Global Equities

# European Equity Trading 2011/12:
## Looking for Allies in the Face of Adversity

Rebecca Healey | V09:043 | December 2011 | www.tabbgroup.com

# The Forward by Larry Tabb

The day of the universal bank may just be dead. Between MiFID, EMIR, and Basel III, it seems like the regulators are doing their best to force banks to bulk up on capital, shrink leverage, take less risk, and be much more transparent. This will make it increasingly difficult for these organizations to do everything from retail and wholesale banking, to complex asset structuring and derivatives trading, while maintaining their profitability. While the universal banking model may be gone, the question remains, what will replace it and how will that impact the equity trading business?

I think we can actually look at the equity business as a proxy for the institutional banking business. We are seeing the European equity trading business change right before our eyes. When TABB Group first began interviewing European money managers in 2005, 82% of their flow went to sales traders; now that number is 43% and headed lower. In addition, only 5% of daily volume in the UK is currently executed using capital, when almost 80% of UK firms we interviewed in 2008 employed capital for execution. These trends will be exacerbated as European banks come under pressure from the sovereign debt crisis as well as new regulations.

So what does that mean for the equity trading business?

First, technology will increasingly be the heart and soul of institutional execution. The execution management system (EMS) will play the key role as an independent mechanism to aggregate, deploy and monitor trading algorithms from a host of providers. Without an independent EMS, it will be increasingly difficult, if not impossible, to obtain an effective execution.

Second, high-touch services, especially from the larger banks, will decline and be rationed to the larger commission payers. Smaller buy-side firms will no longer be able to access high-touch services from the larger providers unless they want to pay above-market execution rates. In addition, as banks fall under the Basel III accords, the cost of capital will make it increasingly expensive to trade net. Third, and probably the most important, larger firms will have greater constraints on pay and bonuses, as regulators and legislators are working hard to radically change the banking compensation model.

Combine lower rates, more technology, fewer people, lower pay and higher fees on accessing proprietary bank liquidity, and what does that turn you into? A factory.
The electronic brokerage channels will increasingly be viewed as a factory, provide scant capital and service, and generate profits through massive scale. They will then take this factory strategy and extend their infrastructure to smaller players, who don't have the investment capital to build out a competitive platform. This will provide a fee-based, low market- and credit-risk environment, where profitability can remain marginal but risk will be much more limited.

As larger firms become factories, this development will open up areas in which smaller firms can compete. The smaller firms will be less hamstrung by liquidity constraints, leverage ratios, banking surcharges, and most importantly compensation models.

Smaller firms will also add a layer of diversity by continuing to focus on different niches. Some will provide capital, others research, others trading analytics, and still others high-touch execution services. These smaller firms will not compete on the most efficient algorithm or even the most sophisticated dark pool; they will compete in the white space left open by the factory firms.

We are beginning to see these trends in the latest European Equity Trading Study, as high-touch order flow has declined, core brokers' flow allocations are falling, more trading is being unbundled, and a large segment of the buy side is increasingly disenchanted with sell-side services. These are certainly the initial calls from a buy side looking for the brokerage community to ratchet up their game.

It will be interesting to see who best responds to these challenges. Will it be the large banks, straddled between managing sovereign debt exposures and increasing regulatory oversight? Or the relatively less capitalized smaller firms that are changing their staffing, services, and capital provisioning strategies?  Whatever happens, significant change is in not only in the air, but being driven by Brussels.

# Opening Bell

Hit by the growing political and economic crisis in Europe, it is becoming harder for the buy side to trade effectively. Uncertainty tinged with frustration now pervades European trading desks. The combination of a lack of liquidity, market volatility, subsequent fears of information leakage and market impact is creating a level of mistrust as to how to access flow in lit markets, from the supposed toxicity of high frequency trading (HFT) to establishing which dark pools will offer adequate protection.

Conversations with traders show that for many firms the long-term investor has yet to return, ensuring a continuation of patchy liquidity, lower volumes and wider bid-offer spreads. Everyone is playing it safe: investors are withdrawing from their pension plans, portfolio managers are risk averse, and buy-side traders are reluctant to execute in size for fear of suffering from market impact. Global institutions are deleveraging European exposure, dumping sovereign bonds and shedding assets whenever and wherever they can, not wanting to be the last one holding the package in a game of toxic pass-the-parcel. This then plays out in the lack of risk offered to the general market: a two-tier system is developing, with a shrinking inner circle, freezing out both potential order flow and investment to ensure future growth. The result is a nervous European financial market unsure of the future.

The fundamental structure of the market is shifting, and a chasm is developing within Europe between modern and traditional methods of trading, fundamental versus quantitative, and pro-free market versus pro-European uniformity, resulting in the normal functions of the market stumbling towards total gridlock.

Further legislation has added to the chaos. Given market conditions, the MiFID II proposals in their current form will only make a bad situation worse. Confusion still reigns within the financial community as to what will or will not be included in the final legislation, and the European Commission recently announced plans to review the proposals in January 2012, specifically around the inclusion of OTFs (Organised Trading Facilities) and continuous market making-obligations for algorithmic strategies.

All these issues, however, offer an opportunity to the brokerage community to assist, advise and partner with the buy side. The entreaty from clients for assistance to trade smarter and wiser, to see around corners and circumvent future market risks, and to navigate through the myriad of ongoing regulations, will ensure that those brokers who furnish their buy-side traders now with the relevant products and services will be rewarded in the years ahead.

In trying to reduce conflict between regulated lit markets and off-exchange trading, the proposed regulations may unwittingly force more flow into the dark. The removal of proprietary flow could increase buy-side traders′ confidence in trading in broker crossing networks (BCNs), where they feel they achieve adequate protection from toxic flow. However, questions remain as to what flow will realistically be traded given that proposals from MiFID indicate that OTFs will only be able to include buy side-to-buy side flow without an intermediary broker facilitating client orders. Whether via BCNs, OTFs or MTFs, buy-side traders expect to trade more in the dark going forward, and this will be one method of trading that brokers will continue to develop.

The level of concern over information leakage and the lack of available economical risk pricing means that an immediate return to lit markets still looks unlikely. Greater transparency only works for the most liquid of names and the smallest of trades. Further deleveraging will ensure that banks do not have sufficient capital to support the size of pension fund trades. The shifting liquidity formation and lack of block flow mean that the buy-side trader is looking for firm-specific analysis and improved execution performance. With alpha retention becoming as critical to fund performance as the initial investment decision, the buy side now needs the broker to deliver unique customisable services. However, this is with a shrinking commission pool, which commits the buy side to a precarious balancing act in maintaining relevance to key brokers whilst ensuring access to required services from specialist providers or new markets.

Global scope and breadth of service are critical to growth prospects for European institutional brokerage. The continuing crisis in Europe is escalating a transfer of fund flows from developed to emerging markets; those brokers who can leverage their skills in European equity markets to other asset classes and markets will capture this growing market share. In addition, brokers who develop new alternative methods to pay for services will safeguard their relevance.

Undoubtedly, further regulation will come and adjustments will be made, but with political and economic uncertainty set to continue, it will be the firms who are nimble,quick and able to adjust who will benefit, and whilst that may not always be the good guys, it is up to the brokers as to how they now respond.

Whilst transparency to remove systemic risks is welcome, a "one size fits all" style regulation will force market participants to shift and adapt their trading behavior to new products. The regulators may yet end up constantly being the yard-hand shutting the empty stable door, with investors hunkering down in the trenches until the crisis is over, but the brokers able to offer the appropriate protection and guidance will be those to whom the buy-side turns in these times of adversity.

# Table of Contents



# Table of Exhibits

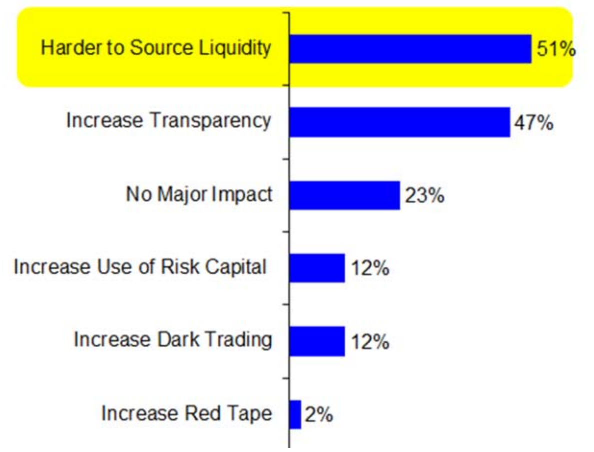


# Highlights: In the Shadow of MiFID II

The European Commission unveiled new legislative proposals ("MiFID II") this autumn against the dramatic backdrop of an growing economic crisis with political uncertainty fuelling the fear that the markets will become even harder to trade (see Exhibit 1).

**Exhibit 1**
**How Will MiFID II Impact Your Trading?**




*Source: TABB Group*

"There are too many venues: 100 share orders are now 10 shares in 10 different places and it is difficult to know whether you traded at the right venue or not." (Medium Asset Manager)

The European market structure is set to change radically, and the buy side is looking for guidance in overcoming what some perceive to be genuine obstacles to executing their order flow. The acute need to locate quality liquidity and improve execution performance in these volatile markets will ensure a fundamental overhaul of broker products and services in the years ahead.

Whilst some buy-side traders look forward to a more structured regulatory framework, with greater transparency and improved price discovery, others believe the European Commission's attempt to level the playing field will result in rigid regulation that reduces European market structure to the lowest common denominator.

"Different countries in Europe trade very differently. A one size fits all approach will impact the underlying investor." (Large Asset Manager)

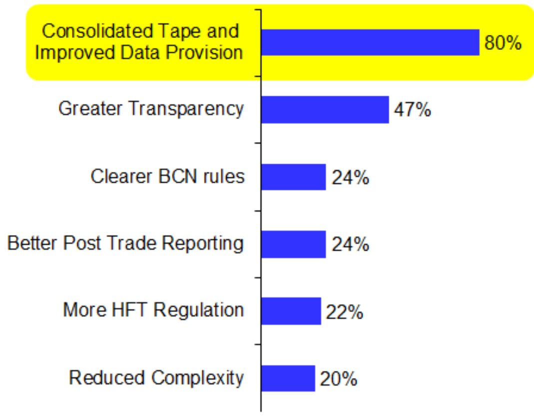
The combination of increased regulation and transparency for broker crossing networks (BCNs), shorter reporting timelines and more stringent quoting obligations for participants will hamper brokers from facilitating client order flow. The needle in the haystack will be much harder for the buy-side traders to find. Many anticipate a rise in trading costs in a market that is already drained of liquidity, and that small and mid-cap stocks will bear the brunt.

The European Commission's "one size fits all approach" risks alienating certain order flow and execution styles. Commonality over important issues disappears when considered at a regional level, and there is genuine concern that uniformity will handicap natural differences that come from heterogeneous investment styles, market structures and trading habits (see Exhibits 2 and 3).

