1%. These firms are the 2015 Greenwich Leaders in Canadian Equity Research/Advisory Vote Share. The 2015 Greenwich Quality Leaders in Canadian Equity Sales & Corporate Access are BMO Capital Markets, RBC Capital Markets and Scotiabank. RBC Capital Markets and Scotiabank take the title of 2015 Greenwich Quality Leaders in Canadian Equity Research Product & Analyst Service.

“All of the leading brokers complement full-service trade execution, investment banking and capital markets capabilities with a robust, high-quality research component,” says Greenwich Associates consultant Jay Bennett. “Brokers and research providers in the market’s second tier are a mix of regional Canadian banks, foreign brokers and specialist research providers often focused on the energy, metals and mining, and financial companies that make up such a big part of the Canadian market.”

Electronic Trading

Electronic trading is another factor influencing the competitive positioning of Canadian brokers. Electronic trading accounts for about 8–10% of the overall annual institutional pool of commissions collected by brokers on trades of Canadian equities. Although that amount falls far short of the 15% of total institutional commissions now generated by electronic trades in the United States, brokers realize that e-trading is becoming an ever more important driver of trade volumes and commissions.

ITG is widely seen as having been the “first mover” in electronic trading, and 79% of institutions now use the firm for electronic execution. RBC Capital Markets is next with a market penetration score of 64%, followed by Liquidnet at 45%, then Credit Suisse, CIBC and Bank of America Merrill Lynch, which are tied with market penetration scores of 28–34%.

Consultants Jay Bennett and Peter Kane advise on institutional equity markets globally.

Methodology

Between December 2014 and February 2015, Greenwich Associates interviewed 60 Canadian generalist equity portfolio managers and 59 Canadian equity traders at buy-side institutions. The study participants were asked to evaluate the sales, research and trading services they receive from their equity brokers and to report on important market practices and trends.

The findings reported in this document reflect solely the views reported to Greenwich Associates by the research participants. They do not represent opinions or endorsements by Greenwich Associates or its staff. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Greenwich Associates compiles the data received, conducts statistical analysis and reviews for presentation purposes in order to produce the final results.

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