

2013 Greenwich Leaders: Canadian Fixed Income

Q3 2013

Big Six Canadian Dealers Regain Market Share from Foreign Rivals

The Big Six Canadian banks regained lost ground in institutional fixed-income trading last year. In 2011–2012, a group of aggressive competitors managed to win market share from Canada’s leading fixed-income dealers. Those competitors included both up-and-coming domestic-focused banks like Desjardins Securities and Laurentian Bank, and a set of foreign dealers.

Over the past 12 months, Canada’s Big Six dealers increased their aggregate share of institutional fixed-income trading volume to about 62%, from approximately 51% the year before. Those gains did not occur at the expense of other Canadian dealers, however. The combined market share of Desjardins Securities and Laurentian Bank was roughly stable from year to year as they continued building out their presence across Canada. Rather, the big domestic firms captured market share from foreign rivals who were cutting back on commitments to the Canadian market in the face of new capital reserve requirements.

“Last year was a wake-up call for Canada’s major dealers,” says Greenwich Associates consultant Peter Kane. “They saw that competitors were finding success in part due to strength in e-trading, and they responded by upgrading their own capabilities in the electronic offering. These investments have helped them defend and recapture market share from foreign dealers—some of which are attempting to maintain or even grow their presence in Canadian fixed income through the electronic channel.”

Greenwich Leaders

Despite any challenge to their positions, Canada’s major banks remain the dominant dealers in institutional fixed income. RBC Capital Markets leads the pack with a market share of 17.5%, followed by Scotiabank and BMO Capital Markets, which are tied statistically with market shares of 12.1–12.8%. Next is TD Securities with a market share of 11.3%, followed by CIBC and National Bank Financial, which are tied with markets shares of 7.4–8.6%. These firms are the 2013 Greenwich Share Leaders in Canadian Fixed Income.

Greenwich Quality Leaders are firms that have distinguished themselves by receiving service quality ratings

from institutional clients that exceed those awarded to competitors by a statistically significant margin. The 2013 Greenwich Quality Leader in Canadian Fixed-Income Trading is RBC Capital Markets. RBC also takes the title of 2013 Greenwich Quality Leader in Canadian Fixed-Income Sales. The 2013 Greenwich Quality Leader in Canadian Fixed-Income Research is BMO Capital Markets.

Greenwich Share Leaders — 2013



Overall Canadian Fixed-Income Market Share

| Dealer | Market Share | Rank |
|-------------------------|--------------|------|
| RBC Capital Markets | 17.5% | 1 |
| Scotiabank | 12.8% | 2T |
| BMO Capital Markets | 12.1% | 2T |
| TD Securities | 11.3% | 4 |
| CIBC | 8.6% | 5T |
| National Bank Financial | 7.4% | 5T |

Note: Based on responses from 149 fixed-income investors in 2013. Leaders are based on top 5 dealers including ties.

Source: Greenwich Associates 2013 North American Fixed-Income Investors Study

Greenwich Quality Leaders — 2013



Canadian Fixed-Income Sales Quality

Dealer

RBC Capital Markets

Canadian Fixed-Income Research Quality

Dealer

BMO Capital Markets

Canadian Fixed-Income Trading Quality

Dealer

RBC Capital Markets

Note: Based on responses from 149 fixed-income investors in 2013. Leaders are cited in alphabetical order including ties.

Source: Greenwich Associates 2013 North American Fixed-Income Investors Study

Consultants Peter Kane and Woody Canaday advise on fixed-income markets in Canada.

Methodology

Between February and March 2013, Greenwich Associates conducted 149 interviews with institutional investors active in fixed income in Canada. Interview topics included trading and research activities and preferences, product and dealer use, service provider evaluations, market trend analysis, and investor compensation.

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