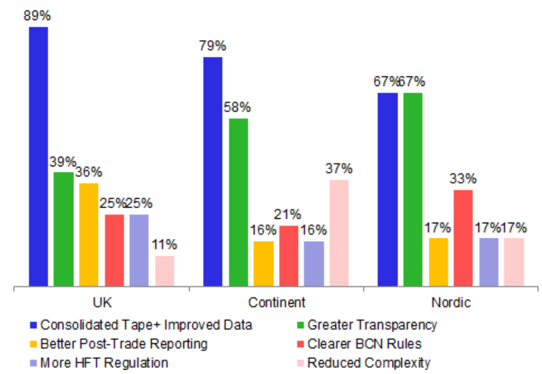
 

**Exhibits 2 and 3**
**What Do You Want From MiFID II?**

**All Participants**




**Participants by Region**




*Source: TABB Group*

"People get hung up on the transparency issue when some of the printing delays are beneficial; it protects us, it protects the broker, which allows them to make better prices, which is beneficial to everybody." (Large Asset Manager)

Four years after the implementation of MiFID, the consolidated tape remains the top regulatory concern. It is now equalled by the demand for better quality and granularity of the data, as the growth of TCA and venue analysis tools highlights the implications of discrepancies in data due to lack of industry standards. Merely having a consolidated tape itself will no longer suffice; double-counting, for example, undermines the value of any analysis if not taken into account.

UK markets will be the most negatively impacted by the lack of a common record of trading activity for benchmarking, visibility and performance monitoring. UK traders tend to trade the broadest set of markets, use the widest range of execution strategies, and have gained the least in terms of transparency over the UK markets compared with the pre-MiFID environment. Some traders propose mandating that all brokers use the trade-reporting vehicle MARKIT BOAT, as well as use common flags and tags in data messages to enable buy-side firms to complete their own analysis and have a benchmark to reference. Recent developments in the FIX Protocol regarding venue tags are considered valuable, but half-measures continue to frustrate.

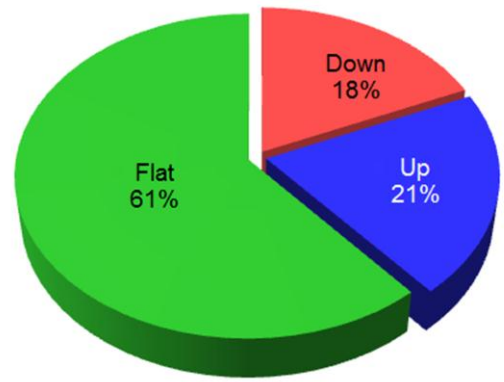
Across the rest of Europe, a stronger focus on greater transparency of off-exchange trading highlights traditional differences in market structure and trading styles. Given the lack of a need for risk pricing, Continental buy-side traders are less concerned over proposals for shorter trade-reporting timelines, whereas Nordic buy-side traders are the most concerned with clarity regarding BCNs.

## The Fear Factor

Investors continue to batten down the hatches, waiting for the storm to pass, and as a result fund flows are largely flat this year (see Exhibit 4). Many portfolio managers are adopting a low-risk trading profile, stepping away from the market noise and focusing more on the implicit costs of trading. As a consequence, the number and size of orders hitting the buy-side trading desk have been significantly reduced, resulting in a requirement for different services and trading strategies. Greater investor appetite for index funds also increases demand for more sophisticated programme-trading algorithms.

**Exhibit 4**
**Trends in Fund Flows in 2011**




*Source: TABB Group*

"PMs are changing their strategies as well, because they are concerned with performance." (Large Asset Manager)

Ever-decreasing order sizes and increased use of passive algorithmic strategies merely reinforce the dearth of blocks and a subsequent march to the dark. Risk aversion in today's markets means that trading passively is likely to remain the favoured method of execution until confidence in European markets has been restored.

"Volatility is huge in the small and mid-cap space. Maybe you get 50% of your order done but the stock moves down 10% from order entry point – lack of liquidity in volatile markets remains the biggest issue. " (Medium Asset Manager)

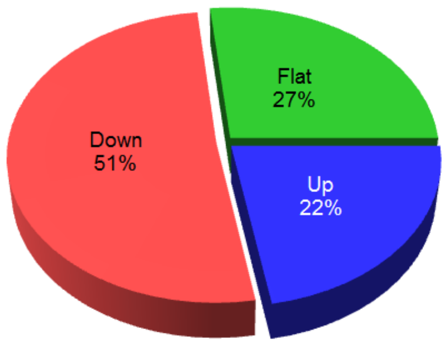
In addition, legislation is planned to limit HFT activity, including the possible Financial Transaction Tax (FTT). The FTT is becoming of even greater concern than MiFID II for some, as it will dry up European liquidity even further. Current available liquidity is believed to be comprised of predominantly short-term investors, as longer-term investors are choosing to sit tight until the crisis is over. A handful of our participants indicated that a FTT would effectively kill off their business in Europe, given the implications it would have for liquidity due to the increased cost of trading. Whilst some may argue that a reduction in HFT flow would be welcome, it is a risky option to take when there is currently little alternative.

The lack of liquidity and order flow is further compounded by commission wallets being reduced , and the majority of the buy side are re-evaluating their broker lists (see Exhibits 5 and 6). There is little to go around and they must choose the brokers to whom they want to stay relevant.

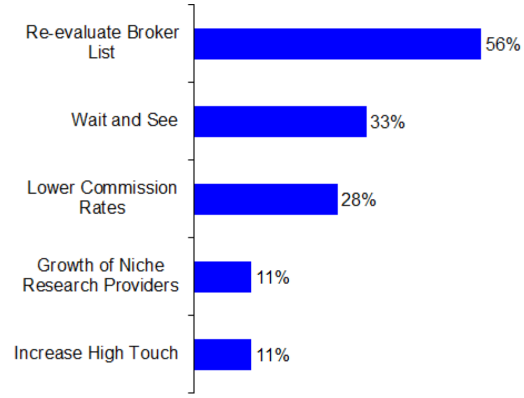
 

**Exhibits 5 and 6**

**Direction of Commission Wallets 2010 vs. 2011**




**What Will You Do If Your Commission Wallet Does Not Grow?**




*Source: TABB Group*

Brokers who offer an extra edge in performance will be the greatest beneficiaries, as every commission euro counts and has to be spent effectively. Others just hope to ride out the economic storm, adjust their rates or execution channels, or develop research relationships with smaller niche players where they believe their commission euros will be better spent.

## The Multifarious Buy Side

The recent periods of extreme volatility and market momentum mean that over three-quarters of buy-side traders are switching tactics (see Exhibit 7).

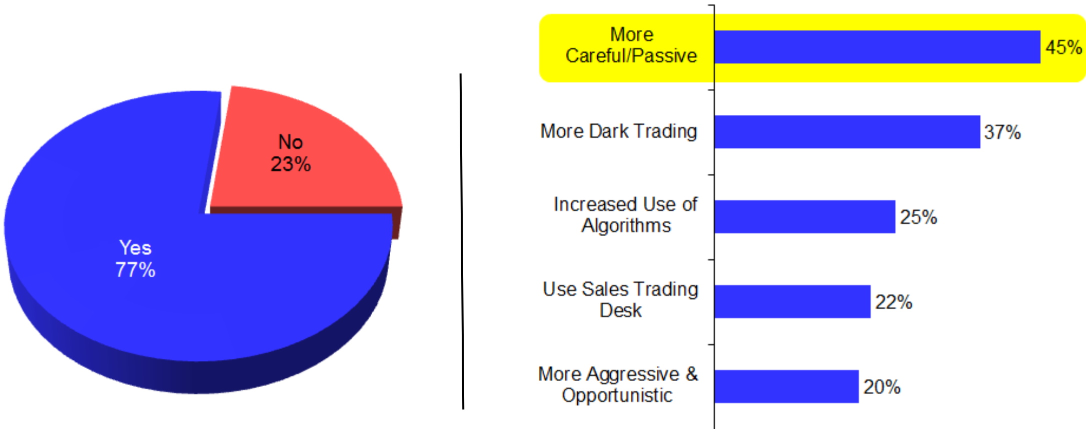
"We can be more aggressive with smaller orders, but on the large orders we are trying to smooth out the volatility; we don't want to be too far away from our benchmarks." (Medium Asset Manager)

In times of market stress, trading methods become more polarised, as some lean towards the sales desk, looking for blocks, risk capital and expertise, whilst others embrace the direct control of algorithms and the sanctity of data. This diversity gives brokers the opportunity to win market share with differentiated products and targeted services, such as improved sales trading, niche research or advanced algorithmic capability, incorporating venue analysis and liquidity-seeking functionality.

Many buy-side traders now take weeks to trade orders that previously took just several days. They drip-feed orders to sales traders or expand their use of algorithms (see Exhibit 8). Dark algorithms and dark aggregation tools are becoming a growing part of their decision-making process.

**Exhibits 7 and 8**
**Have Recent Market Conditions Caused You To Change The Way You Trade? / How?**




*Source: TABB Group*

Greater knowledge of how algorithmic strategies operate offers the opportunity to use analytical tools to take advantage of correlations and benefit from short-term alpha opportunities whilst protecting their orders from perceived toxic flow. Output from venue analysis helps the buy side understand the pitfalls of some smart order routers (SORs) and the impact of preferencing certain venues on performance.

"I see little value in a sales trader putting an order into a black box. We are looking for a new level of service from our sales trader – otherwise I will trade it myself direct at the lower rate." (Medium Asset Manager)

Whilst innovation has occurred in the algorithmic space, sales trading has yet to catch up, and traders are looking at brokers to implement change. The need to pay research bills still remains, and some buy-side traders have returned to the sales trading fold looking for the expertise and broad range of services needed in difficult market conditions.

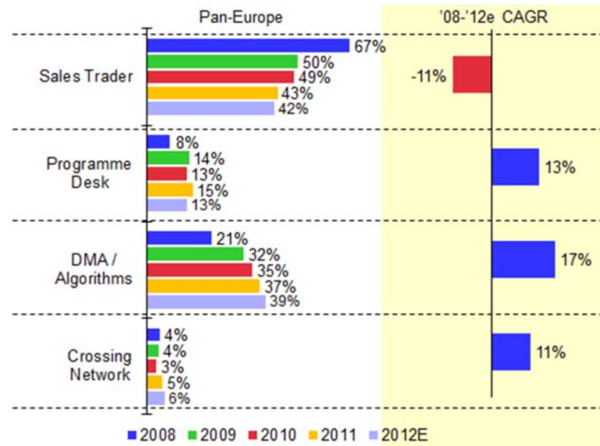
However, the combination of reduced order flow together with a smaller commission pot to share means that the buy side are becoming careful about which orders are passed to sales traders. They need to retain vital commission dollars for the harder trades where they view a sales trader's input as critical.

In contrast with broker developments in algorithmic capabilities, a growing number of buy-side traders prefer to take greater ownership of their orders, with the combined usage of low touch (algorithms and crossing networks) coming close to equalling sales trading access for the first time in Europe.

