

What is Market Structure, And Why You Should Care

March 14, 2014

If you work in institutional finance you've heard talk of market structure. Not only are there entire conferences dedicated to the topic, but most of the participants at those conferences— banks, asset managers, researchers—send their heads of market structure to speak. Commonly used in economics to describe the interconnectedness of and interaction between the buyers and sellers in a market, the term market structure isn't new. The focus of financial firms on this topic, however, raises a number of questions.

We know the textbook definition of market structure, but what does it really mean in financial circles? At Greenwich Associates, we define market structure as “the impact of regulations, technology innovation and behavior changes on the market and its participants.” Business models, methods of communication, security prices, and investment returns are all impacted by changes in market structure. This definition explains why market structure continues to receive more and more attention—the simultaneous increase in regulatory change, new technology and behavior shifts since the credit crisis are unmatched at any other time in history.

This has created a market full of diverse businesses (asset managers, investment banks, financial technology firms, exchanges, etc.) all working diligently to both understand how market structure changes will impact their business and what they must do to adapt and succeed. These efforts often consist of several specialists—legal, technology, operations, trading—working to put the strategic pieces together. In many ways this is very similar to what executive strategy teams have done for years. The difference, however, is a large number of external factors set to upend the status quo in a very short amount of time, with no signs that any of those items are shrinking or slowing.

Heads of market structure within sell-side and buy- side firms work to coordinate the aforementioned specialists and create a holistic picture of what is to come and what must be done to adapt. They can, in some ways, be likened to a macro-economist, someone who understands both the forest and the trees and is willing to use all available data to define a reasonably likely outcome. Firms in all industries can become old news or new news very quickly today, and having someone that examines the picture is key.

Market structure planning is not simply a cost center. Institutional investors value the market structure advice provided by their salespeople as a critical element of the broker relationship. Think of it as banks turning the lemons that are regulatory changes into lemonade. Greenwich Associates' research shows that clients value market structure expertise right alongside market color and trading ideas as a deciding factor in deciding with whom they will trade. This has proven an excellent way for non-bulge bracket firms to enter the conversation where previously they might not have been considered (a list of the top 10 market structure firms per our buy side respondents is available in the [PDF version of this post](#)).

While most major firms have committed to offering market structure advice to clients, few have figured out how to accurately value the contribution this makes to the bottom line. Like market structure itself, the thought process here is fuzzy. Sell-side firms we've spoken with know this advice is helping to find new clients and retain existing ones, but none can say for sure whether the market structure element brought those clients over the line. This expected correlation is something Greenwich Associates will examine in coming months.

Market structure change impacts everyone. The way the markets work will continue to evolve at an unprecedented rate, transforming opportunities and threats to many financial businesses, from hedge funds to market data providers. I appreciate that, unlike the unbiased views we take in all of our other research, our views on the importance of market structure are inherently biased (I do head market structure and technology research, after all). But the last few years have proven that the only sure thing is that market structure evolution is here to stay.

[You can download the formatted PDF version of this post at Greenwich.com](#)

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. ©2026 Crisil Ltd. All rights reserved.