Crisil
Coalition
Greenwich

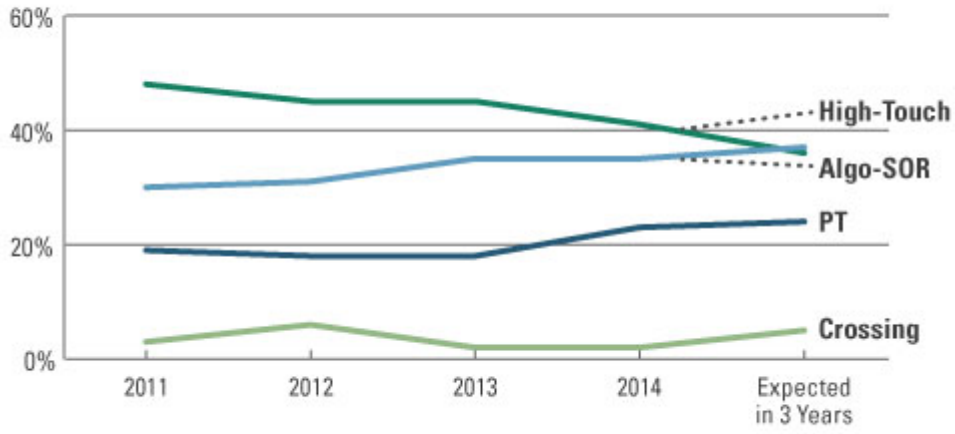
Japanese Desks Move Away from High-Touch, But Uniquely Reliant on Portfolio Trades

April 13, 2015

Larger institutions in Japan now execute only roughly 41% of trades as traditional single stock high-touch trades, well down from 48% in 2011.

This reflects low touch single stock trades rising from 33% of trading volume to 36% and an expected 40% by 2017, but also somewhat unique to Japan the high proportion of business executed as portfolio trades which has climbed to 23% over the past three years driven by the high volume of business executed as portfolio trades by domestic Japanese institutions particularly trust banks with large passive portfolios.

Proportion of Greenwich Priorities' Trading Value Done via Electronic Trades
Japanese Equities



Note: Based on Greenwich Associates Priorities that generated 70-80% of commissions in respective products. Source: Greenwich Associates 2014 Japanese Equity Investors Study

Study Highlights

- Japanese institutions have been particularly aggressive at driving down "headline" commission costs, not only adopting portfolio and electronic trading but executing a significant proportion of portfolio trades as risk trades with only a quarter of volume as "pure agency."
- Unlike Asia, the commission pool in Japanese equities has been on an upswing, increasing as much as 30% over the past two years and bringing improved liquidity to a large and fairly homogenous market.
- Roughly 60% of commission flows are allocated as compensation for research and advisory services and 20% of assets are invested in small/mid-cap shares, both lower than in Asia and arguably allowing for greater use of low/no-touch avenues of execution.

Demand for capital (outside of risk portfolio trades) also is not a major constraint: while nearly 60% of larger accounts request capital, but for only 4% on average of trading volume.

Bottom Line

Japanese institutional investors have effectively availed themselves of low cost avenues of execution, but at the expense of less direct interaction with sales traders who can provide market color and insight.

Investors should consider what is the appropriat e balance of low-touch and high-touch execution for both managing execution costs and maintaining access to essential broker information services.

Crisil
Coalition
Greenwich

---

www.greenwich.com | ContactUs@greenwich.com

Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics and insights to the financial services industry.

We specialize in providing unique, high-value and actionable information to help our clients improve their business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide.

CRISIL is India’s foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and Singapore.

For more information, visit www.crisil.com

Disclaimer and Copyright

This Document is prepared by Crisil Coalition Greenwich, which is a part of Crisil Ltd, a company of S&P

Global. All rights reserved. This Document may contain analysis of commercial data relating to revenues, productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies' products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Crisil Coalition Greenwich as on the date of the Document and Crisil Coalition Greenwich has no obligation to update or change it in the light of new or additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data contained in the Document is based upon a particular bank's scope, which reflects a bank's data submission, business structure, and sales revenue Reporting methodology. As a result, any data contained in the Document may not be directly comparable to data presented to another bank. For franchise benchmarking, Crisil Coalition Greenwich has implemented equal ranking logic on aggregate results i.e., when sales revenues are within 5% of at least one competitor ahead, a tie is shown and designated by = (where actual ranks are shown). Entity level data has no equal ranking logic implemented and therefore, on occasion, the differences between rank bands can be very close mathematically.

The data in this Document may reflect the views reported to Crisil Coalition Greenwich by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Crisil Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES CRISIL COALITION GREENWICH BELIEVES TO BE RELIABLE. CRISIL COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT. CRISIL COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT.

Crisil Coalition Greenwich is a part of Crisil Ltd., an S&P Global company. ©2025 Crisil Ltd. All rights reserved.