

2013 Greenwich Leaders: European Flow Equity Derivatives

Q4 2013

Morgan Stanley is the flow equity derivatives broker of choice for European institutions. New research from Greenwich Associates reveals that Morgan Stanley is either the leader or is tied for the top spot in terms of penetration of the institutional market in all major flow

equity derivatives products: options & volatility products and delta one products.

Brokers in Europe win trading business in equity derivatives based largely on their performance in three main

Greenwich Share Leaders — 2013



Options & Volatility Product Market Penetration — Europe

Broker	Important Relationships	Statistical Rank
Deutsche Bank	64%	1T
J.P. Morgan	63%	1T
Morgan Stanley	62%	1T
SG Equity Derivatives	55%	4
UBS	51%	5T
BNP Paribas	49%	5T
Goldman Sachs	49%	5T

Note: Includes top 10 relationship citations for 2013, distinctive service evaluations and any mention for transactions in specific options & volatility products: listed and listed look-alike options across single-stock, index, options on volatility indices (VIX/V2X), options/swaps/futures on dividends, options on sector ETFs, "lite exotics"/structured flow options, and variance/volatility swaps on indices or single-stocks. Based on interviews with 152 institutions.

Source: Greenwich Associates 2013 European Equity Derivatives Study

Greenwich Share Leaders — 2013



ETF Market Penetration — Europe

Broker	Important Relationships	Statistical Rank
Morgan Stanley	47%	1T
Deutsche Bank	45%	1T
SG Equity Derivatives	38%	3
Citi	30%	4T
J.P. Morgan	28%	4T
UBS	28%	4T
Bank of America Merrill Lynch	27%	4T

Note: Includes top 5 relationship citations, distinctive service evaluations, and any mentions for transactions in specific ETF products. Based on interviews with 60 institutions.

Source: Greenwich Associates 2013 European Equity Derivatives Study

Greenwich Share Leaders — 2013



Futures Market Penetration — Europe

Broker	Important Relationships	Statistical Rank
Morgan Stanley	49%	1T
Goldman Sachs	44%	1T
J.P. Morgan	44%	1T
Deutsche Bank	39%	4T
UBS	38%	4T

Note: Includes top 5 relationship citations, distinctive service evaluations, and any mentions for transactions in specific futures products: index, futures on volatility indices (VIX/V2X), single-stock futures, sector futures. Based on interviews with 108 institutions.

Source: Greenwich Associates 2013 European Equity Derivatives Study

Greenwich Share Leaders — 2013



Equity Swaps Market Penetration — Europe

Broker	Important Relationships	Statistical Rank
Morgan Stanley	53%	1
Goldman Sachs	45%	2T
Deutsche Bank	43%	2T
J.P. Morgan	43%	2T
UBS	42%	2T
Bank of America Merrill Lynch	40%	2T

Note: Includes top 5 relationship citations, distinctive service evaluations, and any mentions for transactions in specific equity swaps products: index, single-stock or custom baskets. Based on interviews with 53 institutions.

Source: Greenwich Associates 2013 European Equity Derivatives Study

Greenwich Quality Leaders — 2013



Options & Volatility Product Coverage Quality — Europe

Broker

BNP Paribas
Deutsche Bank
J.P. Morgan
Morgan Stanley
SG Equity Derivatives

Note: Based on interviews with 152 institutions. Leaders cited in alphabetical order including ties.

Source: Greenwich Associates 2013 European Equity Derivatives Study

areas: pricing, their understanding of clients' investment strategies or hedging needs and consistency of sales and trading service. Other selection criteria play an important role in institutional trade allocations in specific products. For example, brokers' ability to provide helpful market color helps drive business in equity options and volatility products, broker creditworthiness is an important consideration for investors in equity swaps, and brokers' willingness to commit capital to support trades influences investors' choice of broker in ETFs. "What distinguishes Morgan Stanley and all the 2013 Greenwich Leaders from competitors is their strength across all these critical areas," says Greenwich Associates consultant Jay Bennett.

This year, Greenwich Associates interviewed 170 U.K. and Continental-domiciled institutions that invest in equity derivatives. Respondents are asked to name the top 5–10 brokers they use for specific products and to rate the firms according to a series of qualitative factors in each product. Firms that receive quality ratings exceeding those of competitors by a statistically significant margin are named Greenwich Quality Leaders.

Options & Volatility Products

More than 60% of European institutions active in equity options and volatility products cite important trading relationships with Deutsche Bank, J.P. Morgan and Morgan Stanley. Fifty-five percent of institutions trading these products consider SG Equity Derivatives important and approximately half the institutions active in this market trade with UBS, Goldman Sachs and BNP Paribas. These firms are the 2013 Greenwich Share Leaders in Equity Options & Volatility Products. The 2013 Greenwich Quality Leaders in Equity Options & Volatility

Greenwich Quality Leaders — 2013



Equity Swaps Coverage Quality — Europe

Broker

BNP Paribas
J.P. Morgan

Note: Based on interviews with 53 institutions. Leaders cited in alphabetical order including ties.

Source: Greenwich Associates 2013 European Equity Derivatives Study

Product Coverage are BNP Paribas, Deutsche Bank, J.P. Morgan, Morgan Stanley, and SG Equity Derivatives.

Equity Swaps

Morgan Stanley also ranks first in market penetration among European institutions in equity swaps trading, followed by a group of brokers with roughly equivalent market penetration scores, including Bank of America Merrill Lynch, Deutsche Bank, Goldman Sachs, J.P. Morgan and UBS. These firms are the 2013 Greenwich Leaders in Equity Swaps. The 2013 Greenwich Quality Leaders in Equity Swaps Coverage are BNP Paribas and J.P. Morgan.

Equity Futures

In terms of market penetration among European institutions, Morgan Stanley, Goldman Sachs and J.P. Morgan led the Equity Futures market as important providers, followed by Deutsche Bank and UBS. These firms are the 2013 Greenwich Share Leaders in Equity Futures.

ETFs

Morgan Stanley and Deutsche Bank lead the ETF market with European institutional market penetration scores of 45–47%, important relationships, followed by SG Equity Derivatives at 38%, and Citi, J.P. Morgan, UBS and Bank of America Merrill Lynch, all with penetration scores of 27–30%. These firms are the 2013 Greenwich Share Leaders in ETF Trading.

Consultants Jay Bennett, John Colon and John Feng advise on the institutional equity markets globally, including the use of equity derivatives.

Methodology

Between May and June 2013, Greenwich Associates conducted interviews with 170 fund managers, traders and equity derivative specialists at the largest investing institutions in the United Kingdom and Continental Europe. Interview topics included market trends, service provider assessments and compensation.

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