The use of the sales trading desk is down by 6 percentage points this year (see Exhibit 9). The use of the DMA/algorithmic channel jumps 2 percentage points together with an increase of 3 percentage points in direct use of crossing networks, as the buy side maximises its use of more sophisticated algorithms and aggregation tools to source liquidity effectively. The high focus on the development of next-generation algorithms, coupled with market structure changes, will result in a continued increase in the algorithmic channel next year, which will be accelerated if economic conditions improve.

**Exhibit 9**
**Order Flow Allocation 2008-12E**



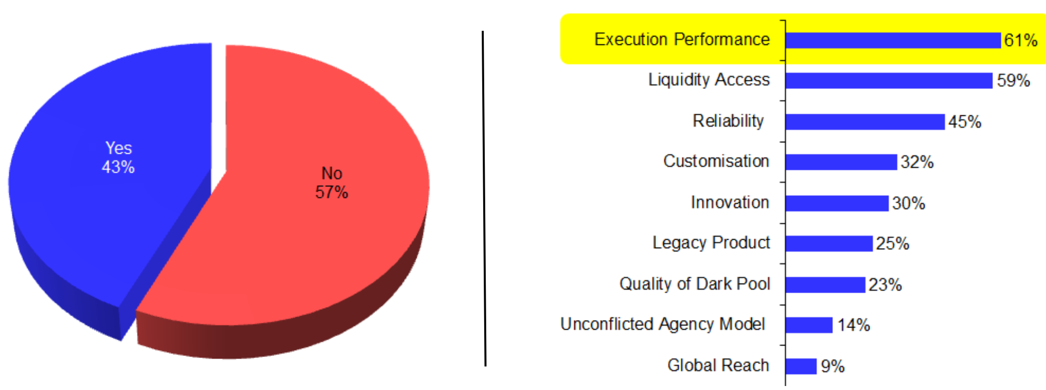

*Source: TABB Group*

"Off the shelf strategies don't really fit what we are trying to do in the market now, so we just choose to partner with a few firms." (Large Asset Manager)

## Change of the Algorithmic Guard

The reign of incumbent algorithmic providers is under threat. As the performance of both the buy-side trading desk and the funds comes under increasing scrutiny, the demand for improved performance is paramount. This year alone, more than half of our participants have switched their top algorithmic provider since last year and are willing to do so again (see Exhibit 10).

**Exhibits 10 and 11**
**Is Your Top Algorithmic Provider the Same as Last Year? What Drives Your Choice of Algorithmic Provider?**




*Source: TABB Group*

Execution performance is being increasingly scrutinized, and buy-side traders are becoming more attuned to those algorithms which work for their particular trading styles and why. This has led to legacy providers being rejected in favour of providers offering more tailored services.

Whilst it is still difficult to tell at the micro level how well an algorithm is performing, the increase in real-time analytical tools provides the buy-side trader with a greater level of confidence as to which algorithm performs best, when, and where. Certain firms are taking this further, introducing "pick 'n mix" of suites of algorithms from different providers. Performance, broad market access and robustness are the top differentiators amongst algorithmic providers (see Exhibit 11). Buy-side traders are no longer prepared to pick the most familiar algorithm that has been on the desk the longest.

"Algorithmic performance and execution capability is our number one selection criteria." (Large Asset Manager)

As markets become harder to manoeuvre, standardised participation strategies are of limited value; hence, those on the buy side who do not access the more advanced strategies revert to the phone. Those who do wish to direct their own trades need more customised strategies and smarter tools that mimic the way a trader reacts to markets with volatile trading patterns.

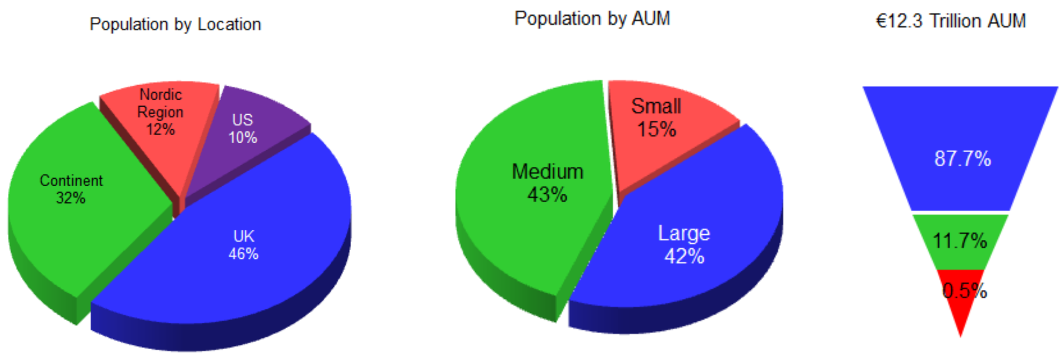
Having selected new providers, these buy-side traders are looking to build longer-term relationships, sharing proprietary data with brokers who have superior execution capability in order to develop customised algorithms that are not customizable. However, brokers will have to ensure that they do not rest on their laurels; the growing importance attributed to execution analysis means there are those buy-side traders who will switch off providers literally at the flick of a switch if performance is not delivered.

The potential curtailment of off-exchange trading by MiFID II will require a far greater level of sophistication in determining when and where to trade. Space age capabilities in hiding trading intentions and seeking executable liquidity at the best available price are becoming paramount for those traders who are looking to stay ahead of the game. New customised and performance-driven algorithms are becoming a critical differentiator between quality execution or the combined misery of market impact and missed opportunities.

## Methodology

This year we spoke with sixty head equity traders trading European equities, of which fifty-four traders are based across thirteen countries in Europe. This year we also include six major US-based equity traders with 24-hour desks who trade directly into Europe (see Exhibit 12).

**Exhibit 12**
**Segmentation by Location and AUM**




*Source: TABB Group*

Our participants represent long-only asset firms managing a total of €12.3 trillion in assets under management (AUM) worldwide. This year we are segmenting the AUM to match the sizing of our US Equity Trading study.

## Key Points

- *77% of traders are having to change their trading strategy due to market conditions with 45% of traders having to trade more passively.*
- *The shift to greater automated trading continues with sales trading now equalling flow traded via algorithms or crossing networks for the first time at 43%.*
- *Participants are shifting greater focus onto algorithm providers with 57% switching their top provider in the last year.*
- *61% of participants rate execution performance as driving their choice of algorithm provider, followed by 59% looking for improved liquidity access.*
- *51% of buy-side traders anticipate liquidity being harder to find post-MiFID II*
- *TABB Group spoke with 60 head equity traders across 13 countries in Europe and the US trading European equities.*

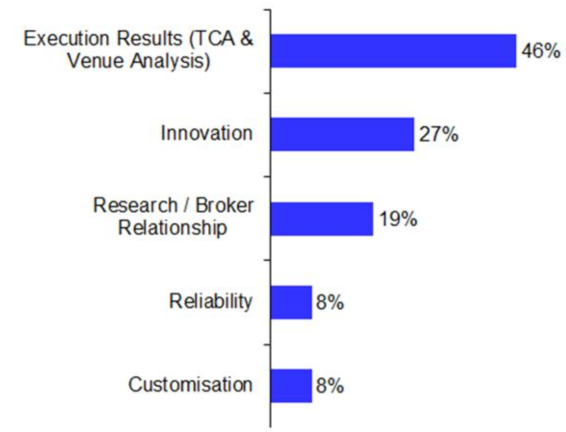
 

# All About the Algorithm

"We've started to eliminate firms that are less successful for us … the truth of the matter is the algorithmic results we see do vary significantly." (Large Asset Manager)

The growing shift of order flow towards automation shows how critical execution performance has become. The development of real-time trading tools to complement existing post-trade TCA tools spotlights execution performance as the prevalent method in selecting an algorithmic provider (see Exhibit 13).

**Exhibit 13**
**What Does It Take To Add or Replace an Algorithmic Provider?**



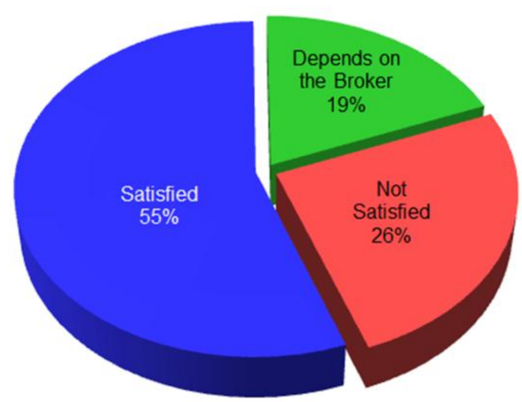

*Source: TABB Group*

This translates directly into order flow amongst the growing number of participants who are becoming fully unbundled and who appear free to select who, when and where they want to trade.

"We will be looking at all aspects of trading real-time rather than waiting for a report to come out the next day." (Medium Asset Manager)

Nearly half of our participants say there is room for additional algorithmic and operational insight (see Exhibit 14). Not knowing when algorithms are trading in the dark or how orders are preferenced internally can be a turn-off in a world where a Google satellite map can pinpoint a doorway on another continent. Some brokers are providing data to assist the buy side in their analysis of algorithmic performance. There is an acknowledgement that buy-side traders also need to ask the right questions and push for relevant answers. Brokers who volunteer how routing is prioritised, who is in their dark pool, what their anti-

**Exhibit 14**
**How Satisfied Are You with Your Level of Algorithmic Transparency and Control?**




*Source: TABB Group*

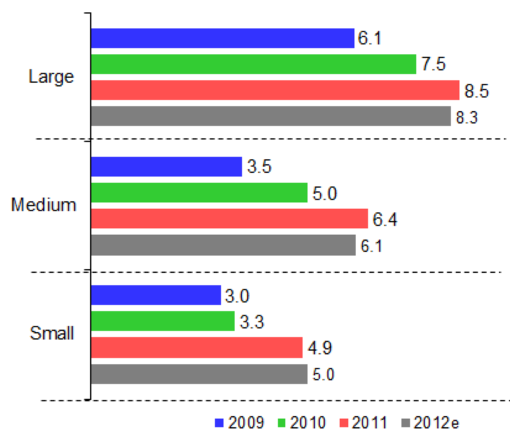
 

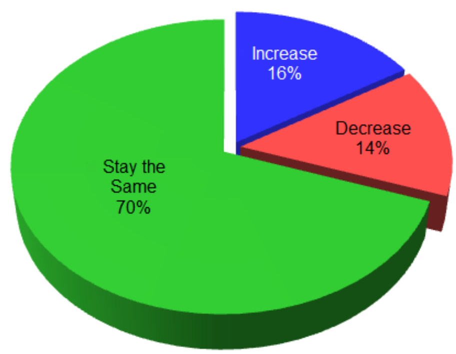
gaming features entail, and how their algorithms protect the buy-side order flow are gaining market share versus those that are more reactive.

