

Global Commission and Research Survey Results, 2021



Survey Topics Include

- Research
- Execution
- MiFID II
- Unbundling

Survey Methodology



- The buy-side only survey was conducted by Virtu in 4Q 2021
- Participation was anonymous and voluntary with no incentive other than the sharing of the aggregated and anonymized results
- Participation featured **152** respondents from North America, Europe and APAC
 - **25%** of respondents manage US\$1B–\$5B in assets and **45%** manage US\$5B–\$50B+

Please note

The (#) in each chart title denotes the number of respondents /152 for each question

2021 Survey Takeaways



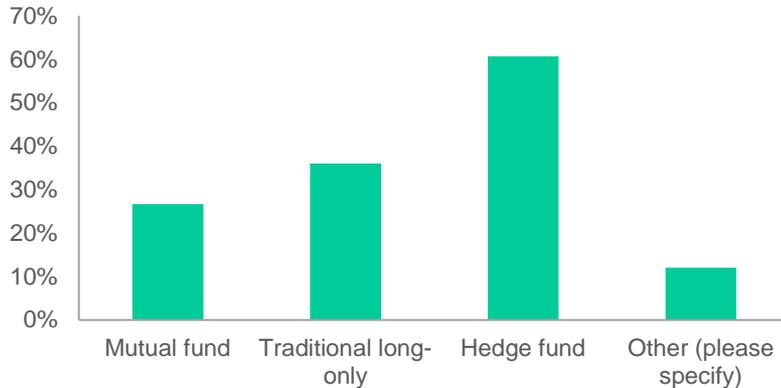
- Research wallets and spend have grown by **30%** YoY in 2021
- Over **90%** of respondents consume externally-sourced research
- **85%** of managers use CSAs and/or RPAs to pay for all or a portion of the research
- **20%** of respondents expect to grow their CSA execution broker list in 2022
- **90%** of respondents do not encounter more difficulty in accessing research since the implementation of MiFID II
- **55%** employ a valuation methodology to evaluate and pay for research, **75%** do not use a third-party service as part of this process
- Though topical, ESG investment does not yet appear to be a primary factor in respondents' research budgets
- **60%** of managers measure broker execution performance in the broker valuation process
- **75%** of respondents are satisfied with execution transparency on their principal trades
- **65%** of managers assign the majority of their execution wallet to their top **15 brokers**
- **50%** of all executions are traded through algos

Respondent Overview

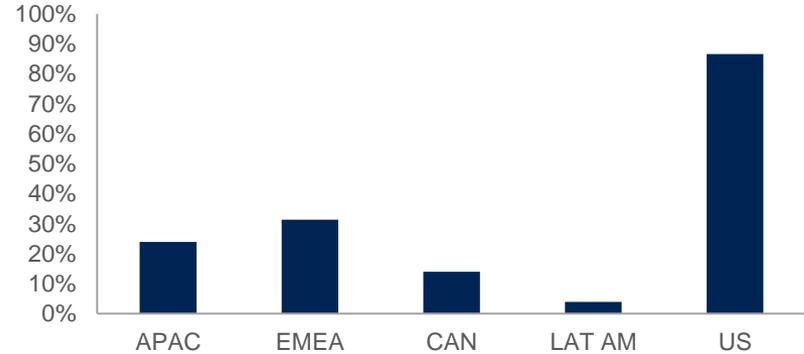


Demographics

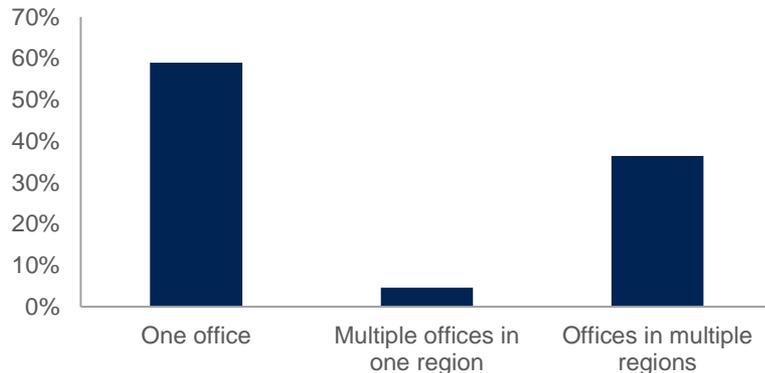
How are you structured? (150)



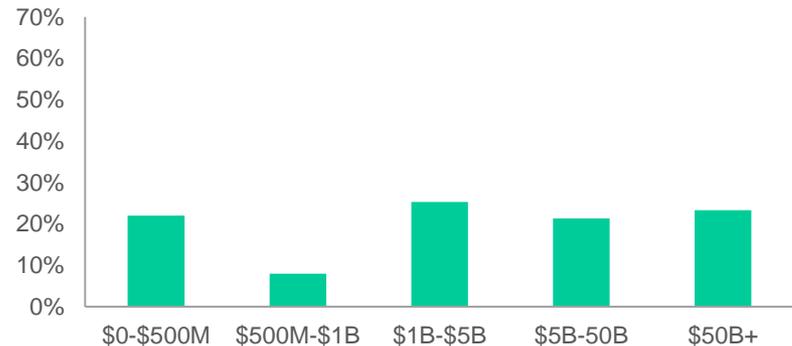
In what region(s) is/are your office(s) located? (150)



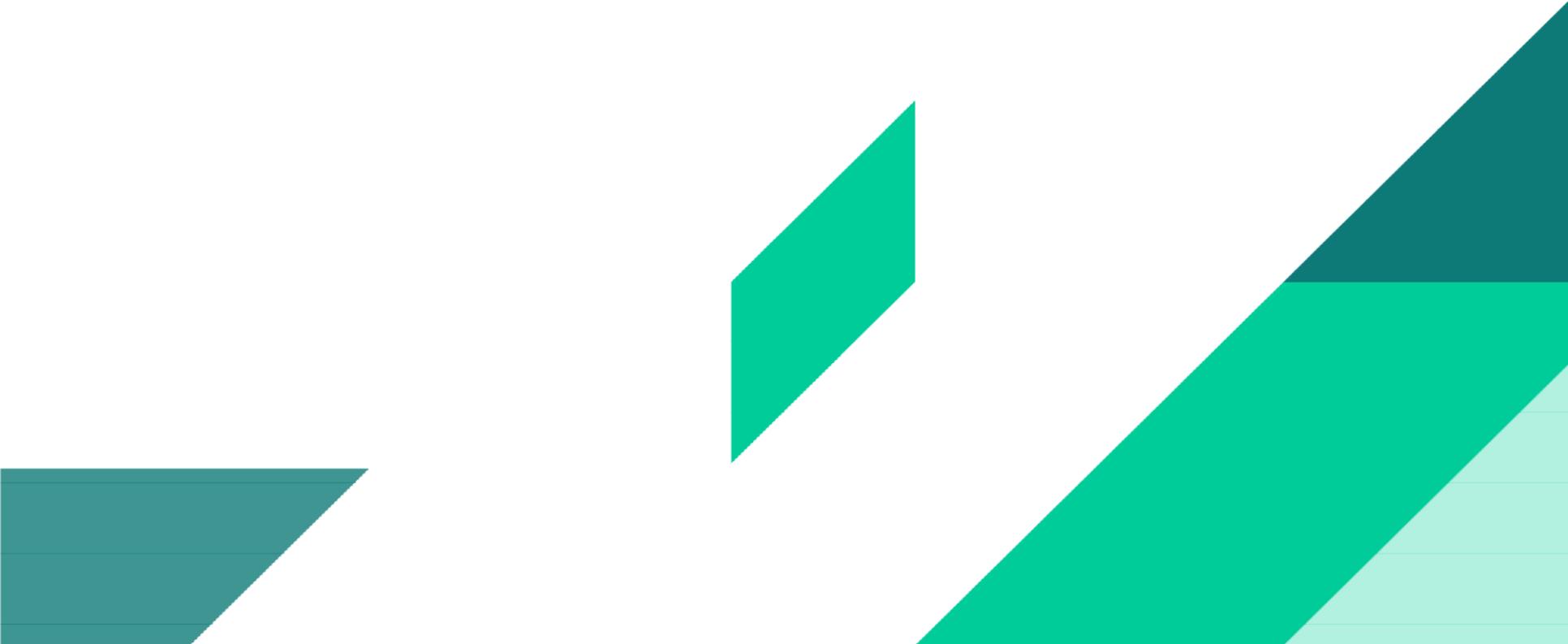
From where does your firm manage funds/investment objectives? (151)



