

Commission Sharing Agreements

- The number of CSA (commission sharing agreements)/CCAs (client commission arrangements) put into place by investment managers reflects a country's regulatory evolution in the unbundling of research from execution.
- U.K. investment managers report the most CSA/CCAs, followed by the U.S. and Europe. Canada is the laggard.
- Investment managers are split over whether all trades (outside of regulatory restrictions) are appropriate for generating CSA/CCA credits.
- The only truly unbundled, commission transparent marketplace is the UK. It remains to be seen if the U.S., Canada and other markets will follow in its footsteps. Broker-dealers do not believe that other markets will revise legislation to be as prescriptive as the FSA in their approach.
- Unbundling does not equal CSAs and the regulators have yet to legislate unbundling (transparency is the only requirement, even in the U.K.). As a consequence, bulge bracket firms prefer transparent bundled arrangements to prevent the marginalization of their trading desks.
- Typically, investment managers are of the opinion that bulge bracket broker-dealers should accept checks as payment for research.

Source: Forefactor Inc.

Results based on telephone interviews conducted between the third quarter of 2008 and the second quarter of 2009. Participants include: 52 traders, head traders and directors of operations, compliance or external research in the U.S., Canada, U.K., France and Germany; 15 global sellside providers of CSAs/CCAs; five regulators in Canada, the U.S. and U.K.

Disclaimer: This is qualitative research. Accordingly, the results may not be projected to the individual populations at large. This research does, however, deliver a detailed summary of the behaviours and perspectives that consistently emerge with respect to the implementation of CSAs and CCAs.