## Don't Make it Good, Make it Great

Traders are looking for next-generation capabilities that discriminate among types of available liquidity, toxicity of participants and flow. Competition is fierce, as the growth of algorithmic providers on the desktop is stalling, with only 16% of buy-side firms expecting to add providers next year (see Exhibits 15 and 16). More than two-thirds of participants will maintain the same number of providers, but the readiness to switch the top algorithmic provider provides opportunity for brokers to win the top spot in this replacement market.

**Exhibits 15 and 16**
**How Many Algorithmic Providers Do You Use? / How Will the Number of Providers Change in 2012?**



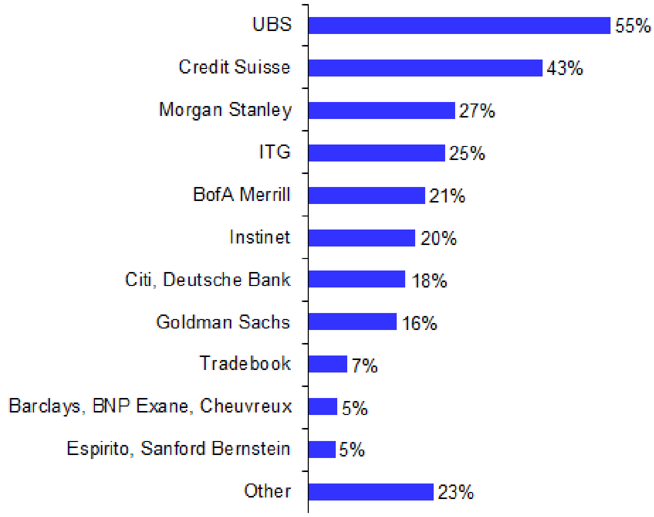




*Source: TABB Group*

In previous years we asked participants to name their top five algorithmic providers by commissions paid. This year we asked our participants to narrow it down to the top three to better show the concentration of flow.

UBS is in the top three algorithmic providers for more than half of our respondents, applauded for their all-round combination of technology, performance, liquidity, global access and support (see Exhibit 17). Credit Suisse, a longtime first mover in the algorithmic space, is likewise a strategically important broker for many buy-side firms. These two brokers stretch way ahead of seven other banks and brokers, showing a concentration of flow. Respondents noted operational transparency, the quality of the internal dark pools and detailed performance analysis.

**Exhibit 17**
**Top Three Algorithmic Providers in 2011 (by Frequency of Mention)**




*Source: TABB Group*

“If the algos work well, they will beat the benchmark. That goes into our broker voting process.” (Large Asset Manager)

ITG and Instinet benefit from their longstanding algorithmic expertise, trading platforms, breadth of reach and agency broker model. However, eleven other brokers also make the top three providers, which highlights the competitiveness of this space. In addition, 23% of respondents are now using one of ten brokers not previously dominant in the electronic trading space as a top three algorithmic provider.

Brokers were noted for their research content (JP Morgan, Nomura, RBS and Redburn Partners,) as well as for being market specialists such as Jefferies and Liquidnet.

Others are now competing with the bulge bracket legacy providers, illustrating just how much the algorithmic trading sector is being transformed as a method of payment for other services such as research.

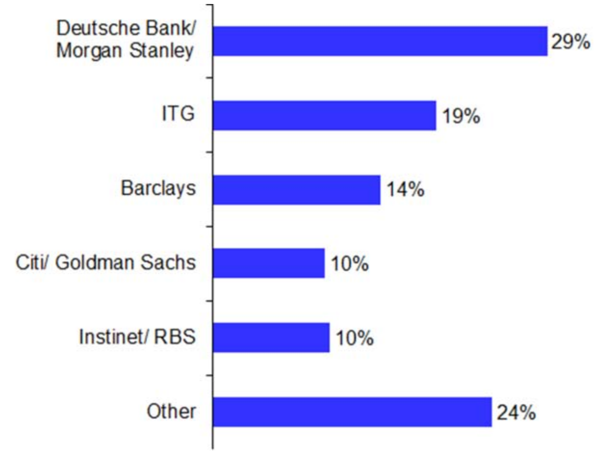
Legacy providers are under the microscope and are challenged by niche providers who partner with the buy side to provide independent research and brokerage with strong execution capabilities and performance.

## The Rise of the Challengers

Fourteen brokers are challenging the incumbents (see Exhibit 18). Deutsche Bank stands out for the performance of its liquidity-seeking algorithms, specifically Stealth. Morgan Stanley is noted for client responsiveness and bespoke algorithmic offerings. Agency-only brokers are featured, as are bulge bracket firms not historically noted for their algorithmic service, showing the transformation in the sector.

"Before we didn't have the ability to compare one algo with another; now we have far better tools, real-time, and we are much more confident in reviewing our executions." (Medium Asset Manager)

**Exhibit 18**
**Which Algorithmic Provider is Gaining Most Ground?**




*Source: TABB Group*

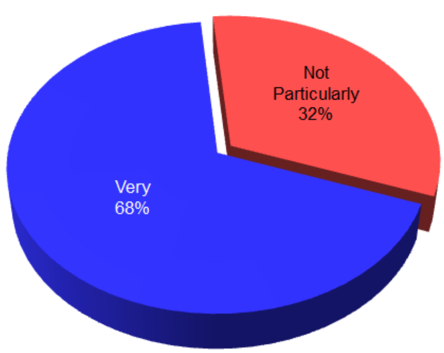
Also of note: a range of "other" brokers mentioned by 24% of respondents, indicating how ratings may diverge in 2012 versus the dominance by two key providers today.

## Alpha Retention Is the Name of the Game

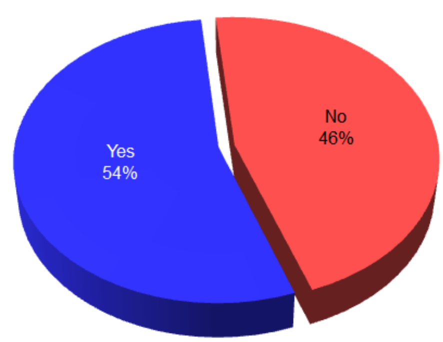
Historically, algorithms were viewed as an add-on service to the broker research offering. Given recent fund performance, the buy-side trader is now charged with preserving as much fund performance as possible. Optimised algorithms help the buy-side trader beat the benchmark and meet the increasing demand for better execution performance. For this reason, algorithmic performance is increasing in relevance to the overall broker vote process (see Exhibit 19).

**Exhibits 19 and 20**

**How Important is Algorithmic Performance to the Broker Vote Process?**




**Have You Heard of the OpenTCA Initiative?**




*Source: TABB Group*

“At the moment they compare apples to pears and oranges and tell us all we did a great job.” (Large Asset Manager)

Some buy-side desks are now completely unbundled and execute their flow entirely independently; others have a more hybrid solution where the broker vote is research-based with no trading input, however the trading desk has 100% discretion as to where the order flow is executed.

Meanwhile, the method of execution quality measurement continues to draw scrutiny. A common complaint is that broker data can be impossible to compare in the absence of industry measurements. While many traders believe standard methodologies and terminology would go a long way in clearing the TCA fog, they are sceptical that any initiative will bear fruit. Awareness of a market-led initiative launched earlier this year via the FIX Protocol Working Group called OpenTCA, is primarily limited to our UK-based respondents but is gathering momentum (see Exhibit 20).

The OpenTCA initiative shows the determination of the buy side to advance new industry standards. Buy-side traders are aware of how much they can benefit from having full disclosure on how trades are executed.

## Key Points

- *70% of participants will not be increasing their number of algorithmic providers next year but have focused on switching existing providers instead.*
- *Nearly half are now using execution performance monitoring tools to select their providers.*
- *68% of participants include algorithmic performance as part of the overall broker review process.*
- *Credit Suisse and UBS remain the dominant providers for this year, but 30% of the flow is now routed to smaller niche players offering specialist services.*

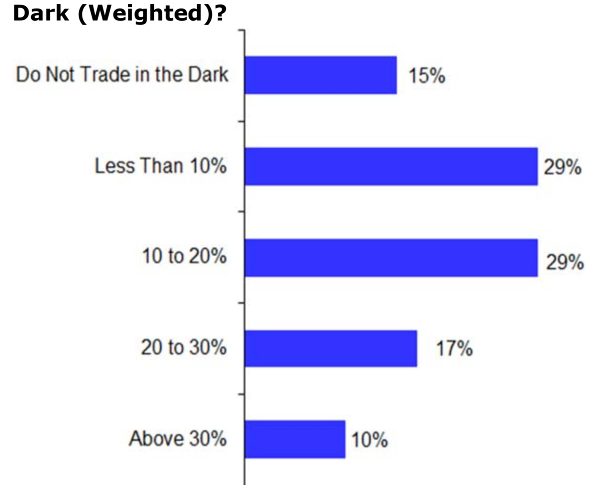
# The March to the Dark

Last year, few buy-side traders could tell how much they traded in the dark. This year, confidence levels about trading in the dark are higher, and often the only available liquidity is in the dark.

"A few years ago we hardly used dark pools, but now that's where the flow is." (Large Asset Manager)

Across the board, buy-side traders now incorporate dark strategies as par for the course and a complementary alternative execution strategy; 56% of our participants trade more than 10% of their average daily volume in the dark (see Exhibit 21).

**Exhibit 21**
**How Much of Your Flow Do You Execute in the Dark (Weighted)?**




*Source: TABB Group*

The categorisation of BCNs as regulated OTFs under MiFID will both level the competitive arena and mitigate concerns over possible brokers' conflicts of interest in operating and trading in their own pools. Ostensibly designed to rein in BCN activity, the legislation may yet increase trading in the dark.

"I would be against the regulators making BCNs become OTFs because currently brokers have much more control over the flow inside the pool." (Large Asset Manager)

Clarity over dark pool rules, including the frequency of matching models (real-time or continuous) to the constituents (parent or child orders, firm or floating orders, retail or resting) will restore confidence. In addition, without proprietary flow, an OTF becomes a more trustworthy trading environment. The success will depend, however, on the amount of flow brokers are able to attract to their pools, given the restrictions on the neutrality of order flow as well as the length of resting periods.