What is your firm's AUM (in USD)? (150)



2021 Survey Topic: Research



Research Takeaways



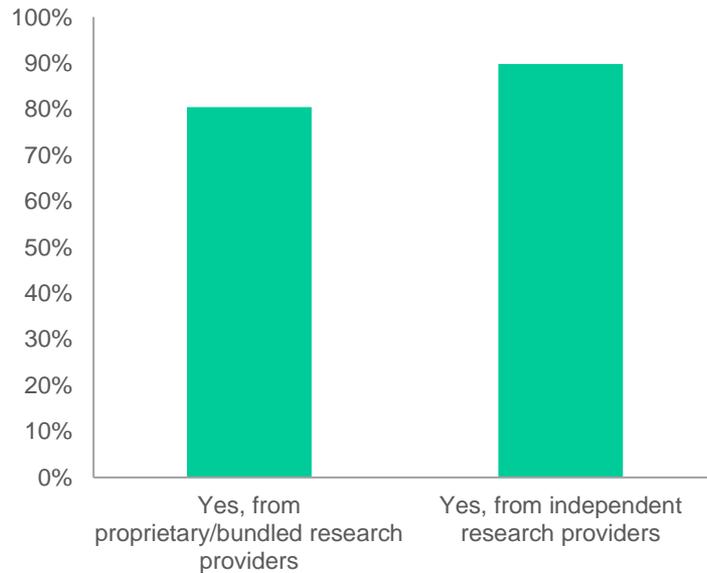
- Bulge-firm research is widely used, but the majority also use mid-tier brokers and independent research providers
- **31%** of firms increased their research budgets in 2021, as a result of growth in stock-picking strategies
- Over **40%** of managers use up to **20** research providers, **20%** use more than **60** providers
- **75%** of firms **do not** use a third-party tool to measure research valuation
- Most managers apply both a fixed value and variable (alpha generation) approach to research valuation
- Most managers that apply a fixed per-interaction amount, pay between \$500-\$1,000 per interaction
- **25%** of managers now use ESG research and **31%** of those are driven by investors
- **69%** of respondents use corporate access, while it is most widely used in the US, managers do use corporate access from all global regions
- More than **75%** of managers use a CSA or RPA program to pay for research
- **60%** of managers measure execution quality in the broker valuation process
- **45%** of respondents spend 0-10BPS of AUM on research, **40%** spend 10–50BPS; with no change YOY from 2020

Research

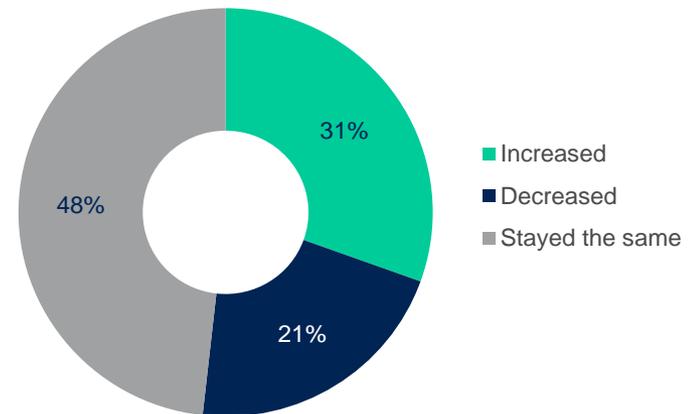


Consumption

Does your firm consume externally-sourced research? (138)
(Select all that apply)



Did your firm's budget change in 2021, from what was allocated in 2020? (141)

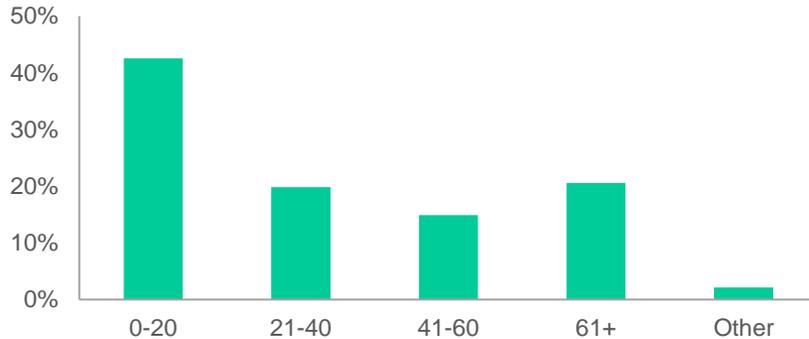


Research

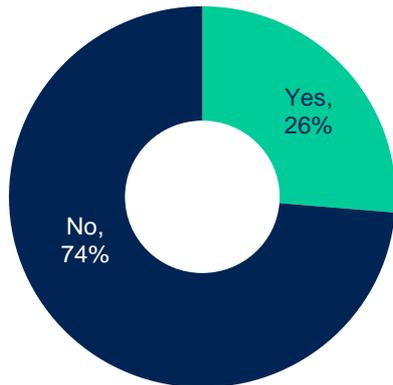


Valuation

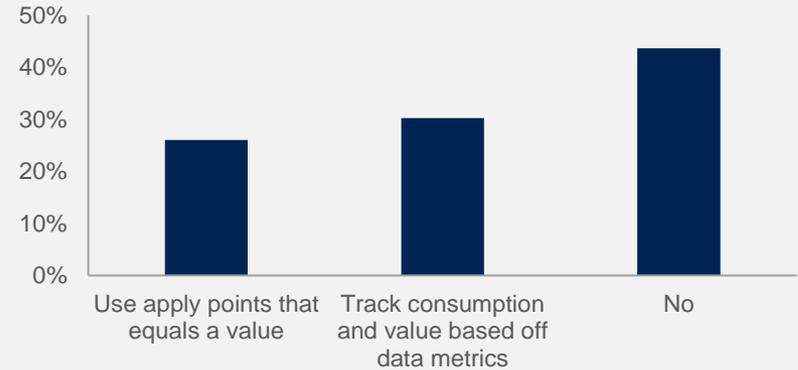
How many research providers does your firm currently engage with? (141)



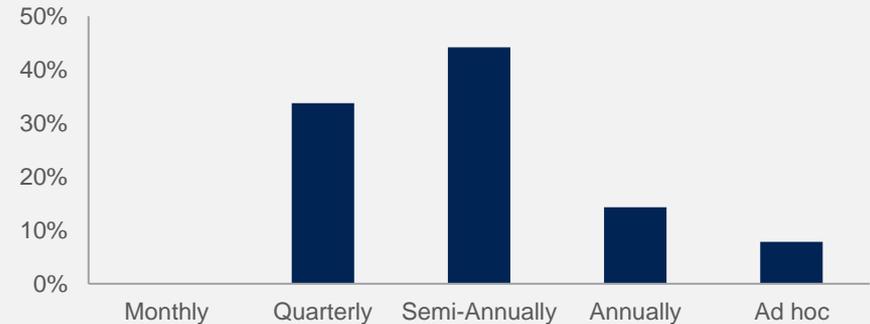
Does your firm use a third-party provider for research valuation? (76)



