

Unbundling is gaining a foothold across Europe without resort to regulatory intervention. The second quarter has seen an increase in the number of UK asset managers consolidating their execution order flow with a reduced list of brokers in anticipation of a regulatory clampdown on soft commissions. But while UK buy-side firms are discovering the benefits of commission sharing agreements (CSAs) as a result of this regulatory push, some of their continental peers are adopting the structure as a logical business model.

ABN AMRO has been introducing the concept of CSAs to its clients in Europe, Asia and Australia and the level of interest has apparently been high. “We think unbundling and commission sharing makes a lot of sense in its own right and we’re committed to promoting it on both the buy-side and the sell-side,” Frank McKirgan, global head of equities, ABN AMRO, told *The TRADE*. “We’ve not just been waiting for the regulator, but have rather been going out and talking to our customers in different markets about the issues.”

McKirgan recognises that not all firms will want

CSAs attract European fund managers

—The idea of commission sharing is starting to catch on beyond the markets where regulators have imposed the concept of unbundling.

to interact in this fashion. “It’s important to us that we’re able to serve our clients in whatever way they want to be served,” he stresses. “We are, however, going out and talking about the benefits to them of unbundling.” In Europe, he says, numerous firms have heard about unbundling and have been keen to understand how it works and how the UK market has taken to it. That is now converting into active interest. “We’ve been talking about it for a while and I really feel that this year, unbundling has broken out of its UK cage and is taking off globally,” says McKirgan.

Commission sharing agreements are intuitively appealing to buy-side clients, McKirgan believes. “If you had 100 brokers that you wanted to receive some type of service from, in a bundled world, the only way of paying those brokers for that service is by



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giving them a trade to execute,” he explains. “A commission sharing agreement remains the simplest way of separating the purchasing decision of execution and other services. It means the buy-side can still get the service they want from the hundred or so brokers, but they’re not required to trade with them all.” The actual definition of best execution adopted by any particular dealing desk is irrelevant in that context, McKirgan maintains. “Unbundling should be seen as a way of ensuring that the right dollars are getting to the right people and that you are giving execution to someone who is genuinely good at it.” ■