

“Robeco Chief Urges EU To Back Independent Research”

By Pauline Skypala

Ft Report - Fund Management, February 14, 2005 Monday

George Moller, chief executive of Robeco, has called for the European Union to kick-start the independent research sector in Europe amid concerns that the US is moving ahead on this front.

He said investors had demonstrated unequivocally their view that independent research has value to add, and that a majority were not convinced that disclosure by investment banks was adequate to enable investors to adjust for any potential bias.

"This is the first time top institutions have stood up and said this is important," said Mr Moller.

The views, expressed in a report by the Independent Research Think Tank, chaired by Mr Moller, came from 31 investment groups looking after combined assets of nearly Euros 2,000bn.

But despite the enthusiasm for independent research, there remains a question mark over how much investors are willing to pay for it. The report found most institutions allocated little, if any, of their commission budget to such research, partly because of the pressure to cut transaction costs.

This has held up the development of independent research firms in Europe, which have difficulties reaching critical mass. The problem was compounded by the cross subsidisation of research by large investment banks, which were often prepared to offer investors research at below cost or even free, the report said.

Mr Moller said independent research firms needed to reach a certain size to be credible, which in turn required financial strength or a source of income. Robeco, and its parent Rabobank, have jointly funded independent research firm Iris for more than 12 years.

The Think Tank's report has been sent to Charlie McCreevy, the EU's internal markets commissioner.

"We hope Brussels will take this seriously and look at what has been developed in the US," said Mr Moller.

Independent research provision in the US has been boosted by the Dollars 1.4bn settlement forced on 10 Wall Street firms by the Securities and Exchange Commission following a probe into analyst conflicts of interest. The firms have agreed to spend Dollars 432m on independent research and have committed to using at least three independent research firms until 2009.

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