Does your firm use a research valuation method? If yes, do you: (142)



If yes, how often does your firm vote? (77)



Research

Valuation

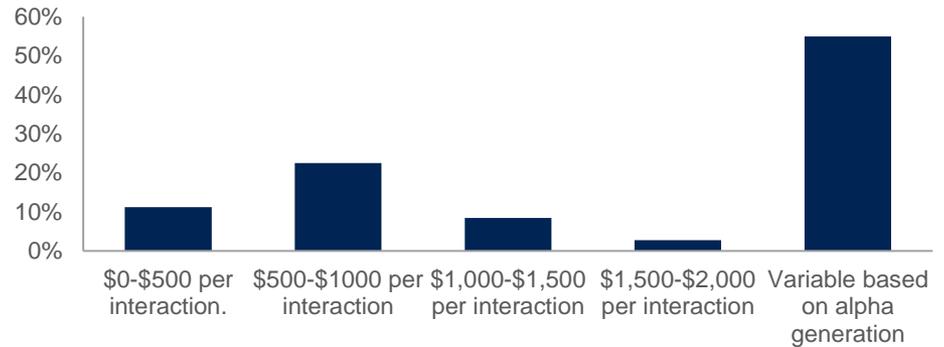


How does your firm value research?

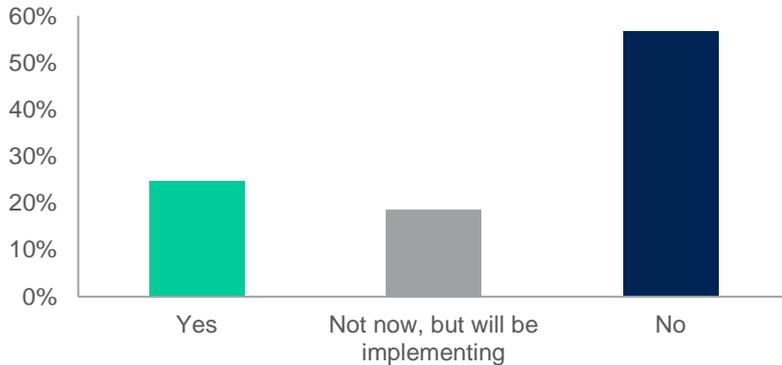
(76)



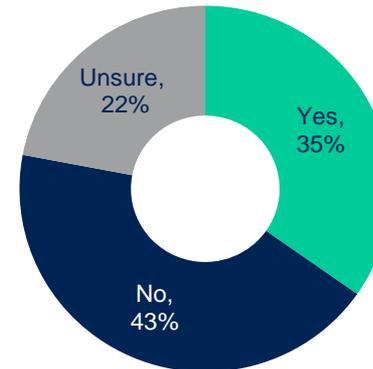
How much does your firm value each interaction? (71)



At your firm, is ESG investment driving new research budgets? (118)



At your firm, is investor-direction driving ESG investments? (118)

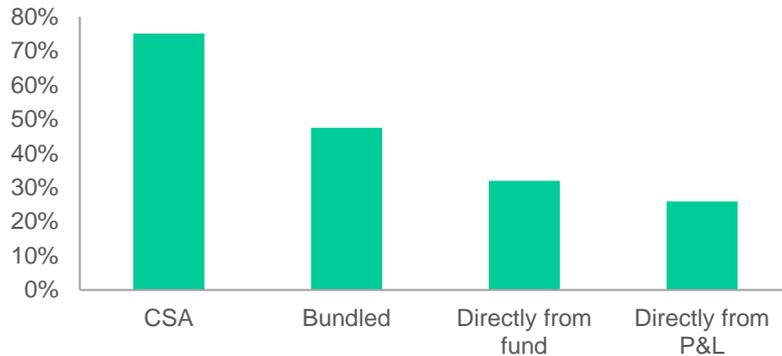


Research Content Boxes

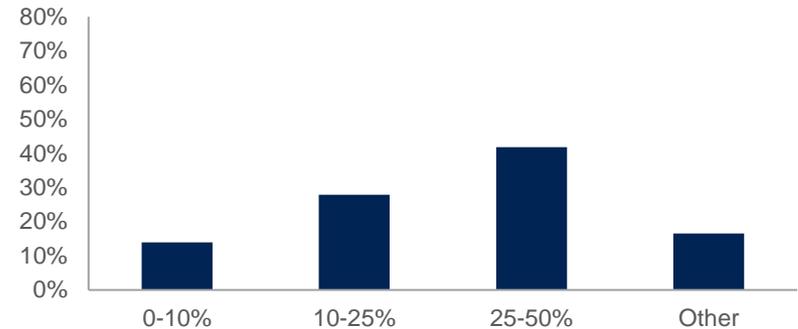


Spending

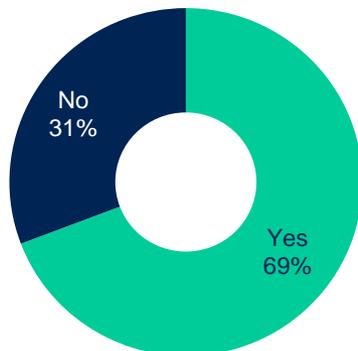
How does your firm currently pay for research? (116) (Select all that apply)



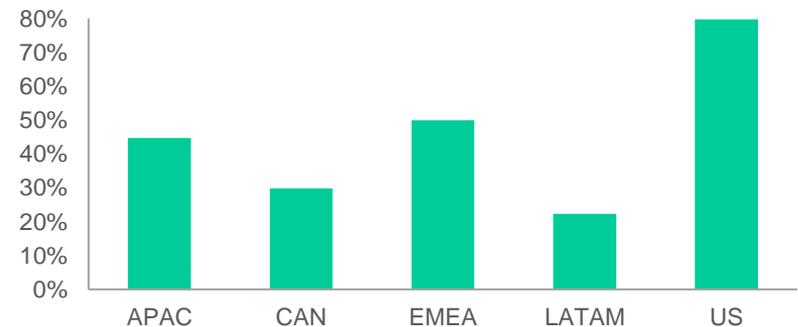
What % of total commissions are spent on research? (115)



Does your firm value and pay for corporate access? (117)



In which markets do you pay for corporate access? (94) (Select all that apply)

