

E-Brokerage in the United Kingdom - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2020 - 2029

Market Report | 2024-02-17 | 150 pages | Mordor Intelligence

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Report description:

The E-Brokerage Market in the United Kingdom Market size is estimated at EUR 693.77 million in 2024, and is expected to reach EUR 797.76 million by 2029, growing at a CAGR of 2.83% during the forecast period (2024-2029).

E-brokerage or an online broker is a broker that works with their clients via the Internet instead of in a brick-and-mortar location. Those who are involved in online trading will often hire these professionals or firms to assist them in purchasing and selling stock. An online broker acts as a liaison between their client and tradable securities. They also act as the middleman to help their clients purchase stock and sell to other investors. In most cases, a person hiring an online broker is hiring a firm, but there are online brokers who provide client-based services. An online broker performs the same liaison duties as a brick-and-mortar broker, but they never see their clients face to face and perform all their duties online. In its most basic terms, the definition of an online broker is a trading provider who offers access to a digital platform, to help their clients buy, sell, and trade stocks.

Investors increase their trading activities as the COVID-19 pandemic unfolds, both at the extensive and at the intensive margin. The number of investors who first open an account with the broker increases, while at the same time established investors increase their average trading activities. Investors, on average, significantly increase their weekly trading as the number of COVID-19 cases doubles. Investors open more stock and index positions, but do not move to safe-haven (gold) or particularly 'risky' (CFDs on stocks, cryptocurrencies) investments. The increase in trading is especially pronounced for male and older investors. Investors also marginally increase their tendency to engage in short selling. Stock trading increases most for industries that tend to be losers as the crisis progresses. Here, especially travel-related industries are exposed to early short selling at the beginning of February, in line with the notion that retail short selling has predictive ability for future stock returns.

UK E-Brokerage Market Trends

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The UK's exit from the European Union

During the 2020 financial year, Companies having operation in both parts of the economies suffers a lot. Many brokerage firm set-up new entities or branches in European Union.

For e.g., IG Group Europe, our new client-facing subsidiary domiciled in Germany, became fully operational. We've successfully transferred the majority of our EU-resident client base to contract with IG Europe. Although the exact ramifications of the future trading relationship between the UK and EU remain unclear, IG now has an operating structure that should enable us to offer our regulated financial products in all EU member states once the transition period has ended.

The level of volatility in financial markets

Companies' ability to attract new clients, and the willingness of clients to trade, are driven substantially by the numbers of clients who are seeing opportunities to trade in the financial markets. Higher levels of volatility tend to generate more trading opportunities, and these in turn attract new clients and increase the level of individual client trading activity. Measures of financial market volatility, such as the VIX index, reached unprecedented levels during the 2020 financial year. This surge was triggered primarily by the Covid-19 pandemic and has resulted in exceptional revenue performance. However, these levels of volatility aren't expected to continue over the medium term. Any future reduction in the general level of volatility is likely to have a detrimental effect on revenue, since this is driven by overall numbers of active clients and the level of each client's activity - both of which depend on market conditions.

UK E-Brokerage Industry Overview

The e-brokerage market in the United Kingdom has a highly competitive landscape with many companies acting as players, providing brokerage services to both retail and institutional investors. Some of the top companies are eToro, Peperstone, Plus500, Capital.com, IG Group, City Index, Robinhood, AvaTrade, Monesta Markets, etc.

The crucial element in this market is customer's value. Through reliability on demand of customer, these companies change the rates accordingly. Main revenue stream was commission, interest income, annual maintenance charges, etc.

Offering of CREST account (CREST is the name of the UK's system used for settling trades in electronic form). However, there are a very limited number of online brokers who offer this to new clients: Stocktrade is the main one.

Very active traders may want to consider a broker who offers direct market access (DMA). Most brokers place your trade through market-makers known as retail service providers. This involves asking one or more intermediaries who trade directly on the stock exchange to quote a price for the trade. You then get around 15 seconds to decide whether to accept that or not. With DMA, your order is placed directly onto the stock exchange's order book. Effectively, this means you offer a price and see if anybody will meet you, rather than accepting a price that somebody offers you. Most investors don't need this, but for very frequent traders the extra control can be useful.

Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

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