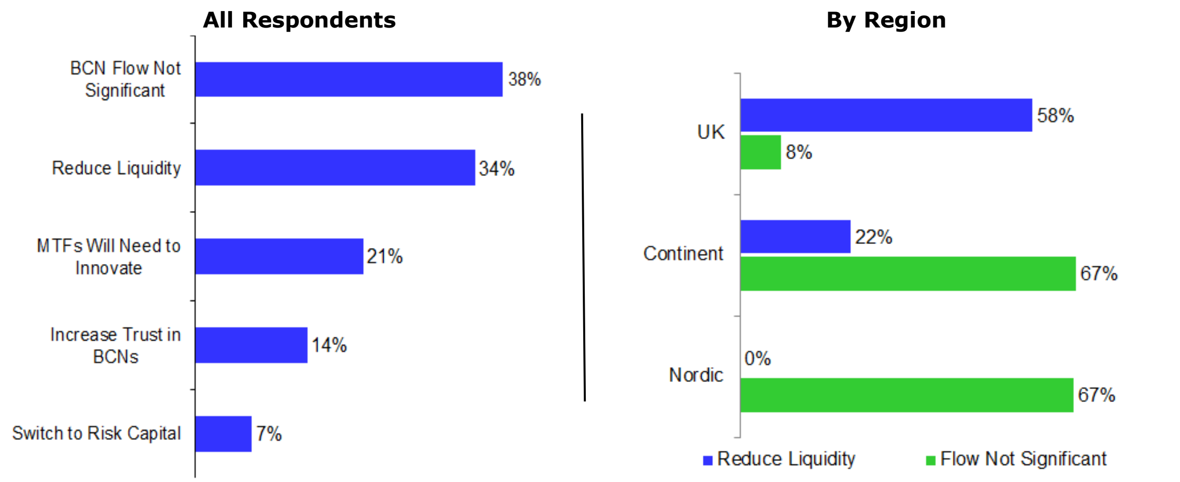
Broker MTFs must be non-discriminatory and include a broader set of market participants; therefore, their success is dependent on the sophistication of dark algorithms and on the levels of post-trade transparency requirements under MiFID II. Hence the sharp increase this year in crossing network usage, which shows the switch to agency-only dark pool aggregators. However, for some, there is growing uncertainty regarding the fate of aggregators in a post-MiFID II regime.

## BCNs: The New Endangered Species?

The buy side is divided over the importance of BCNs and the impact of MiFID II. More than a third believes the flow in BCNs to be negligible for their business, whilst another third sees BCNs as a vital and endangered source of liquidity (see Exhibit 22).

**Exhibits 22 and 23**
**How Will MiFID II Impact Trading in Broker Crossing Networks?**




*Source: TABB Group*

Regional responses within Europe highlight the differences: 58% of UK participants believe any restrictions in BCNs would lead to an overall reduction in liquidity, whereas outside the UK, participants value BCN flow less highly (see Exhibit 23).

Many buy-side traders still lack insight into the dark environments and want more details of the order handling practices of some brokers. Without the detail of the market of execution populated in FIX Tag 30, it is hard for buy-side traders to know who is playing by the rules of market integrity, and who is being more "flexible."

Greater clarity on different order handling practices and their impact will assist the buy-side trader in their choice of broker and venue, delivering-long term performance improvement.

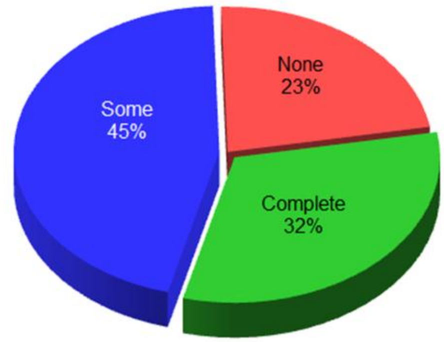
 

## When and Where to Trade in the Dark

Buy-side firms are growing in confidence as to which broker dark pools to use and when. Only 32% of participants now leave full discretion to their broker (see Exhibit 24). No longer trust solely in broker reassurances of performance and safe environments venue analysis is now the most critical factor for when, where and how to trade in the dark (see Exhibit 25).

"I now know which pools are giving us better quality fills right down to the industry or sector and direct new order flow accordingly." (Large Asset Manager)

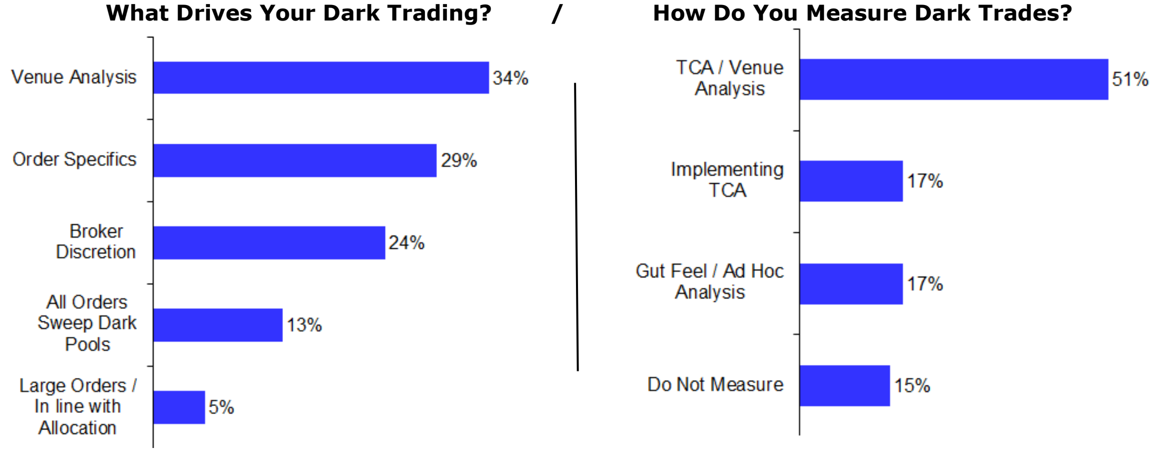
**Exhibit 24**
**How Much Discretion Does Your Broker Have to Trade in the Dark?**




*Source: TABB Group*

Two-thirds of our respondents use or are adopting TCA tools and venue analysis (see Exhibit 26). The ability to "see in the dark" provides increased confidence and thus flow. Traders are now choosing to restrict how long orders can sit in a BCN, how much liquidity can be sourced there, shutting off certain venues due to concerns over toxicity or counterparty risk. Information regarding how dark pools operate and source liquidity are rewarded with greater flow once traders understand the logic under the covers and see the results obtained over a period of time.

**Exhibits 25 and 26**
**What Drives Your Dark Trading? / How Do You Measure Dark Trades?**




*Source: TABB Group*

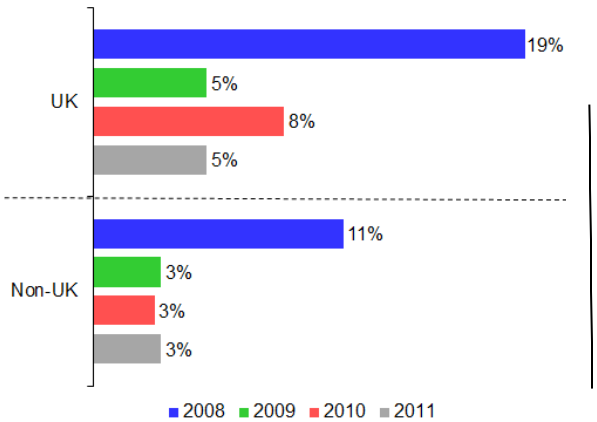
The fear of toxic flow in BCNs is subdued by three factors; brokers are routinely fumigating their pools of toxic flow; the buy-side trader is taking control over where orders are executed; and finally, brokers are developing dark algorithms adept at avoiding toxic order flow.

## Risk – The Alternative to Dark?

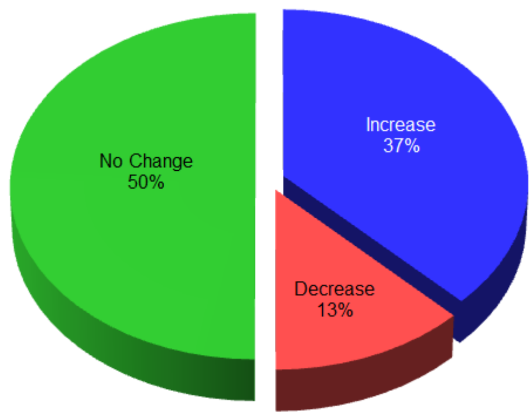
Smaller order sizes, passive trading and volatility make trading algorithmically in the dark more attractive than trading on risk.

**Exhibits 27 and 28**

**What Percentage of Your Daily Volume Is Traded Using Risk Capital? (Weighted)**




**How Will Your Use of Risk Capital Change in the Short Term?**



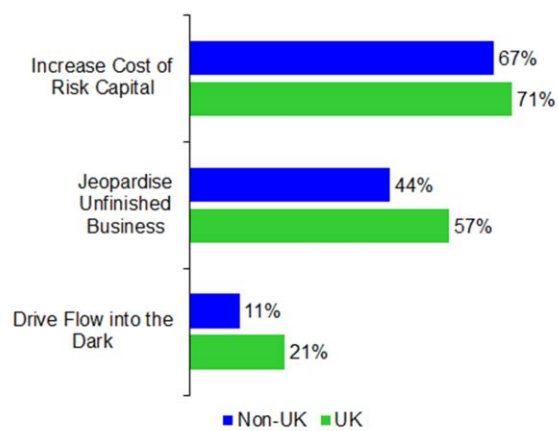

*Source: TABB Group*

The traditionally higher use of risk by UK-based firms is now falling into line with other markets, and only 37% of respondents expect their usage to increase over the next year (see Exhibits 27 and 28).

MiFID poses a dilemma. Shorter reporting times will improve transparency for those hunting for liquidity, but they risk jeopardising unfinished business (see Exhibit 29). Buy-side traders across Europe agree on these points, yet are more divided over the consequences, as UK traders will tend to head more for the dark.

**Exhibit 29**

**What is the Impact of Shorter Reporting Times for Blocks under MiFID II?**




*Source: TABB Group*

## Key Points

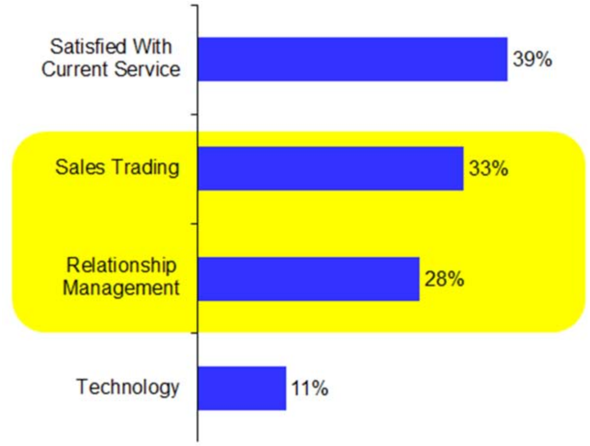
- *56% of our participants' trade more than 10% of their average daily volume in the dark; 10% now trade in excess of 30% of their order flow in the dark.*
- *Buy side traders are more confident in accessing dark flow and only 32% now give full discretion of their order flow to their brokers.*
- *51% use TCA or venue analysis to monitor their dark performance, with a further 17% currently implementing analytical tools.*
- *34% now use venue analysis to drive their dark order flow.*
- *Whereas 38% believe their flow to broker crossing networks is insignificant, that figure drops to 8% in the UK, with nearly 60% of UK participants concerned over proposed MiFID II changes to BCNs impacting market liquidity.*
- *Use of risk capital by UK buy-side traders has dropped to 5%, and is falling in line with usage by non-UK traders.*

# Brokers – Back to Basics

Opportunity abounds for brokers to distinguish and excel, in both people and product. The challenge is to be innovative and different. The majority of our participants are looking for sales traders who stand out and focus more on the relationship as a whole (see Exhibit 30).