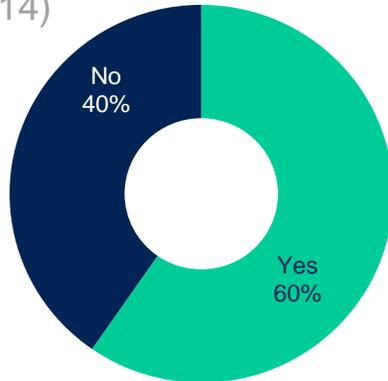


Research

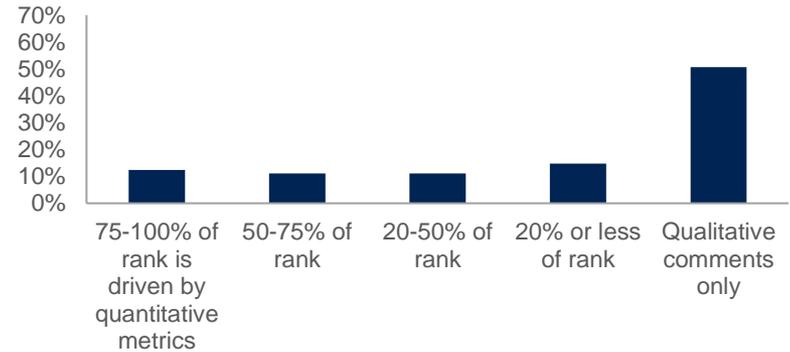


Transaction cost analysis and execution

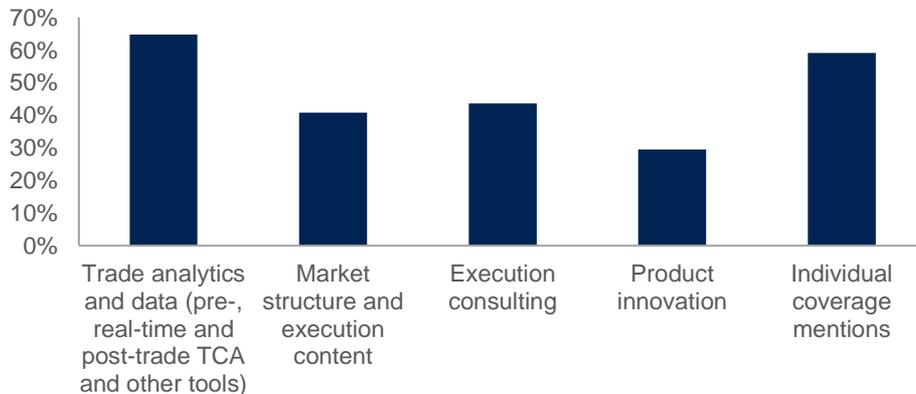
Does your broker valuation also measure execution broker performance? (114)



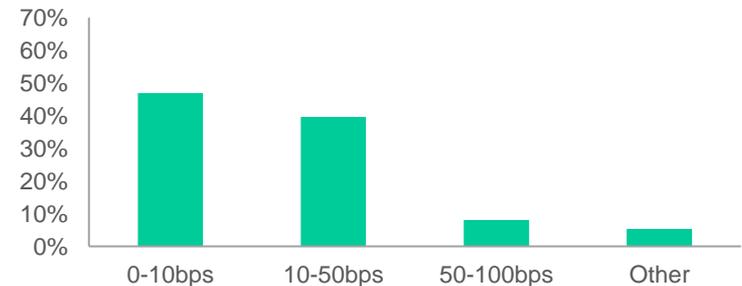
If yes, does the process include quantitative metrics to measure execution quality? (81)



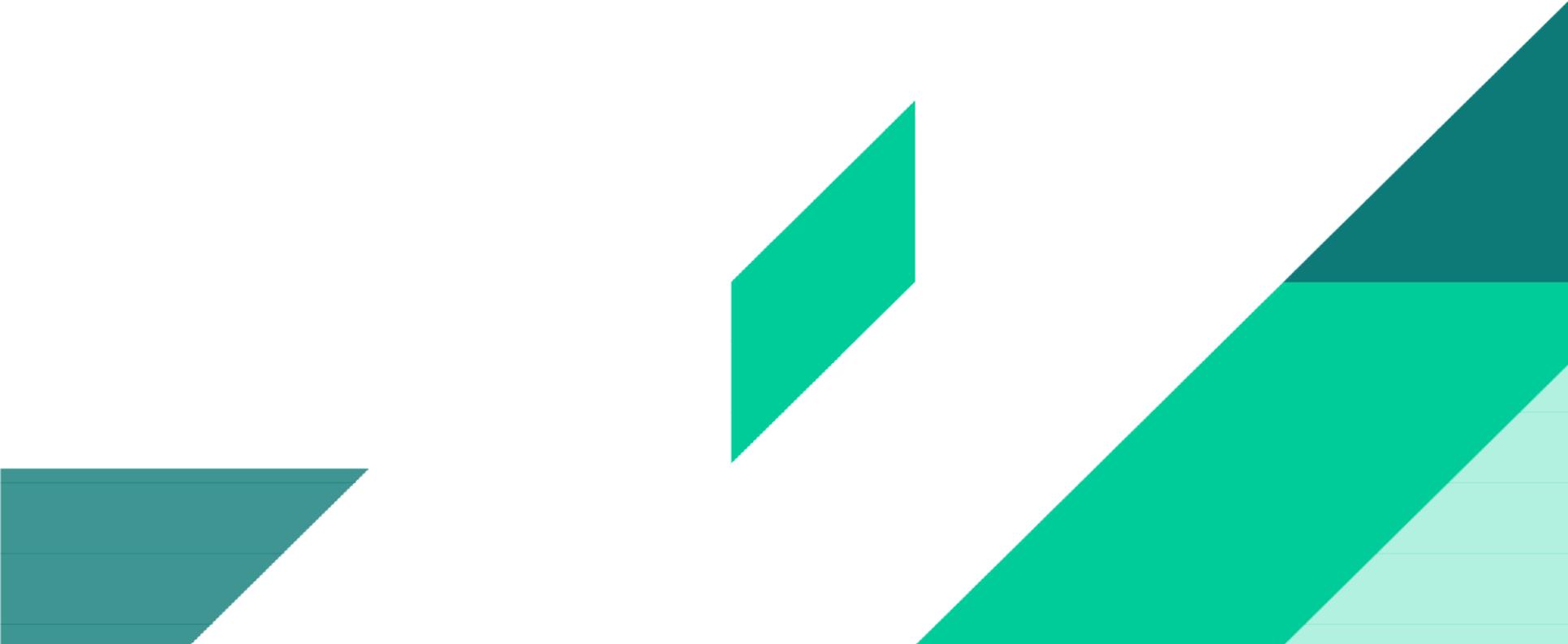
For non-quantitative metrics, do the following receive explicit recognition through a rank? (71)



What range of bps relative to AUM does your firm spend on research? (111)



2021 Survey Topic: Execution



Execution Takeaways



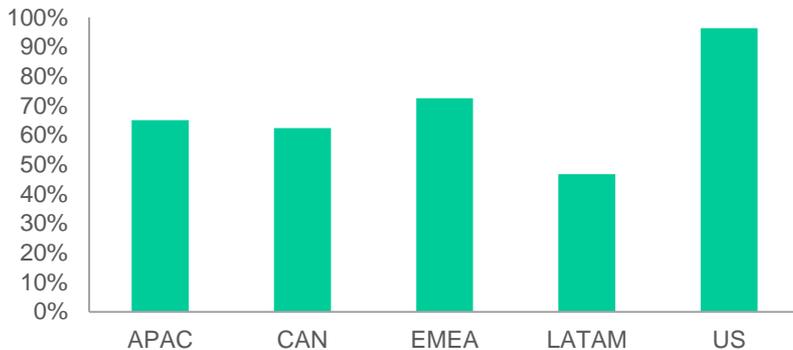
- Over **50%** of managers trade with less than **20** execution brokers
- More than **40%** of managers distribute commissions to their top **10** brokers
- More than **70%** of managers have not changed the number of execution brokers YoY
- **36%** of trades are executed through high touch, **50%** are executed through algos, and **14%** through either DMA or block crossing venues
- **64%** of respondents would like to use principal executions to fund research
- **23%** of respondents avoid principal venues because they cannot fund research with principal executions
- **67%** of respondents utilize transaction cost analytics (TCA) in their execution and reporting process. The same percentage have investors asking for TCA reports
- **30%** of respondents not currently using a TCA service plan to do so in 2022

