

The State of Transaction Cost Analysis - 2019

April 9, 2019

Executive Summary:



In every industry, data analysis is becoming a key competitive differentiator. Online retailers track users and clicks, shipping companies optimize logistics and in finance, just about every piece of information has a data value assigned to it. For decades, brokers, asset managers and pension plans have been tracking the performance of their trades in the market. The field of transaction cost analysis (TCA) has progressed from the first proprietary spreadsheets to a few niche providers to the array of independent providers there are today. Just about every large broker has in-house TCA specialists, and buy-side trading desks are using these tools for broker review and best execution compliance.

By now, one might think we have reached a saturation point and that products are trending toward commodity offerings. That is not the case, however. In fact, [Greenwich Associates projects](#) that TCA will become even more important and ingrained in the trading process going forward.

There are several factors supporting this. In equities, the narrative has been focused for many years on routing strategy and venue performance. In the United States, the market structure debate has become highly data-driven, with pilot programs implemented to measure performance in-sample and out-of-sample and across different categories before deciding on new regulations. Fixed income is becoming increasingly electronic, driving demand for decision-support analytics. And in Europe, MiFID II now mandates best execution policies across most asset classes.

For the buy side, TCA was once seen as a “tick-the-box” exercise but has become a differentiator, with many large buy-side trading desks now employing dedicated TCA professionals to help them eke out cost savings and improve performance for their institutional clients.

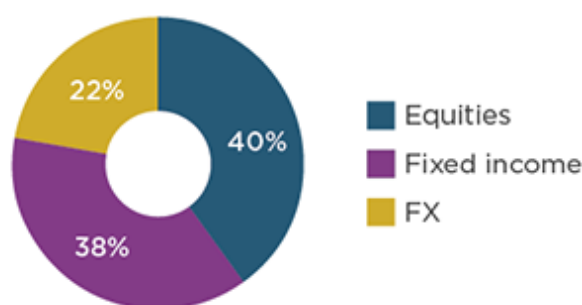
Our latest research looks at TCA adoption across asset classes, identifies the leading players in the space and highlights important trends in the industry.

Methodology:

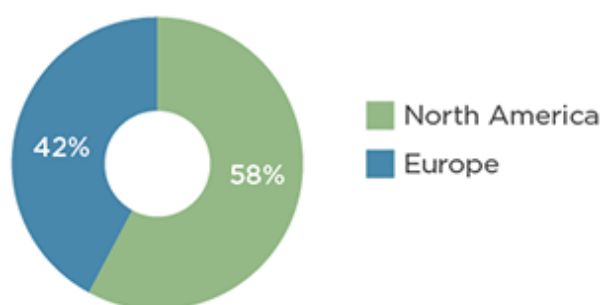
Between May and October 2018, Greenwich Associates interviewed 256 buy-side traders in Europe and North America, working on equity, fixed-income and foreign-exchange trading desks. Topics included trading desk

budget allocations, trader staffing levels, OMS/EMS/TCA platform usage, and the impact of market structure changes on the sector.

RESPONDENT PROFILE BY DESK



RESPONDENT PROFILE BY REGION



Note: Based on 256 responses.

Source: Greenwich Associates 2018 Market Structure and Trading Technology Study



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 Coalition Greenwich, which is a part of CRISIL Ltd, an S&P Global company. 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 Coalition Greenwich as on the date of the Document and 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 in this Document may reflect the views reported to 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. 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 COALITION GREENWICH BELIEVES TO BE RELIABLE. 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. 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.

Coalition Greenwich is a part of CRISIL Ltd, an S&P Global company. ©2024 CRISIL Ltd. All rights reserved.

greenwich.com

ContactUs@greenwich.com

Ph +1203.625.5038