**Exhibit 30**
**In Which Areas Can Brokers Improve Their Services?**




*Source: TABB Group*

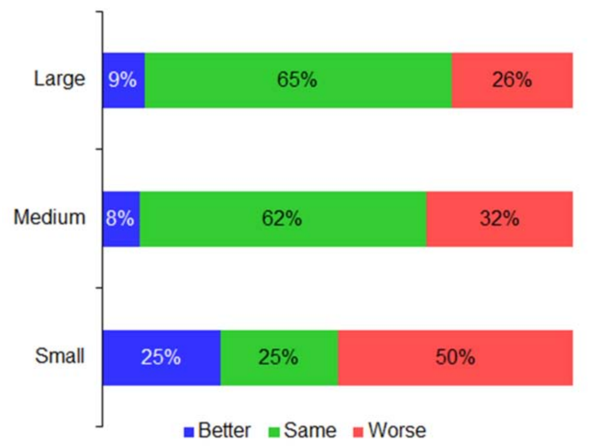
"Our broker list does change, the big boys are always going to be there but towards the lower end if they can provide liquidity and become very relevant and provide a high level of service, they can get in there." (Large Asset Manager)

The evolution of algorithms has meant that handling an order is no longer a requirement unless it is a particularly difficult order. The buy side is looking for the more traditional sales trading skills such as creating orders through matching potential order flow.

There is not enough in the commission pot to justify anything other than the highest levels of service. Buy-side traders find the lack of volume makes it hard to get good information on what is driving the internals of the market on a day-to-day basis; and insight into single-stock volatility directions will be rewarded with order flow.

Small and medium-sized firms say they are experiencing the greatest deterioration in service levels, as their brokers concentrate their efforts on larger commission payers (see Exhibit 31).

**Exhibit 31**
**How Do Broker Service Levels Compare with Last Year?**




*Source: TABB Group*

Larger firms may get the premium service but face a reduction in liquidity, as the flow of smaller firms remains untapped.

**Exhibit 32**
**Should Cash and Electronic Trading Coverage Be More Integrated?**


*Source: TABB Group*

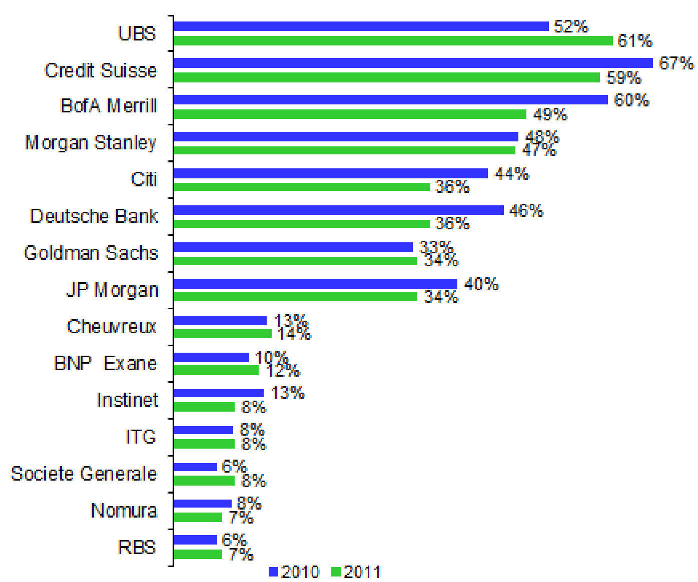
The buy side acknowledges the challenge for resource-strapped brokers to offer premium services in both the high- and the low-touch channels based on the current commission models.

However, concerns over information leakage take precedence: Nearly two-thirds of our participants are adamant that the Chinese wall between the high- and low-touch channels should remain firmly in place and that integration will dilute the product offering (see Exhibit 32).

## Who Fares Best

Eight investment banks dominate the broker list again this year: UBS and Credit Suisse are the top pan-European brokers this year, and there is little between the two in terms of rankings (see Exhibit 33).

**Exhibit 33**
**Top 5 Brokers In Terms Of Commissions Paid (by Frequency of Mention), 2010-11**




*Source: TABB Group*

The concentration is evident in the clustering of broker mentions and in particular, in the 20-percentage point gap between the eighth most-frequently mentioned broker – JP Morgan – and the next broker, Cheuvreux.

"From PM's point of view its research (good ideas) and service, from my point of view its ease of trading and liquidity, but everyone's had their heads stuck in the sand, at the end of the day it's who has the flow that counts." (Small Asset Manager)

UBS excels on all fronts. Described as most-improved broker in the last year, with a concrete understanding of how to achieve the optimal balance between both electronic and cash flow, there is unanimous approval of its algorithms, dark pools and execution performance. Likewise, Credit Suisse is praised for its dark pools and technology, and scores highly for its emerging markets service.

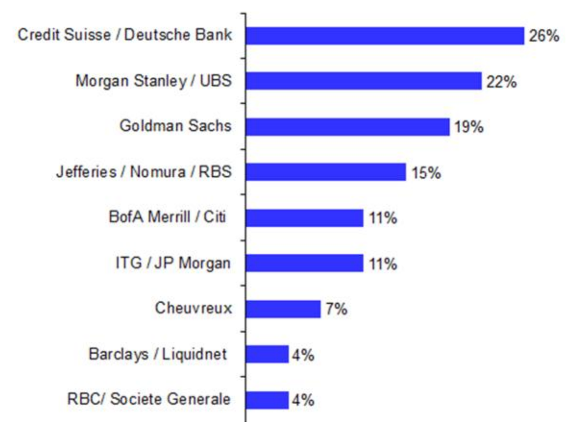
Bank of America Merrill Lynch is noted for its innovation, research and liquidity, especially in the small and mid-cap names. Morgan Stanley stands out for its developments in the mid-cap space, listening to the buy side's frustrations and developing products and services that adapt to the volatile trading environment; its focus on the quality rather than quantity of the flow receives specific mention.

Citi and Deutsche Bank both offer new developments. Citi is highlighted for its breadth of liquidity as well as leveraging a broader overall relationship that results in advantageous execution methods. Deutsche Bank is noted for liquidity provision. JP Morgan's acquisition of Cazenove brings together the global reach of the American bank with the depth of expertise of the longstanding UK house.

"A totally unbundled world is the best way forward. In an ideal world, I'd have all my brokers on CSAs and reward them for research purely by cheque. I can use whoever I want to for execution; whoever offers the best price for the liquidity gets the trade." (Small Asset Manager)

We also asked our participants to name brokers who are increasing their share of the commission wallet (see Exhibit 34). Seventeen brokers are noted for their access to liquidity and execution capabilities. Again Credit Suisse is highlighted for its specialist emerging markets service and the quality of its dark offering.

**Exhibit 34**
**Which Brokers Are Increasing Their Commission Share With You?**




*Source: TABB Group*

Deutsche Bank is mentioned for its superior ratings across the board from small and mid-cap names in research to recent algorithmic developments.

Others noted include:

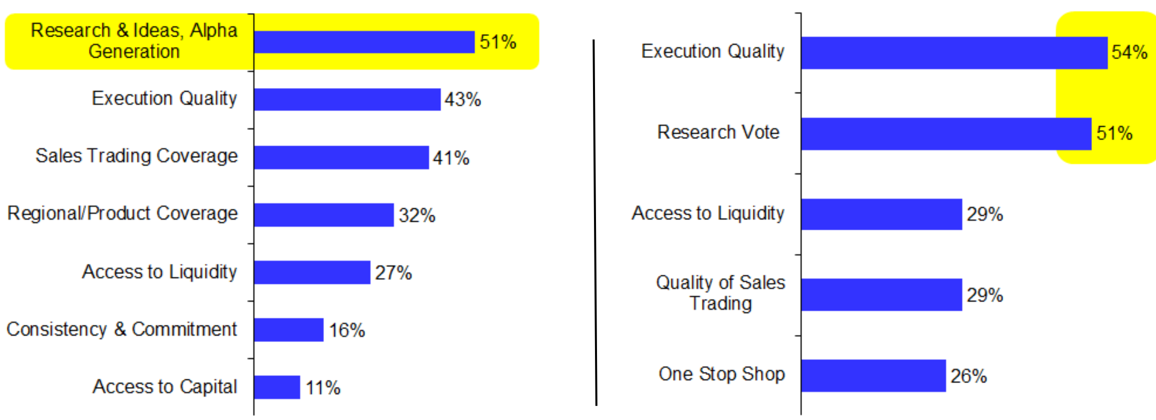
- Goldman Sachs – execution and superior post-trade services;
- Jefferies, Nomura and JP Morgan – improved research capabilities, specifically for UK small and mid-cap names;
- RBS and RBC – developments in redefining business models;
- Instinet, ITG and Liquidnet – dark pool aggregation tools, execution performance and innovation.

## Core and Non-Core Brokers

In addition to demand for good research and solid coverage, the buy side is more discerning about customized products and services. In the current challenging environment, choosing the initial investment stock is only part of the process. Volatile markets can quickly erode any fund performance.

**Exhibits 35 and 36**

**What Core Broker Services Are Valued Most? / What Makes You Change a Core Broker?**




*Source: TABB Group*

Half of participants still cite research as the main service required from core brokers (see Exhibit 35). Dig a little deeper and the research now relates to alpha generation as much as single stock recommendations. The switch away from vanilla stock holdings at a fund level is replicated in the services required by the buy-side trading desk.

Alpha generation and retention is key to the performance of the fund, so the importance of execution strategy alongside research indicates a shift away from the more traditional services required. In other words, research no longer fetters the majority of trading desks in their choice of executing broker (see Exhibit 36). It would appear that MiFID I's aim of ensuring "best execution" has been reached.

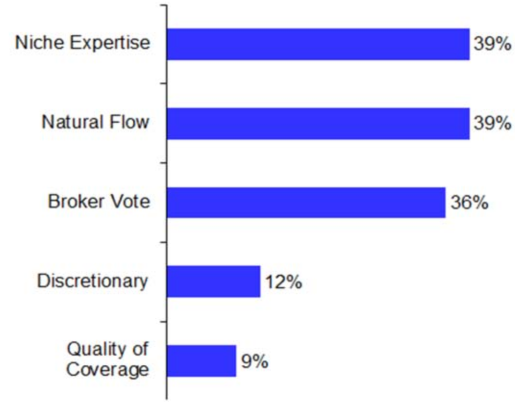
 

## Non-Core Brokers: Go With the Flow

Continuing the theme from last year, niche brokers have a major role to play in certain sectors in providing access to a broad range of independent research (see Exhibit 37).

"We have cut a third of our list but we are not making the mistake of only using global houses; we are keeping local brokers as they add value." (Large Asset Manager)

**Exhibit 37**
**How Do You Allocate Commissions to Non-Core Brokers?**




*Source: TABB Group*

Respected research providers with execution services such as Redburn Partners and Sanford Bernstein are valued for sector-specific research and expertise.