Execution

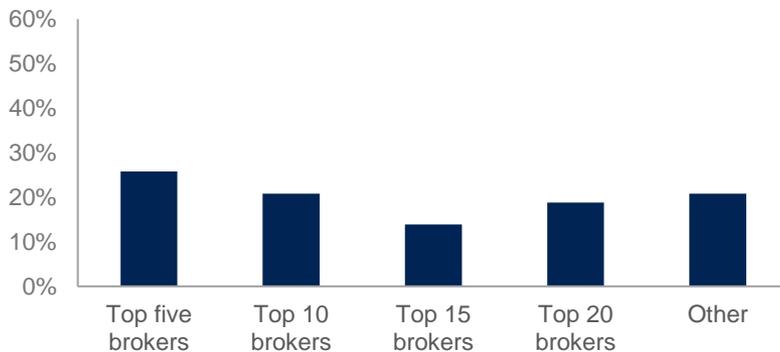


Overview

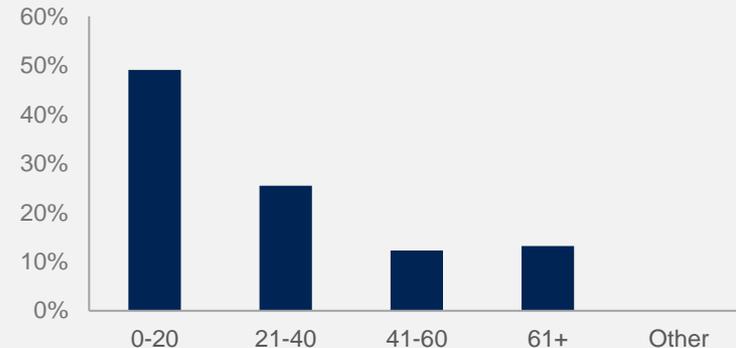
In what regions do you execute trades? (106) (Select all that apply)



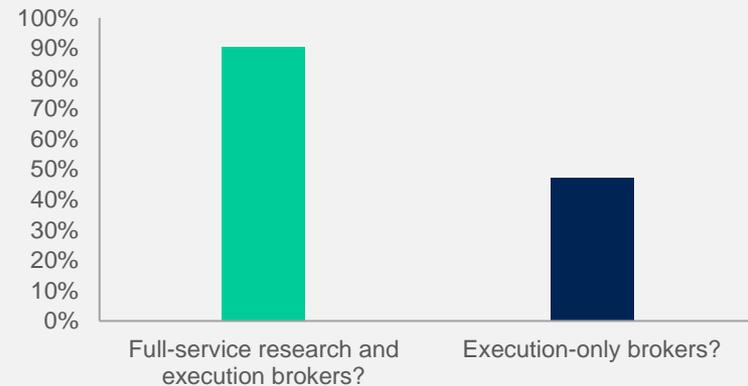
In general, how are your trading commission dollars distributed among your brokers? (101)



How many execution brokers do you currently trade with? (106)



Of these brokers, how many are: (93)

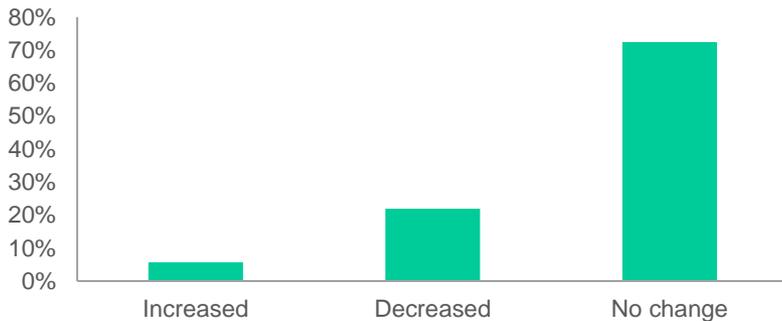


Execution

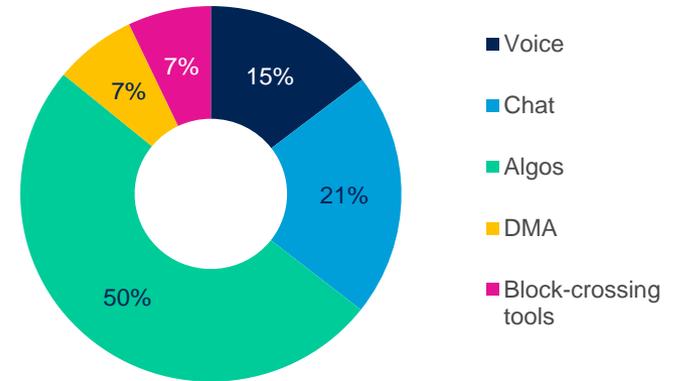
Transactions



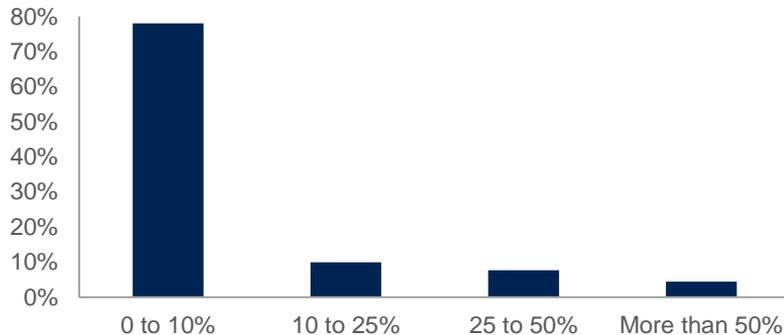
How has the number of execution firms you use changed because of unbundling and/or MiFID II? (105)



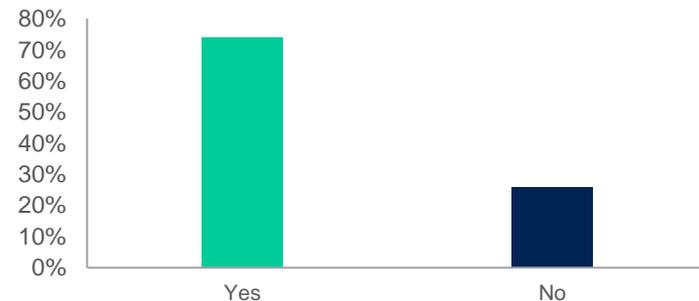
What is the mix of how you trade? (85)



What percentage of your trades are executed principal vs. agency? (91)



Do you receive the same level of execution transparency on a principal trade as on an agency trade? (81)

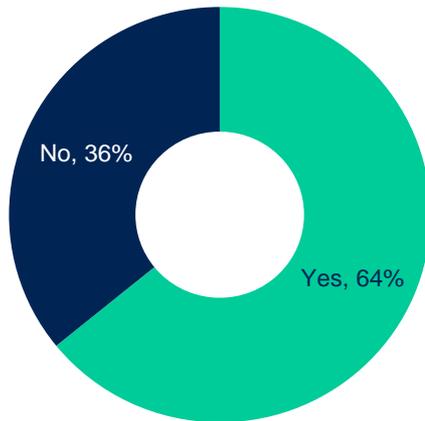


Execution

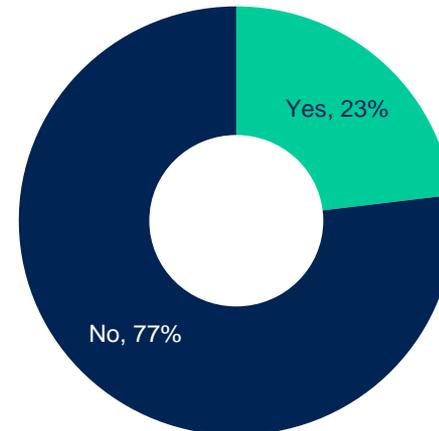
Principal trading



If you execute in the US and could pay for research from US principal transactions, would you? (92)



Do you avoid principal venues because you cannot fund research with principal transactions? (91)

