

*For immediate release*

Contact: Jackie Chung, President, Competitive Metrics Inc.  
(416) 568-7439 / [jchung@competitivemetrics.com](mailto:jchung@competitivemetrics.com)

## **Canada's Alternative Marketplaces Are About To Go Mainstream As Buy-side Traders Finally Embrace Electronic Trading With Open Arms, A New Study Finds**

*Competitive Metrics Research Finds That 9 Out of 10 Money Managers in Canada Plan to Use The Alternative Marketplaces for Some of Their Equity Trading in 2008, A Big Jump from Today*

*Results of In-Depth Interviews with Traders at 28 Investment Management Firms That Manage C\$1.2 Trillion in Aggregate Assets*

**Toronto, Canada, September 13, 2007** – According to a new report issued today by Toronto-based financial industry research and advisory firm Competitive Metrics Inc., “2007 Buy-side Equity Trading in Canada: Exchange, Upstairs, ATSS, What’s Next?”, a dramatic shift from a dual-marketplace structure to a multiple-marketplace structure in Canada’s equity market has created a huge tidal wave in technology use that is going to transform the buy-side traders’ trading behaviour and their preferred way to find liquidity in the marketplaces. Change is already afoot. Electronic trading is no longer concentrated in the hands of a few major firms and only going to the TSX. Now 1 in 4 buy-side trading desks execute 20% or more of their equity trades electronically. A significant number of the buy-side traders also start to conduct some of their Canadian equity trading in the alternative marketplaces. As a result, the role and responsibility of the buy-side traders and the buy-side/broker relationship are poised for changes.

The 2007 study is a follow-up of Competitive Metrics “2005 Buy-side Electronic Trading and Best Execution in Canada Study” – the first Canadian-based independent trader study that has highlighted the direction that buy-side trading is taking. The report summarizes interviews with head and senior traders at 28 buy-side firms across Canada. These firms manage C\$1.2 trillion in aggregate assets and represent several manager segments.

Competitive Metrics projects that 2008 will be a key turning point for the Canadian institutional equity market. Today, the telephone is still used for 52% of the equity transactions. Only a small portion of the buy-side’s Canadian equity trading is conducted in the alternative marketplaces, away from the TSX and the traditional ‘upstairs’ market. But all this is going to change in 2008. The telephone will be replaced by electronic order routing as the dominant way of trade communications as order management systems prevail on the buy-side. Electronic trading will finally take off in Canada. Buy-side traders plan to conduct one-quarter of their equity trading electronically. More important, 9 out of 10 buy-side trading desks plan to execute some of their equity trades on Canada’s alternative marketplaces.

“The sudden explosion of the number of equity marketplaces is really the catalyst for electronic trading to take off in Canada,” says Jackie Chung, Competitive Metrics president and author of the report. “Canada now has 5 Alternative Trading Systems and more to be launched soon. With 5 or 6 marketplaces to monitor instead of just the TSX, buy-side traders need to turn to technology to help them increase efficiency and keep pace with market movements in multiple venues.”

“The alternative marketplaces as a group will take off in 2008. Whether or not an individual marketplace will survive and thrive depends on how well it meets the basic goal of a marketplace to provide enough liquidity to get the trade done at the price, size and time the trader wants,” adds Chung.

A dramatic change in the buy-side traders’ preferred way to source liquidity is happening as they use technology to access the marketplaces directly. The buy-side traders’ dependence on the brokers is tumbling. Substantially more buy-side traders now prefer to access the marketplaces themselves than those who prefer to fold the trades to their brokers. Buy-side traders have also put together a list of ‘must haves’ that they want for their main desktops to help them find liquidity in different marketplaces.

As technology reduces the buy-side’s dependence on the sell-side, a major change also looms in the buy-side/broker relationship. Buy-side firms in Canada now streamline their broker relationships in droves and concentrate their commissions on a few main ones.

A major shift in the buy-side attitude towards technology has occurred. 63% of the buy-side traders now see leveraging new trading technology as their number one way to add value. Buy-side traders’ active use of technology and the changing environment are going to cause their role and responsibility to expand beyond trade execution into more active involvement in the investment process.

The report also provides comprehensive coverage on the Canadian buy-side trading desks’ usage trends and volumes for direct market access, algorithmic trading, block trading, basket trading, derivatives, FIX, OMSs/EMSs and transaction cost analysis. Buy-side traders’ usage and plans for the alternative marketplaces and their preferred way to source liquidity are examined. Buy-side traders’ views on how they can add more value and the changing buy-side/broker relationship are also discussed.

An Executive Summary of the 67-page full report with 50 exhibits is available at [www.competitivemetrics.com](http://www.competitivemetrics.com).

About Competitive Metrics Inc.

Competitive Metrics is a premier research and advisory firm focusing on the Canadian financial industry. We provide top-quality, unbiased and relevant research designed with the needs of the Canadian financial industry in mind. We combine real-world financial industry experience with broad-based strategy and research expertise to drill down to the core issues affecting your business. Our “2005 Buy-side Electronic Trading and Best Execution in Canada Study” has highlighted the direction that buy-side trading is taking, and identified opportunities for buy and sell side firms to move ahead of the curve. To find out more about us, visit [www.competitivemetrics.com](http://www.competitivemetrics.com).