However, this year non-core brokers are gaining market share as much as through the hunt for liquidity as for their niche expertise.

"It's purely trading. It's down to who is not on the core list to show us liquidity. If they have the business that is where we will trade." (Large Asset Manager)

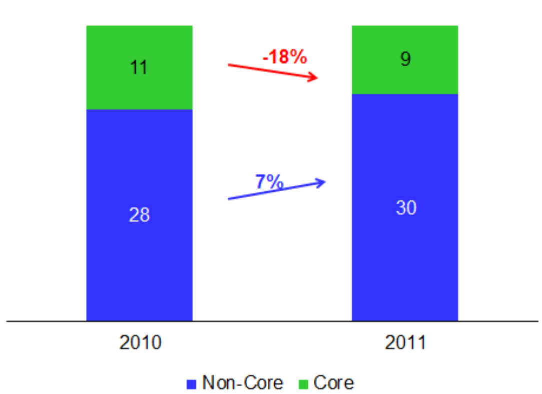
The lack of available high-quality liquidity means that buy-side traders must follow the flow and have fewer options concerning where to trade. The prospect for liquidity formation improving under MiFID II proposals looks limited and will work in favour of those hungriest for the business and who can find untapped sources of liquidity.

In addition, the shift to electronic trading, liquidity fragmentation and subsequent order formation mean that a large proportion of flow now falls into the "below 3% of ADV" category. A number of buy-side firms now have in-house venue analysis systems, which recommend which brokers to use on sub-3%-of-ADV orders, and brokers offer reduced rates for this flow. As this new category can attribute to 20% of their total order volume, it forms a valuable contribution to any broker dark pool.

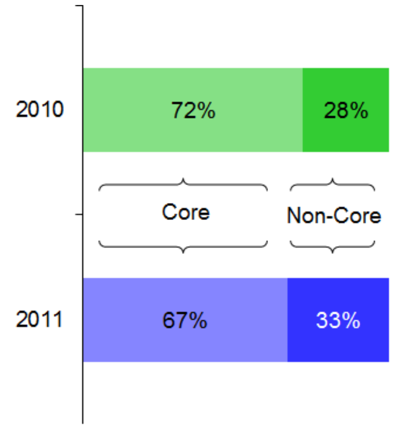
In 2010 we saw the buy side reducing the total number of firms used but increasing both the total number of core brokers and the percentage they were paid. This year the situation has reversed; non-core brokers are increasing both in number and percentage of commissions paid (see Exhibits 38 and 39). This year core brokers only command 67% of the total commission pool, leaving a greater percentage for the tail. Austerity measures at bulge bracket firms have diluted services and driven buy-side traders towards stable and nimble niche brokers who offer added value, local services, especially in small- and mid-cap names.

**Exhibits 38 and 39**

**Average Number of Core/Non-Core Brokers**




**Percentage of Commission Paid to Core/Non-Core Brokers**




*Source: TABB Group*

## Commission Shift

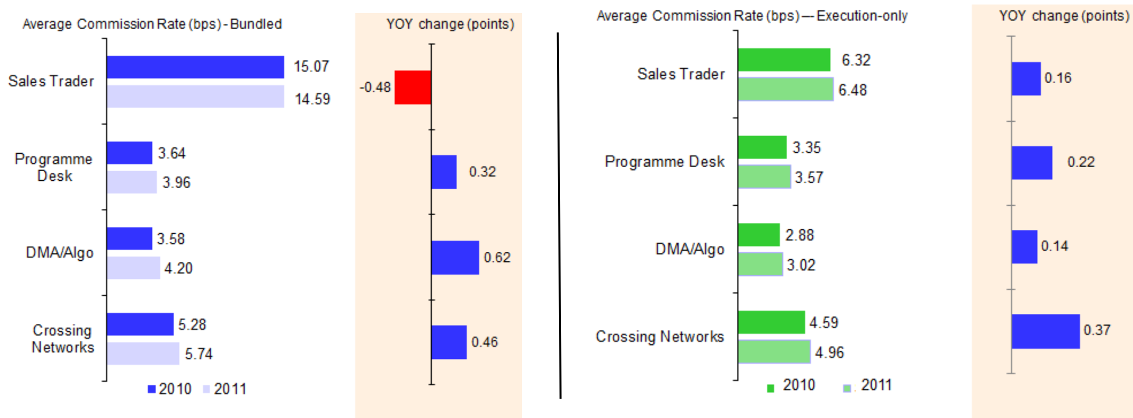
There is a shift in how the buy side is looking to pay for product and services.

The increased use of low touch trading channels to reduce overall commission bills requires flexibility. Whilst the overall bundled sale trading commission rate is decreasing, the execution-only rate has increased in the last year (see Exhibits 40 and 41). The increased use of bundled rates for traditional low touch channels includes an increment in top-up payments for full brokerage services. In addition, the move to greater automation and fragmentation of venues is also multiplying execution and settlement costs for brokers – the downside of executing and settling ten smaller trades against one larger block trade; hence the slight rise in execution-only rates from last year.

If the brokers are not able to net off positions in BCNs and thereby save on exchange fees, the buy side is aware brokers will come under increasing pressure to raise commission rates unless new methods of calculating payment for product and services can be found.

**Exhibits 40 and 41**
**Average Bundled and Execution-Only Commission Rates, 2010-11**




*Source: TABB Group*

With a smaller number of orders to share around, at times commission rates are augmented to cover necessary payments for product and services. However, execution-only rates in the sales trading channel are expected to plateau out at current levels, as the buy side acknowledges there is only so much downward pressure execution rates can take without diluting performance.

For high and low touch trading channels alike, there are no longer any throw-away orders; every commission euro counts and the buy side is increasingly looking for creative and innovative ways to pay for product and services rather than flat commission rates on order flow. The need to pay for services remains, but the brokers that are able to offer flexible pricing structures across products and markets will win market share.

## Key Points

- *The average number of core brokers has declined from 11 to 9 but the percentage of commissions to the core brokers has also dropped from 72% to 67%.*
- *Concerns over information leakage meant that over two-thirds of participants do not want any further integration between cash and algorithmic trading desks*
- *Eight investment banks dominant the core list this year and there is a the 20 percentage point gap between the eighth most-frequently mentioned broker and the next cluster of core brokers*

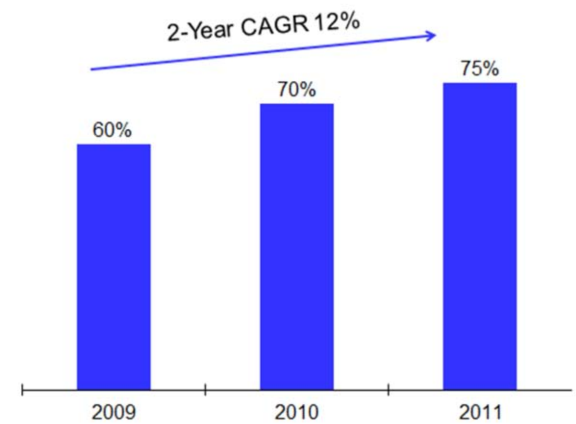
 

# Emerging Markets

Emerging European markets are a growing fixture among European investors; 75% of respondents actively trade in Central & Eastern European (CEE) markets (see Exhibit 42). Previously heavily correlated to developed European markets, the CEE economies did not recover as well as many other emerging markets after 2008; however, recovery prospects are now strong. Relatively stable public finances and lower debt levels ensure the CEE markets are viewed as a more reliable source of alpha, cheaper than most other emerging and developed markets, and with favourable price/earnings ratios ensuring continued interest from investment managers.

"Emerging Europe is a growing part of our business which is only going to get bigger." (Large Asset Manager)

**Exhibit 42**
**Percentage of Participants Who Trade European Emerging Markets, 2009-11**



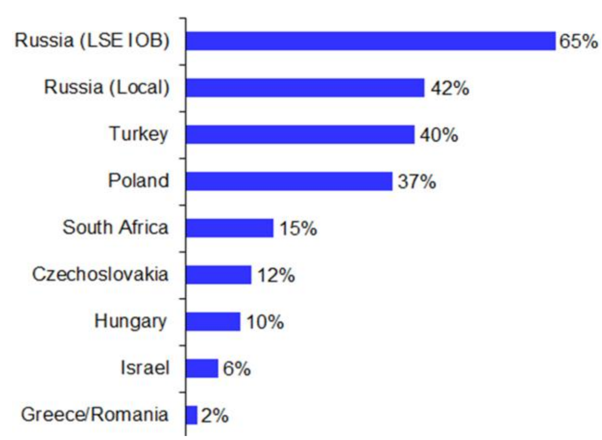

*Source: TABB Group*

## The Rise of Russia

Russia is the most actively traded emerging market; strong liquidity gives easy entry to and exit from the market (see Exhibit 43). But the most popular route to Russian exposure is through London. The ADR/GDR market on the London Stock Exchange's International Order Book (IOB) avoids the currency and post-trade issues associated with trading locally.

"My PM's not even going to look at those markets where, when push comes to shove, we are not going to be able to get out of the position." (Large Asset Manager)

**Exhibit 43**
**Which CEE Markets Do You Trade Actively?**

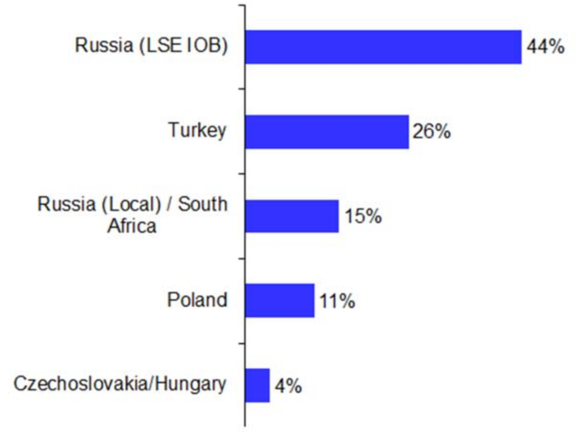



*Source: TABB Group*

However, the merger of MICEX and RTS is scheduled to complete by the end of this year, and together with important reforms such as the creation of a CCP and ease of settlement and custody specific to Russia, trading Russian stocks locally should increase. In particular, the recategorisation of the National Clearing Centre from Depository status to CCP will allow US investors to finally access Russian stocks via MICEX. Whilst progress may still be slow for some, the Russian local market was still the most improved market to access in 2011 according to 44% of respondents (see Exhibit 44).

