

MiFID II to Transform Investment Research Landscape

Asset managers on both sides of the pond prepare for change

March 14, 2017

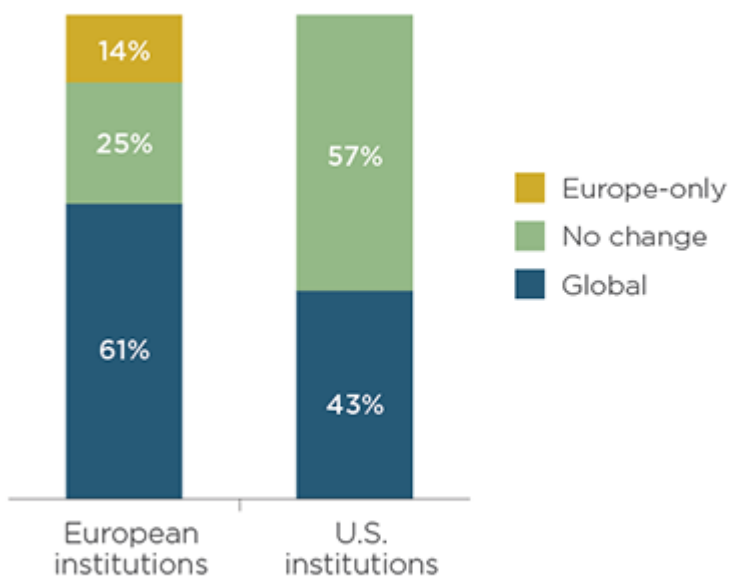
Executive Summary:

Implementation of the MiFID II directives in the U.K. and Europe is now less than a year away. European, U.K. and U.S. asset managers no longer have the luxury of time to address the changes necessary to be MiFID II compliant. Greenwich Associates recently conducted a study canvassing U.S. and European buy-side investment managers to gain insights into how they are preparing for the MiFID II directives. This will be a momentous time for global equity markets, and clarity about the ramifications following the January 3, 2018 implementation date is gradually emerging.

Global Changes to Internal Processes

While determining the full extent of MiFID II on U.S. asset managers remains a murky endeavor, many are working to ensure the ripple effect from across the pond doesn't turn into a tidal wave. Numerous U.S. asset managers with substantial business in the U.K. and Europe are choosing to adopt global practices to lessen the burden of maintaining distinct research management processes in different regions. In theory, as large global investment managers adopt global processes, smaller firms will follow suit.

PLANNING CHANGES TO RESEARCH EVALUATION PROCESS



Note: Based on 57 U.S.-based respondents and 42 European-based respondents.

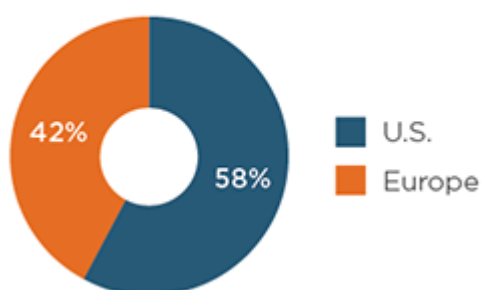
Source: Greenwich Associates 2016 MiFID II Unbundling and Research Budgeting Study

Although brokers prefer accepting bundled payments, pricing research and accepting payments in a myriad of different formats is a hassle. Furthermore, when institutional investors begin to see increased transparency in their European investment research spend, they may mandate that their other investment managers do the same. As such, if the global goliaths unbundle, U.S. investors will likely do so as well—despite the lack of a regulatory directive.

Methodology:

From October through November 2016, Greenwich Associates interviewed 99 buy-side U.S. and European equity broker liaisons, heads of commission management, and head traders. Respondents answered a series of qualitative and quantitative questions about the structure of their research budgeting, evaluation and payment process, and expected impacts from the changing regulatory landscape as a result of the MiFID II directives coming out of Europe.

RESPONDENT DEMOGRAPHICS



www.greenwich.com | ContactUs@greenwich.com

Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics and insights to the financial services industry.

We specialize in providing unique, high-value and actionable information to help our clients improve their business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide.

CRISIL is India's foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and Singapore.

For more information, visit www.crisil.com

Disclaimer and Copyright

This Document is prepared by Coalition Greenwich, which is a part of CRISIL Ltd, an S&P Global company. All rights reserved. This Document may contain analysis of commercial data relating to revenues, productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies' products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Coalition Greenwich as on the date of the Document and Coalition Greenwich has no obligation to update or change it in the light of new or additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data in this Document may reflect the views reported to Coalition Greenwich by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES COALITION GREENWICH BELIEVES TO BE RELIABLE. COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT. COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT.

Coalition Greenwich is a part of CRISIL Ltd, an S&P Global company. ©2024 CRISIL Ltd. All rights reserved.