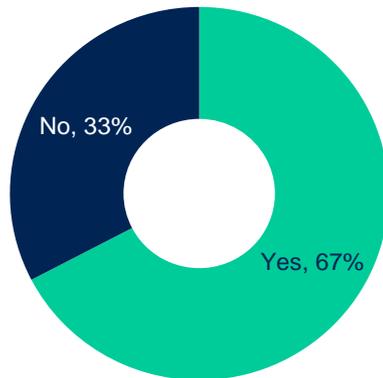


Execution

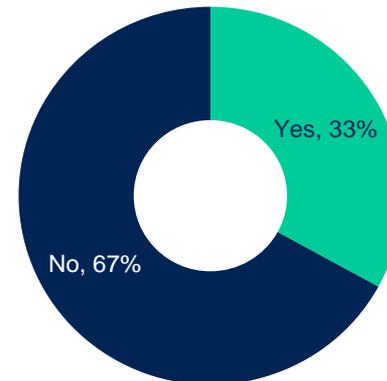


Cost analysis

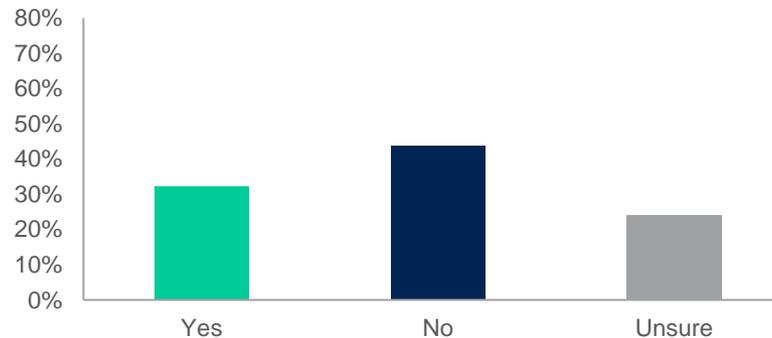
Do you utilize Transaction Cost Analytics (TCA) services as part of your execution planning? (98)
(Pre-, real-time and/or post-trade-)



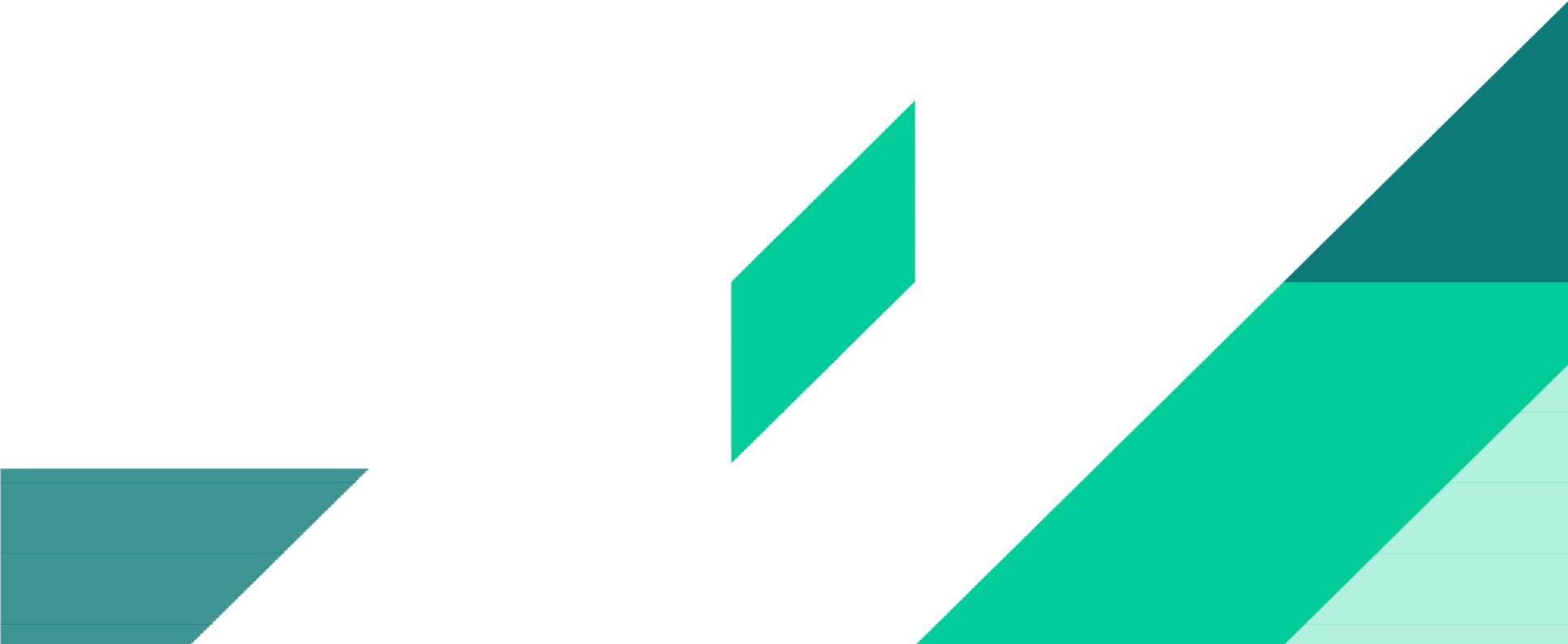
Do your asset owner clients require you to provide best execution TCA reports? (97)



If not, do you expect to add TCA reporting in 2022? (96)



2021 Survey Topic: MiFID II



MiFID II Takeaways



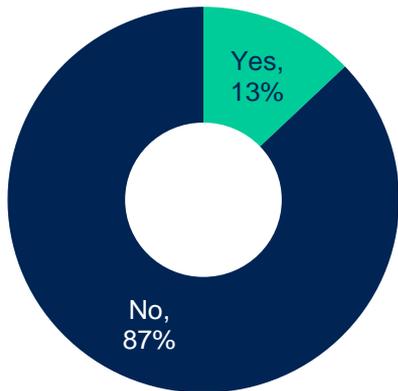
- **87%** of respondents indicate that they have no difficulty accessing research as a result of MiFID II rules
- While **20%** of asset managers have reduced the number of research providers as a result of MiFID II, **70%** have not
- Of those that fully unbundle, **60%** do so globally

MiFID II

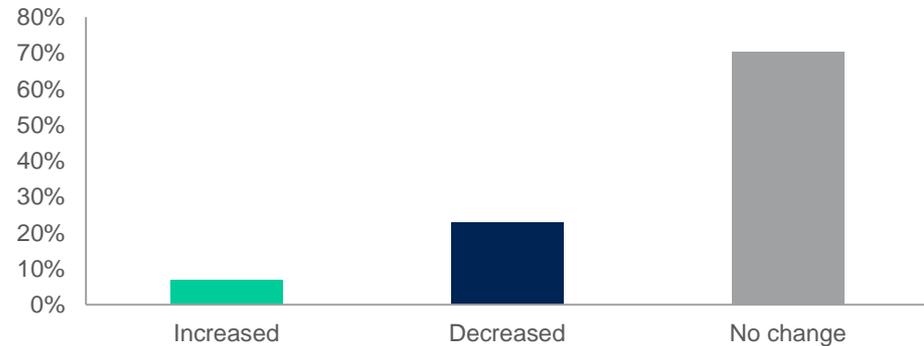
Research



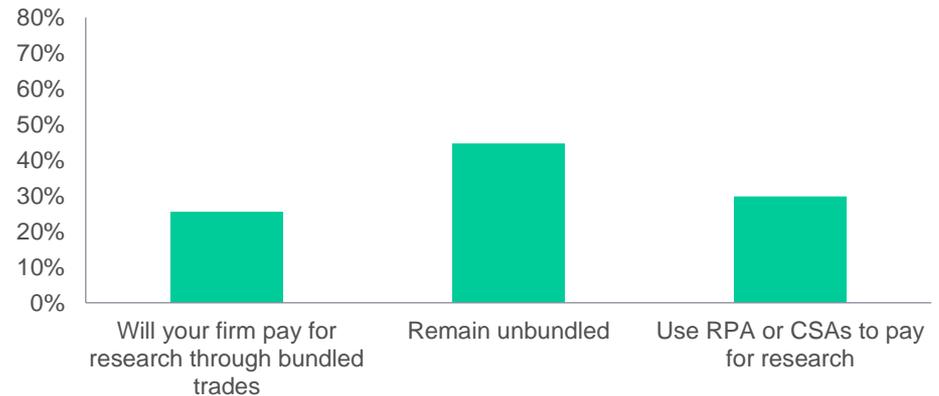
In your view, is your firm finding it more difficult to access research since MiFID II's implementation?
(101)