"Trading is getting easier month by month; as emerging markets are becoming more popular, there is an increase in volume and liquidity gets easier, and so the loop continues." (Medium Asset Manager)

**Exhibit 44**
**Which CEE Market Has Become the Easiest To Trade in 2011?**



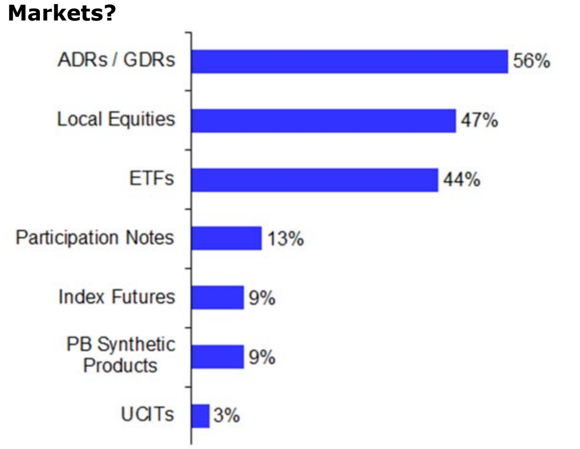

*Source: TABB Group*

Likewise, the recategorisation of Turkey to "advanced emerging" on the FTSE index series has increased UK pension funds' investment activity; 40% of the respondents are now trading the market regularly and 26% cited Turkey as the most improved market after Russia. Like other CEE markets, recent reforms and the Turkish Government's reducing barriers to direct foreign investment have increased interest. There have also been recent improvements in the post-trade arena with the set-up of the first CCP. Order cancellations are now permitted, which has been widely credited with opening the door to algorithmic trading in Turkey.

Competition is fierce, as Europe's emerging markets transform themselves into modern, accessible exchanges within the developed European framework. For example, smaller markets in the Baltic States are building alliances with global exchange operators, and are using common platforms provided by exchanges as Nasdaq OMX, and adopting the Euro for trading and clearing.

"One of the reasons I trade electronically is so that I know exactly what is going on." (Medium Asset Manager)

**Exhibit 45**
**How Do You Gain Exposure to the Emerging Markets?**




*Source: TABB Group*

As the barriers to foreign investment come down, the buy side is looking to brokers to provide the tools and access similar to the more developed markets.

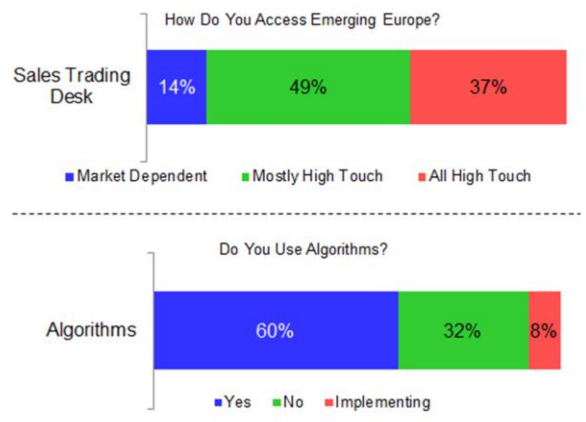
ADRs and GDRs remain the dominant method of exposure to emerging European equities, but ETFs rival underlying equities as the product used to access the market (see Exhibit 45).

"Brokers could help by improving direct electronic connectivity to those markets; emerging markets are an absolute nightmare to trade." (Large Asset Manager)

For markets such as Russia, ETFs were previously used for ease of access, better diversification and improved liquidity. Given that access in underlying local securities is becoming easier in certain markets, and ETF management fees (which previously had been considered too high for certain funds) are slowly declining, it will be interesting to see whether there will be a significant shift in asset classes in the future.

Despite the progress made by CEE markets to ease access, the cash desk is still the primary or only trading channel for 86% of our respondents (see Exhibit 46). The nuances in trading orders electronically, such as the lack of a closing auction or significant issues with capacity and bandwidth limitations, in some markets will continue to hamper progress. Nevertheless, 60% of buy-side traders are already using algorithms in selected markets to improve anonymity and audit trails, and like developed markets previously, the switch to algorithms will eventually take place.

**Exhibit 46**
**How Do You Trade in the Emerging Markets?**




*Source: TABB Group*

"We are using algorithms a lot, but it depends on the trade and the market." (Large Asset Manager)

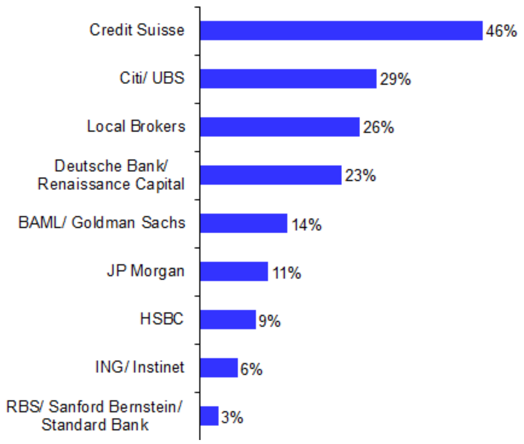
More recent algorithmic developments, such as the liquidity-seeking strategies, will assist this switch as historic participation strategies are notoriously difficult to trade in CEE markets due to the lack of a smooth liquidity profile and deep order books. Algorithms for emerging markets need to be highly tailored to the peculiarities of each market. For example, the Turkish Exchange closes for an hour at lunchtime, which makes the use of algorithms almost mandatory, as customised algorithms can create a different volume curve for the morning and afternoon sessions and adjust their behaviour accordingly. Information leakage is prevalent in some of these markets, so buy-side traders prefer to receive the local knowledge but control the execution remotely and with full anonymity, hence the likely increased shift in trading patterns.

## Think Global, Act Local

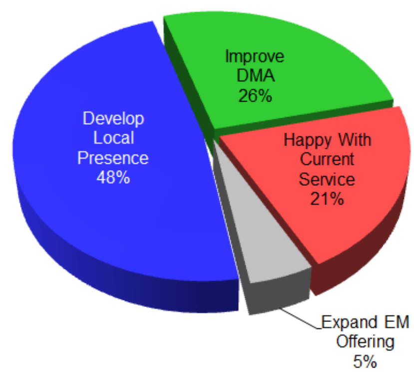
Credit Suisse currently stands head and shoulders above rival banks for products and services across the emerging markets, although local brokers collectively still provide the best niche expertise (see Exhibit 47).

**Exhibits 47 and 48**

**Which Broker Offers The Best Emerging Markets Service?**




**How Can Brokers Improve Their Emerging Markets Service?**




*Source: TABB Group*

A combination of local presence, good research and high quality gives the buy side the high-end execution tools and local colour and liquidity that can be elusive in the less active CEE markets.

The challenge for the major banks in times of austerity is to maintain the high quality of local presence in every market. There is no room for complacency in the current environment; 74% of respondents say service levels could be improved by a local presence and direct market access for buy-side traders themselves (see Exhibit 48), and an opportunity exists for those brokers who choose to combine local knowledge with the latest technology.

## Key Points

- *75% of respondents actively trade CEE markets versus 60% two years ago.*
- *Access has been limited in the main to accessing CEE stocks via the London International Order Book, with 65% of respondents trading this market.*

- *Interest in local markets is increasing, as market structure reforms facilitate trading and direct foreign investment.*
- *Local exchanges are building alliances with global exchange operators and using common platforms incorporating international standards such as FIX Protocol and adopting the Euro for trading and clearing.*
- *Whilst the majority of trading is still via a sales trader, 60% of respondents are now trading via algorithms, citing ease of use and anonymity as key factors.*
- *Although the sophistication of trading strategies makes algorithms more effective in CEE markets, a local presence with colour and insight remain essential.*

# Conclusion

With slowing fund flows, reduced commissions, and a persistent shift away from developed markets, buy-side traders are having to change the rules of engagement, and they are unanimous on one issue – freedom of choice. Multifarious trading methods will ensure that MiFID's attempts to impose a "one size fits all" will not work. Differences in investment ethos, stocks and sectors demand a system flexible enough to adapt in today's markets. Blanket transparency will only hurt those MiFID intends to protect. More needs to be done to root out those who are not playing by the rules of the game, rather than punish the majority before proven guilty, which gridlocks markets further.

Growth in passive order flow and the dark will continue as traders see improved performance for their funds trading in the sanctity of BCNs. If brokers are no longer able to participate, this will fundamentally alter the European market structure, and brokers will have to find new methods of facilitating client order flow. Proposed MiFID II regulation will dynamically restructure European markets.

The lack of liquidity means fund performance is ever more reliant on alpha retention; as the buy side switches providers to find improved execution performance, the need for clean data provision as well as strong analytical tools is becoming paramount. Frustrations remain in measuring apples-to-apples, but an industry standard will change the rules of engagement once more. The growth of real-time analytical tools will allow buy-side traders to utilize what is available more effectively to ensure that they access the right flow at the right time. Efficient venue analysis will become the equity trading mantra.

The combination of increased market regulation alongside the European economic crisis means fragmentation could reach a tipping point. The number of potential venues means that the buy side will have to start exercising choice as to which pools they access, thereby crushing the ethos of best execution. Continuing fragmentation creates an ever-vicious cycle, more automation creating more passivity, leading to yet more fragmentation and a Machiavellian approach to selecting which pools to include in the analytical process: i.e., survival of the fittest rather than true best execution.

Execution performance will become the critical benchmark for other services. From the IT arms race, where only the bulge bracket brokers can compete, to the niche research specialist, the switch in clients, products and services will continue. The precarious balance between global technology and local expertise will escalate as the buy side look for help with harder trades. The increased demand for anonymity will lead many to trade direct themselves unless an improved role for the sales trader can be found.

As the global crisis continues, forcing European investors to think differently across different products and services, brokers who excel and who add value will dominate. The regulators and politicians have failed to restore confidence. The buy side is looking for allies in the face of adversity; it will be consequential who is able to rise to that challenge in 2012.

# About

## TABB Group

TABB Group is a financial markets research and strategic advisory firm focused exclusively on capital markets. Founded in 2003 and based on the methodology of *first-person knowledge*, TABB Group analyses and quantifies the investing value chain from the fiduciary, investment manager, broker, exchange and custodian perspective. Our goal is to help senior business leaders gain a truer understanding of financial markets issues and trends so they can grow their businesses. TABB Group members are regularly cited in the press and speak at industry conferences. For more information about TABB Group, go to www.tabbgroup.com.

## The Author

**Rebecca Healey**

Rebecca joined TABB Group in March 2011, bringing more than 15 years' experience in e-trading and financial services. Rebecca has held various sales and trading positions with Bankers Trust, Goldman Sachs, and most recently Credit Suisse, where as Vice President she was instrumental in launching the successful AES product to hedge funds from its inception in 2002 until 2008. Prior to this, she was the first electronic trader at Credit Suisse to be registered for all electronic European cash equity markets and covered sales trading into Asia and then Europe between 1997 and 2000. More recently, Rebecca was based in the Middle East from 2008 to 2010. There she was employed by the British Embassy in Bahrain where she successfully launched the UK Government's financial services strategy and set up the Bahrain Financial Services Roundtable, which remains a key source of information for the UK Government today, especially in relation to Islamic finance. Rebecca holds a Bachelor of Arts degree in Spanish & Latin American History & Politics from the University of London.

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