

2014 Greenwich Leaders: Canadian Equities

Q2 2014

RBC Capital Markets has secured a commanding lead in the Canadian equity brokerage market and tops its four main domestic rivals by a significant margin in commission-weighted share of market in trading commissions and research/advisory service vote, according to new research from Greenwich Associates.

RBC Capital Markets' 15.7% share of combined high-touch and low-touch commissions in Canadian equity trading places the bank well ahead of runners up BMO Capital Markets and TD Securities, which are tied with trading shares of 11.0%–12.1%, and in turn followed by Scotiabank and CIBC, with 9.1%–10.2% share. These firms are the 2014 Greenwich Share Leaders in Canadian Equity Trading.

RBC Capital Markets' lead over the competition might be even larger in Canadian equity research/advisory services — aggregate measure of research, analyst & sales service and corporate access impact — where it captures a 17.5% share in the “broker vote” among institutional portfolio managers. Scotiabank is second at 12.6%, followed by BMO Capital Markets and TD Securities, which are tied with vote shares of 12.1%–12.4%, and CIBC at 9.3%. These firms are the 2014 Greenwich Share Leaders in Canadian Equity Research/Advisory Portfolio Managers Vote Share.

Although high-touch trading still accounts for twice the dollar trading volume as low-touch trading, the percentage of Canadian equity trading executed via

Greenwich Share and Quality Leaders — 2014



Canadian Equity Research/Advisory Portfolio Managers Vote Share*

Broker	Vote Share	Statistical Rank
RBC Capital Markets	17.5%	1
Scotiabank	12.6%	2
BMO Capital Markets	12.4%	3T
TD Securities	12.1%	3T
CIBC	9.3%	5

Canadian Equity Trading Share*

Broker	Trading Share	Statistical Rank
RBC Capital Markets	15.7%	1
BMO Capital Markets	12.1%	2T
TD Securities	11.0%	2T
Scotiabank	10.2%	4T
CIBC	9.1%	4T

Canadian Equity Algorithmic Trading

Broker	Market Penetration	Statistical Rank
ITG	76%	1
RBC Capital Markets	61%	2
Bank of America Merrill Lynch	31%	3
Credit Suisse	27%	4
CIBC	20%	5T
Bloomberg Tradebook	18%	5T

Canadian Equity Research and Analyst Service Quality – Portfolio Managers

Broker
BMO Capital Markets
RBC Capital Markets

Canadian Equity Sales Quality

Broker
BMO Capital Markets
RBC Capital Markets
Scotiabank

Canadian Equity Trading Quality**

Broker
RBC Capital Markets

Note: Based on 56 respondents for Canadian Equity Research/Advisory Vote Share, Canadian Equity Sales and Research and Analyst Service Quality. Based on 61 respondents for Canadian Equity Trading Share and Canadian Equity Trading 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 trading. Source: Greenwich Associates 2014 Canadian Equity Investors Study

electronic trades increased significantly from just 16% up to 24%. In the increasingly important category of Canadian equity algorithmic trading — which increased from 13% to 19% of trading volume and may rise to 21% three years out — the clear 2014 Greenwich Share Leader is ITG, which is used by approximately three-quarters of institutional investors active in the market. The only major broker in striking distance is RBC Capital Markets, which is used by roughly 60%.

RBC Capital Markets is also the market leader in quality of sales, research and trading service delivered to institutional clients. Every year, Greenwich Associates asks institutional portfolio managers, analysts and traders participating in our annual research program to rate the quality of service and content they receive from individual brokers. Brokers that receive quality ratings that top those of competitors by a statistically significant margin are named Greenwich Quality Leaders. RBC Capital Markets is the 2014 Greenwich Quality Leader in Canadian Equity Trading. The firm also shares the title of 2014 Greenwich Quality Leader with BMO Capital Markets in Canadian Equity Research and Analyst Service and Canadian Equity Sales.

“While there’s always back and forth among the Big Five Canadian banks that dominate this business, RBC’s position in 2014 is as strong as we have seen any bank achieve in this market,” says Greenwich Associates consultant Jay Bennett. “RBC’s equity capabilities are the broadest and deepest of the Big Five at the moment. In addition to its strong domestic equity research franchise, the bank also has a strong electronic trading platform, which clearly differentiates it from the other top brokers.”

Consultant Jay Bennett advises on the institutional equity markets globally.

Methodology

Greenwich Associates interviewed 56 Canadian equity portfolio managers about the research and sales services they receive, 61 Canadian equity traders about the trading services they receive from their brokers, and 51 users of algorithmic trading in Canada. They were also asked about current market practices, trend and compensation. Interviews were conducted between December 2013 and February 2014.

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