



Print from the website of the AMF

29 August 2023

The AMF publishes a study on the margins applied by brokers in the French bond market

The Autorité des marchés financiers conducted a study on the activity of brokers in the French bond market, and analysed their margin levels over the period from April 1, 2021 to March 31, 2022 according to various characteristics linked to the nature of the instrument traded, the size of the transaction or the type of customers.

When trading in the markets, investors incur trading costs that affect the return of their investment, such as platforms' or brokers' trading fees.

On the bond market, these costs are less identifiable than on the equity market, due in particular to a very different market structure.

In order to reconstruct the costs on the bond market, the AMF relied on the data at its disposal and was particularly interested in the transactions carried out by brokers for whom the price differences are more easily interpretable than the transactions carried out by banks.

Noting the great variability of these margins depending on the type of transaction, the AMF wanted to share the results, by providing everyone with figures and elements for comparison that are generally only available to the largest players.



The study, which covers a panel of 11 brokers (including 9 approved and regulated by the AMF), provides an overview of their activity and details of their margin levels observed according to different criteria, specific to the instrument traded (sovereign or corporate issuer, maturity, rating, amount of the issue, liquidity), the size of the transaction or even the nature of the counterparty.

The majority of transactions carried out by brokers on sovereign securities are carried out on the inter-dealer broker market (i.e. between banks), at standard costs framed by rate cards contractually defining the commissions in advance, while the rest of the transactions, in particular the majority of those on corporate securities, are remunerated at a discretionary level unknown to the counterparties, in particular when the securities are traded outside a platform.

The sensitivity of the margins generally turns out to be consistent with what can be expected from each of the factors given its link with liquidity. Thus, the more a factor favours liquidity, the more the margins observed are reduced. For example, the sovereign bonds, which usually are more liquid than corporate bonds, exhibit an average margin of 0.52 bps (1 bp = 0.01%) versus 11 bps for the latter.

The AMF hopes that the figures presented in this study will enable all counterparties to better anticipate and analyse the costs involved when trading bonds through a broker.

In this regard, the AMF recalls the importance of carefully selecting its intermediaries with the aim, where applicable, of serving the best interests of its clients in accordance with the regulatory provisions known as best selection.

Read more


📄 [Brokers' Margins in the French bond market](#)

Keywords

MARKETS

FINANCIAL SERVICES PROVIDERS

ON THE SAME TOPIC

 [Subscribe to our alerts and RSS feeds](#)





AMF NEWS RELEASE

COOPERATION

30 October 2024

The AMF and the AMMC are strengthening their cooperation



SPOT INSPECTIONS

FINANCIAL SERVICES PROVIDERS

24 July 2024

Summary of SPOT inspections of the promotional materials for French and foreign collective investment schemes (CISs) marketed by distributors - focus on ESG aspects



NEWS

MIFID

16 July 2024

The AMF proposes a methodology for calibrating the thresholds determining the transparency regime applicable to corporate bond transactions.



Legal information:

Head of publications: The Executive Director of AMF Communication Directorate. Contact: Communication Directorate – Autorité des marchés financiers 17 place de la Bourse – 75082 Paris cedex 02

