3rd Annual European Equities eTrading Survey

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Survey Overview

- Compiled from November 2009 to January 2010
- 67 Buy-side Investors
• 58% of survey respondents were from Asset Managers and 23% from Hedge funds
• Among the participating buy-side firms, 49% have more than €10bn of assets under management
• Majority of buy-side participants are from UK
• 44% of buy-side participants trade above 95% of their program trades electronically
• 52% of participating buy-side do not conduct request for quotes
• 49% of buy-side participants self direct more than 80% of their trades electronically
• 79% of buy-side trade more than 60% of their single stock electronically;
  29% trade more than 95% of their single stock electronically
Non-electronic equities trading in Europe show minor variations year-on-year. 67% of respondents direct up to 25% of their equities flow via non-electronic means.
27% of all participants do not trade via DMA/Algorithms because of the size and the complexity of orders.
Drivers of Growth in Electronic Trading

- Cost reduction is the main drive for buy-side to trade electronically closely followed by efficiency and buy-side control.
Factors Driving Business Decisions

- Transaction costs and speed of execution are the main criteria for buy-side in choosing an electronic trading platform.
- Majority of buy-side (59%) use up to 10 brokers with 46% of respondents using between 1-5 brokers
- 30% use more than 15 brokers
• Over 56% of buy-side participants expect their electronic broker list to grow in the next 12 months
• More than 30% of buy-side participants agree that liquidity fragmentation and access to liquidity are the biggest challenges facing their trading desks at present.
Benchmark Analysis of Dealing Desk Performance

- 30% of buy-side use VWAP as their benchmark tool
Differentiation Between Algorithmic Providers

Top 3 factors in differentiating between algorithmic providers

- Reliability, Robustness
- Product Offering
- Trading Analytics
- Fees
- Relationship
- Electronic Sales Trading
- Trade Consultancy

*Reliability and robustness are the most relevant elements when choosing algorithmic providers for the buy-side*
Top Regulatory Issues In the Year Ahead

- Consolidated tape for market data and counterparty risk are highest on the buy-side wish list for regulators to deal with
2010 Survey: Key Trends and Conclusions

- Electronic Trading remains an important aspect of buy-side transaction execution
- Whilst request-for-quotes are largely routed by voice, programs trades, single stock and self-directed trades are predominately routed electronically
- Majority of buy-side participants expect their electronic broker list to grow in the next 12 months
- Transaction costs and speed of execution are the main criteria for buy-side to choose electronic trading platform
- Buy-side still expects to drive majority of their equities flow via non-electronic means
- Participants agree that liquidity fragmentation and access to liquidity are the biggest challenges facing their trading desks at present
- Consolidated tape for market data and counterparty risk are seen as highest regulatory priorities for the year ahead
1. The survey was sent out to a number of Investors in association with FinancialNews

2. 67 Investors completed the survey over the course of November 2009 to January 2010

3. For questions were respondents were asked to rank their top three choices, the data was analysed such that 3 points was awarded to the first choice, 2 points to the second, and 1 point to the third. The weighted average results were represented in the charts

4. For questions were respondents were asked to rank their views for a comparative list of options, the responses were converted to a score such that 100 points was awarded to option chosen as Extremely Positive, 50 points to Somewhat Positive, 0 points to Neutral, -50 to Somewhat Negative and -100 to Extremely Negative. The weighted average scores were represented in the charts

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Thank You
Independent Regional Organisation with Global Integration

Global Financial Markets Association (GFMA)
A New Trade Body for Europe

As regulation of the financial markets takes on an increasingly global dimension, LIBA (London Investment Banking Association) and the European operations of SIFMA (Securities Industry and Financial Markets Association) have joined forces to form AFME (Association for Financial Markets in Europe). AFME represents a broad array of global and European participants in the wholesale financial markets.

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