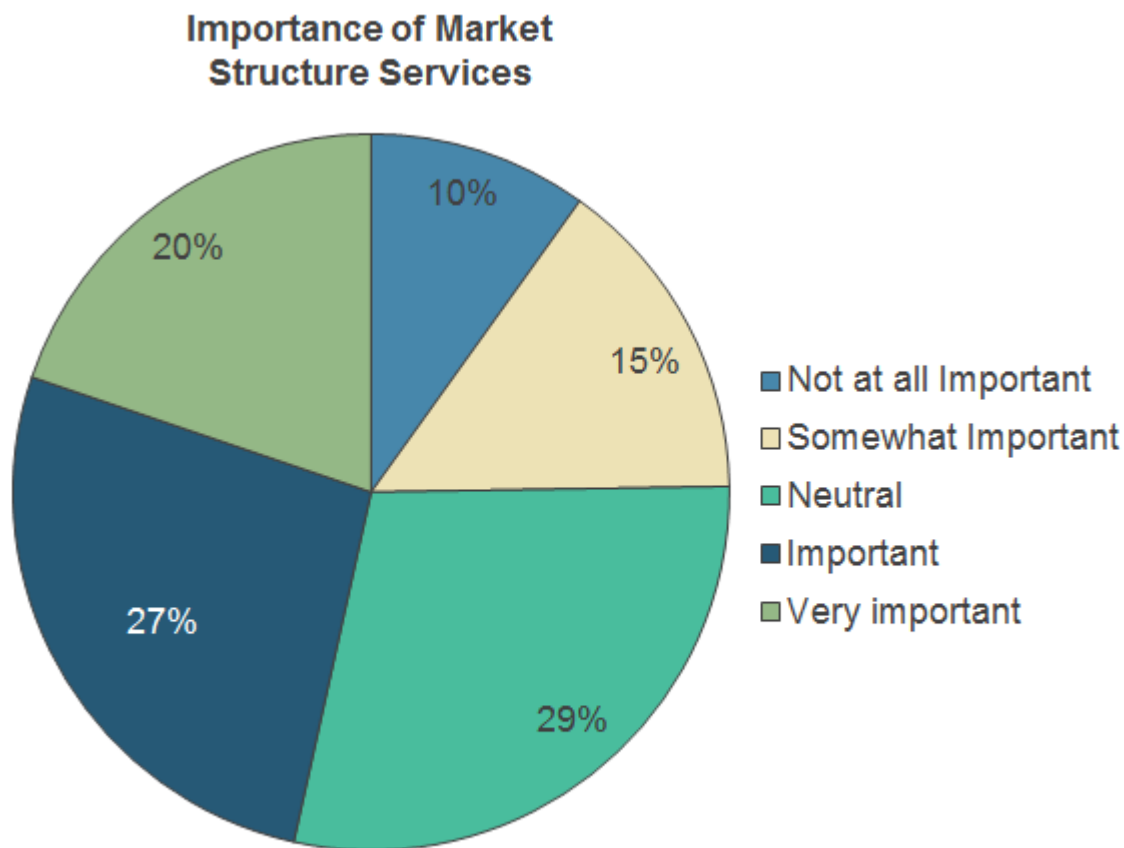


# Why Market Structure Matters

## The Importance of Market Structure Related Services

July 12, 2017

Investors continue to thirst for market structure information. In our most recent U.S. equities study, almost half of buy-side respondents told us that sell-side provision of market-structure-related services was either important or very important. This sentiment was even more pronounced among larger accounts and institutional managers. And while broker-dealers continue to have a tough time equating investments in market structure with increases in market share, clients clearly believe this correlation exists.



Source: Greenwich Associates 2017. Based on 232 institutions

## Advice Highly Valued

It should come as no surprise then that every large broker now offers market structure advice and related services to their clients. For some, it is an ancillary service provided by the desk, while at others, it is a key differentiator with a dedicated team. So why has a subject that bridges the technical minutiae of market mechanics and the legalese of government regulations come to be so valued?

As our markets have become increasingly complex, even the smallest change to market structure can cause a significant impact on trading performance—like a high-performance sailboat, a slight variation in route or rigging configuration can have a meaningful impact on competitiveness.

Brokers and venues are continually innovating, developing new matching systems, algos and order types that they hope will drive increased business. At the same time, the nature of liquidity itself is constantly changing, as new players enter the market and market conditions change the types of strategy that are used. Market structure is never static—it is constantly moving and shifting like Brownian motion. For traders, staying on top of market structure issues can give them an advantage, as they seek to optimize their trading strategy and improve performance.

## Regulatory Changes Shape Corporate Strategy

As we have seen, regulatory changes can have a huge impact on how our markets function. Regulations such as Reg ATS, decimalization and Reg NMS all had a profound effect on the competitive dynamics of trading, reducing the profitability of some business models and creating opportunities for others. For many companies, staying on top of market structure is a vital part of corporate strategy. Reg NMS may, in fact, have been the catalyst for the emergence of market structure as a competency. As traders dealt with fragmentation, HFT and other downstream consequences, they realized that market structure was too important to be left to lawyers and regulators and that their voice needed to be heard too.

Today the level of debate we are having on these important topics is a far cry from just 10 years ago. In addition to the experts on both the buy and sell side—not to mention independent companies like Greenwich Associates—there are now numerous conferences and working groups discussing these important topics. And of course, there is the Equity Market Structure Advisory Committee whose quarterly meetings are now live streamed across Wall Street.

When asset managers, brokers, exchanges and other market participants have an informed opinion on the issues and a voice in the debate, the outcome will be better markets for all investors and traders.

---

[www.greenwich.com](http://www.greenwich.com) | [ContactUs@greenwich.com](mailto: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](http://www.crisil.com)

## Disclaimer and Copyright

This Document is prepared by Coalition Greenwich, which is a part of CRISIL Ltd, an S&P Global company. 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 Coalition Greenwich as on the date of the Document and 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 in this Document may reflect the views reported to 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. 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 COALITION GREENWICH BELIEVES TO BE RELIABLE. 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. 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.

Coalition Greenwich is a part of CRISIL Ltd, an S&P Global company. ©2024 CRISIL Ltd. All rights reserved.