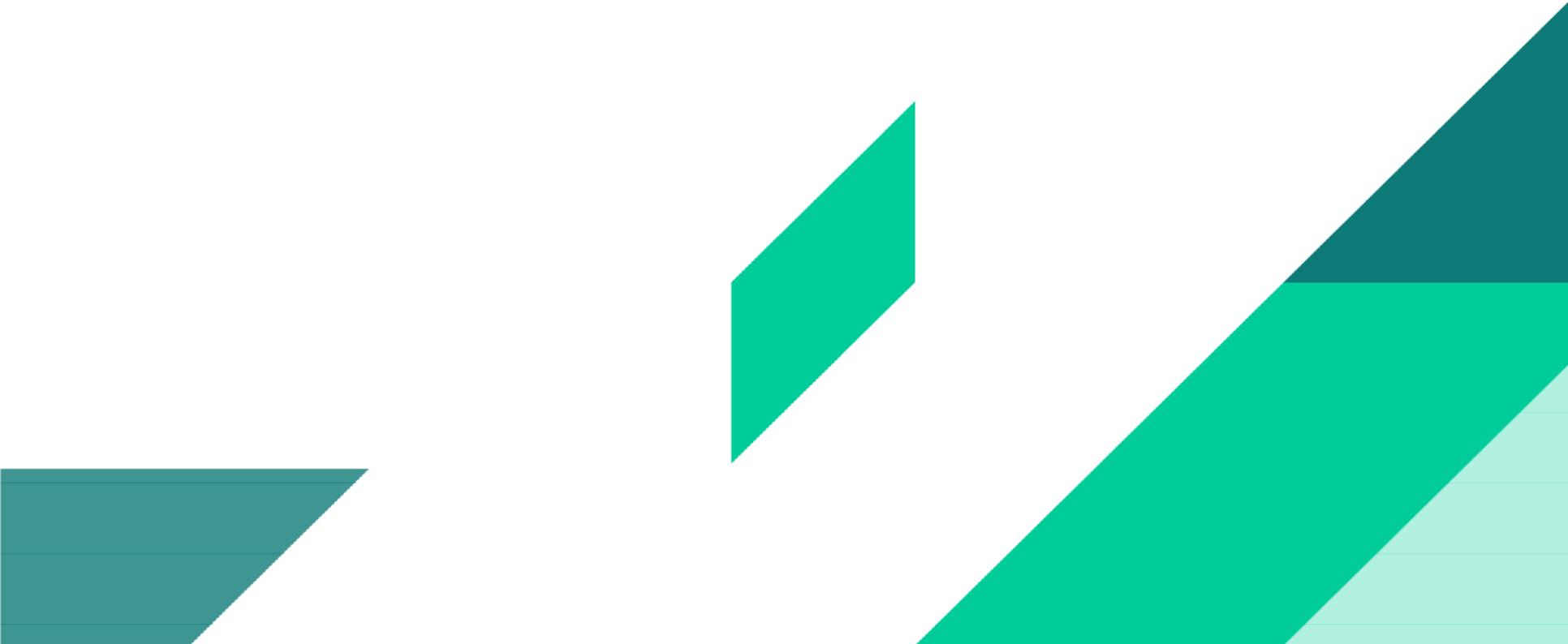
Has your firm changed the number of research providers since MiFID II's implementation? (101)



If the EU unwinds part of MiFID II's unbundling rules for research? (94)



2021 Survey Topic: Unbundling



Unbundling Takeaways



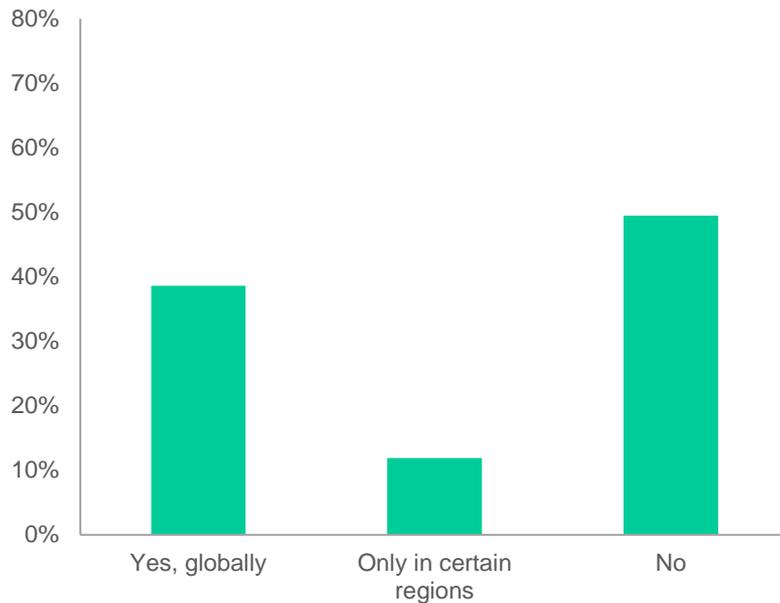
- **50%** of respondents fully unbundle research from execution and **50%** use a mix of bundled and unbundled programs
 - Of those that fully unbundle:
 - More than **70%** use a CSA or RPA program to pay for research
 - **83%** have made no change to execution wallet spend
- **85%** of all respondent firms use a CSA program
 - Of those that use CSA programs, **65%** use an aggregator, and closer to 100% of RPA programs users, use an aggregator.
- **53%** of respondents not currently using an aggregator will add one in 2022
- **20%** of respondents will add additional CSA execution brokers in 2022
- **23%** of firms with a global structure use both a CSA and RPA program
- The predominant EMEA commission tack-on rate appears to be **3 to 5bps**, the US rate appears to be **1-2 CPS**
- **60%** of respondents employ one global research and execution program, a YOY increase of **15%** from 2020
 - Just under **20%** ring-fence each region separately

Unbundling

Overview



Do you currently unbundle trading from research? (101)



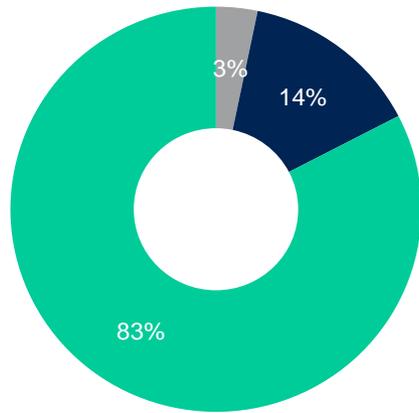
If unbundled, how do you pay for research? (50)



Unbundling

Execution

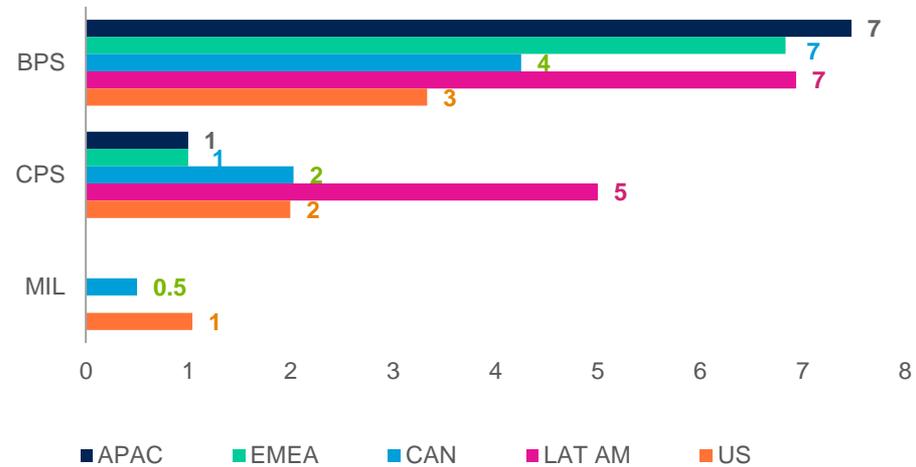
Did your firm's execution wallet change due to unbundling, and if yes: did it increase/decrease or remain the same? (92)



