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Contact:

Martin Rabkin, martinrabkinink
+1 914-420-5739 / mrabkin@martinrabkinink.com

Europe's Biggest Buy-Side Firms Continue to Concentrate Equity Order Flow with Top 5 Brokers under MiFID II, Says TABB Group

Order Flow Rose, Increasing from 71.2% in 2017 to 79.2% on average in 2018

LONDON & NEW YORK, June 27, 2019 – A new TABB Group report, "[Opening Pandora's Box: Exploring MiFID II's Equities RTS 28 Reports](#)," analyses the second set of annual "RTS 28" best execution reports that all European investment firms were required to publish by April 30, 2019. These reports refer to trades executed throughout 2018, the first year that MiFID II was in force.

Mandated under MiFID II, the new disclosures require European brokers and buy-side firms to submit on an annual basis key statistics on their top five execution counterparts, revealing some previously highly confidential order-routing information, says [TABB research analyst Tim Cave](#). In conjunction with regulatory reporting firm Cappitech, Cave analysed the reports of 20 major brokers and the top 100 buy-side firms by assets under management (AuM) to observe key trends, searching for observations and clues on the quality of buy-side service and support provided by the sell-side and how banks and brokers are executing their order flow. "[Given our results](#)," says Cave, "by analysing these reports, we have clearly identified specific shifts in execution, leading to secular change."

TABB's analysis covers SI routing, directed orders, auction participation, the most popular venues and brokers by overall mentions, primary market vs. MTF usage and top five concentration trends, according to Cave. A sampling of key findings includes:

- Europe's biggest buy-side firms have further concentrated equity order flow with their top five brokers under MiFID II, with this figure increasing from 71.2% in 2017 to 79.2% on average in 2018.
- As a group, agency brokers were mentioned more often in top five reports during 2018 than they were in 2017. ITG, Liquidnet and Instinet were among the top ten brokers by mention in 2018. Only ITG featured in the top ten in 2017.
- Average sell-side internalization levels fell in 2018, as brokers transitioned activity from broker crossing networks to the systematic internaliser regime.
- Those with the heaviest relative use of their SIs were Goldman Sachs, JP Morgan and Credit Suisse. SI use was most popular for small-cap stocks.
- Instinet, Bank of America Merrill Lynch and Morgan Stanley had the highest proportion of directed orders, highlighting their position as popular DMA providers.

The MiFID II regime is still quite new and the changes it has introduced have a long time to play out. But if the information contained within the latest RTS 28 reports is anything to go by, it has already set in motion some interesting early changes, says Cave. "Agency brokers are popping up more often on broker lists, as buy-side trading desks are unshackled from having to choose execution services to pay for research. Liquidnet, Instinet, and ITG appear in the top 10 most popular brokers by mention.

Cave says that data is reported inconsistently, which makes comparing the 2017 and 2018 reports difficult. Especially as different MiFID regimes applied. He adds, "But the reports' real value for regulators and others is likely to come over a longer period of time."

The 25-page, 13-exhibit report is available for download by TABB equities clients and pre-qualified media at <https://research.tabbgroup.com/search/grid>. For more information or to purchase the report, write to info@tabbgroup.com.

About TABB Group

With offices in New York and London, TABB Group is the international research and consulting firm focused exclusively on capital markets, based on the interview-based, "first-person knowledge" research methodology developed by Larry Tabb. For more information, visit www.tabbgroup.com

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