

# The Big Five Dominate in Institutional Canadian Equities Business

## 2016 Greenwich Leaders: Canadian Equities

Q2 2016

RBC Capital Markets this year extends its wide lead over rivals in the Canadian equity brokerage market.

As part of its 2016 Canadian Equity Investors Study, Greenwich Associates interviewed 59 institutional portfolio managers and 59 institutional traders about the brokers they use for Canadian equities. Study participants were asked to rank order the brokers 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 broker.

The study results show that RBC Capital Markets achieved an impressive 15.4% share in Canadian equity trading commissions. BMO Capital Markets was second with a trading share of 11.5%, followed by Scotiabank and TD Securities, which were statistically tied with shares of 10.0%-10.4%, and CIBC at 9.3%. These firms are the 2016 Greenwich Leaders in Canadian Equity Trading Share.

RBC Capital Markets' lead in Canadian equity trading is buttressed by its commanding position as the No. 1 provider of Canadian equity research/advisory services. Currently, buy-side trading desks allocate about 63% of their Canadian equity trade commission payments to compensate providers of research/advisory services, including analyst service, sales, corporate access, and other services.

RBC Capital Markets leads this business with 16.6% share of the institutional commission-weighted research/advisory vote. Scotiabank is next with a 14.3% share, followed by BMO Capital Markets at 12.4%, CIBC at 10.2% and TD Securities at 8.6%. These firms are the 2016 Greenwich Leaders in Canadian Equity Research/Advisory Vote Share.

RBC Capital Markets is also the only broker to win a designation as a Greenwich Quality Leader<sup>SM</sup> in all three categories considered by Greenwich Associates.

### Greenwich Share Leaders — 2016



#### Canadian Equity Trading Share\*

Broker	Trading Share	Statistical Rank
RBC Capital Markets	15.4%	1
BMO Capital Markets	11.5%	2
Scotiabank	10.4%	3T
TD Securities	10.0%	3T
CIBC	9.3%	5

#### Canadian Equity Research/Advisory Vote Share\*

Broker	Vote Share	Statistical Rank
RBC Capital Markets	16.6%	1
Scotiabank	14.3%	2
BMO Capital Markets	12.4%	3
CIBC	10.2%	4
TD Securities	8.6%	5

#### Canadian Equity Electronic Trading Penetration

Broker	Market Penetration	Statistical Rank
ITG	79%	1
RBC Capital Markets	65%	2
Liquidnet	49%	3T
Credit Suisse	47%	3T
CIBC	33%	5T
Scotiabank	33%	5T

Note: Based on 59 respondents for Canadian Equity Research/Advisory Vote Share and Canadian Equity Trading Share. Based on 43 respondents for Canadian Equity Electronic Trading Penetration. \*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.

Source: Greenwich Associates 2016 Canadian Equity Investors Study

The firm is the sole 2016 Greenwich Quality Leader in Canadian Equity Sales Trading & Execution Service and joins BMO Capital Markets and Scotiabank as Quality Leaders in Canadian Equity Research Product & Analyst Service and in Canadian Equity Sales & Corporate Access.

“Within an essentially flat pool of institutional equity commissions into Q1 2016, the Big Five Canadian brokers maintained their dominant market share last year by capturing an aggregate 57% of institutional Canadian equity trading volume,” says Greenwich Associates consultant Jay Bennett.

## Electronic Trading

Although electronic trading in Canadian equities does not have the same influence on trading flows that it does in U.S. equities (e-trading accounts for about 15-16% of the overall annual institutional commission pool), buy-side traders in Canada know that “low-touch” execution will become an increasingly important driver of trading volumes and commissions.

ITG defended its position in Canadian equity electronic trading, with 79% of institutions using the firm for electronic execution. Second is RBC Capital Markets with a market penetration score of 65%, followed by Liquidnet, Credit Suisse, CIBC, and Scotiabank, which are statistically tied with market penetration scores between 33% and 49%. These firms are the 2016 Greenwich Share Leaders<sup>SM</sup> in Equity Electronic Trading Penetration.

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

## METHODOLOGY

Between December 2015 and February 2016, Greenwich Associates interviewed 59 Canadian generalist equity portfolio managers and 59 Canadian equity traders at Canadian and U.S. 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.

### Greenwich Share Quality Leaders — 2016



#### Canadian Equity Sales Trading & Execution Service Quality\*

##### Broker

RBC Capital Markets

#### Canadian Equity Research Product & Analyst Service Quality

##### Broker

BMO Capital Markets

RBC Capital Markets

Scotiabank

#### Canadian Equity Sales & Corporate Access Quality

##### Broker

BMO Capital Markets

RBC Capital Markets

Scotiabank

Note: Based on 59 respondents. Quality Leaders cited in alphabetical order including ties. \*Equity trading encompasses sales trading, execution, sector trading, and electronic and portfolio trading.

Source: Greenwich Associates 2016 Canadian Equity Investors Study

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