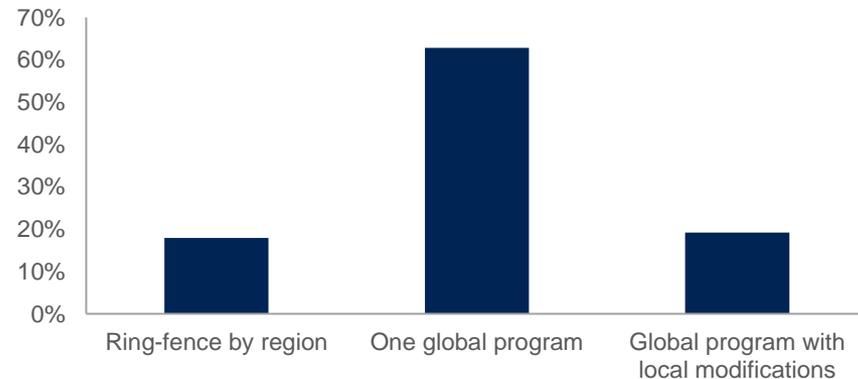
■ Increased ■ Decreased ■ No change



If unbundled, what is your average CSA/RPA tack-on commission rate for each region? (40)



Do you ring-fence your research and execution programs by region (e.g., AMER vs. EMEA /APAC) or do you have one global program? (78)

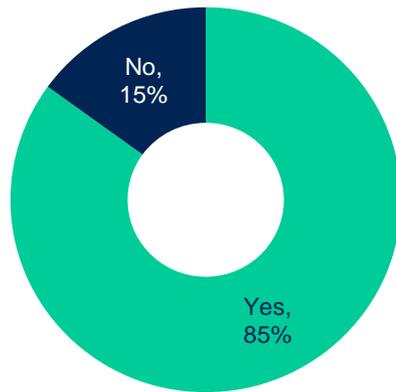


Unbundling

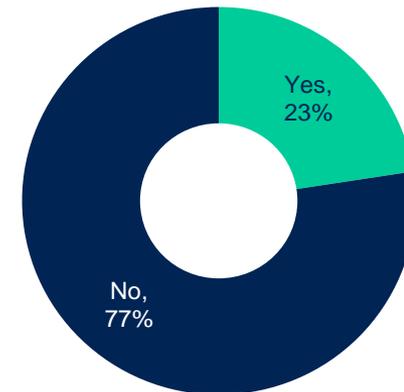


Commission Management

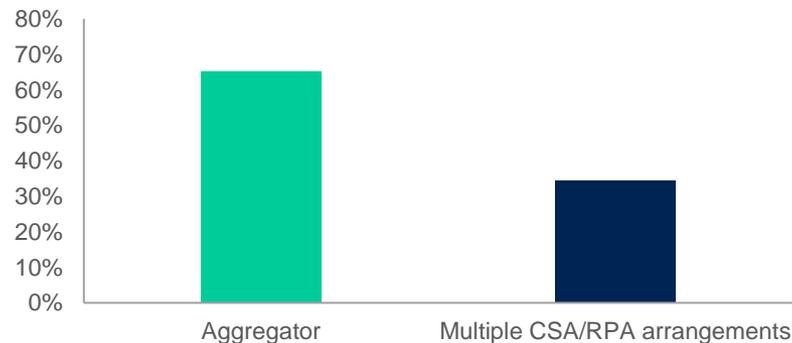
Do you currently use CSAs/RPAs?
(100)



Do you use both CSA and RPA due to your global footprint? (93)



If using CSAs/RPAs, do you use an aggregator or multiple CSA/RPA arrangements? (78)

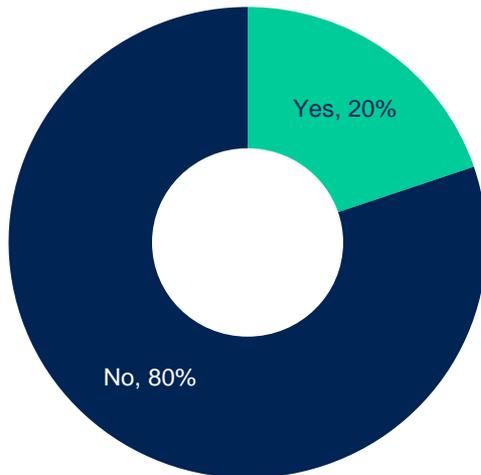


Unbundling

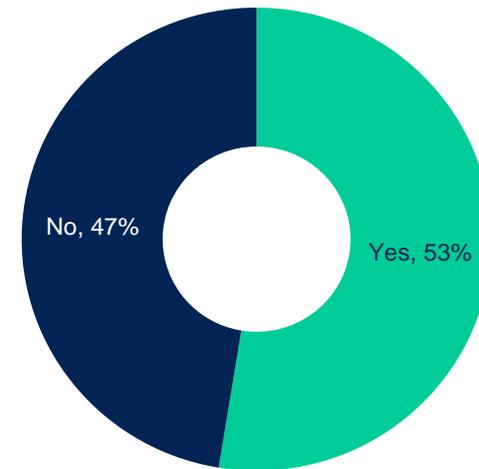
Forecasting



Do you expect to increase your CSA brokers list in 2022? (96)



Do you expect to use an aggregator in 2022? (97)





To learn more, contact your sales representative or call our desk at:

APAC +852.2846.3592 | CAN +1.416.874.0800 | EMEA +44.20.7670.4066 | US +1.646.682.6199

info@virtu.com | www.virtu.com

© 2022 Virtu Financial, Inc. All rights reserved. Not to be reproduced or retransmitted without permission. These materials are for informational purposes and are not intended to be used to make trading or investment decisions, they are not intended as an offer to sell or the solicitation of an offer to buy any security or financial product, and are not intended as advice (investment, tax or legal). The information contained herein includes Virtu proprietary information and/or has been taken from sources we believe to be reliable, but we do not represent or warrant that such information is accurate or complete and it should not be relied upon as such.

Analytics products and services referenced herein may not be subject to oversight by regulatory authorities in one or more jurisdictions, including in Europe, where such products and services are offered by Virtu ITG Ventures Limited, registered in Ireland No. 295549 ("VIVL"). VIVL does not engage in regulated activity.

Securities products and services are offered by the following subsidiaries of Virtu Financial, Inc. In the U.S., Virtu Americas LLC, member FINRA and SIPC; in Canada, Virtu ITG Canada Corp., member Canadian Investor Protection Fund and Investment Industry Regulatory Organization of Canada; in Europe, Virtu ITG Europe Limited, registered in Ireland No. 283940 ("VIEL") (VIEL is authorized and regulated by the Central Bank of Ireland), and Virtu Financial Ireland Limited, registered in Ireland No. 471719 ("VFIL") (VFIL is authorized and regulated by the Central Bank of Ireland). The registered office of VIEL and VFIL is Whitaker Court, Whitaker Square, Sir John Rogerson's Quay, Dublin 2, Ireland; in Asia, Virtu ITG Hong Kong Limited (SFC License No. AHD810), Virtu ITG Singapore Pte Limited (CMS License No. 100138-1), and Virtu ITG Australia Limited (AFS License No. 219582)