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Trade body boosts research use

The use of independent research by fund managers and pension schemes is expected to increase as the need for unbundling edges closer.

Speaking at the launch of the European Association of **Independent Research Providers (EUROIIP)**, European commissioner, **Charlie McCreevy**, said the development of a trade body will help define the independent research market and encourage fund managers to reconsider how they obtain research as well as manage conflicts of interest.

"In the area of research, the Market Abuse Directive contains a comprehensive regime for the disclosure of conflicts of interest by research providers. Any research provider has to disclose conflicts of interest that might impair the objectivity of the research.

"The MiFID (Markets in Financial Instruments Directive) complements the Market Abuse Directive by setting out organisational requirements for investment firms for handling conflicts of interests," McCreevy said.

"In our view, the Market Abuse Directive and the MiFID should go a long way towards addressing the problems of bias in research which we saw most glaringly during the stock market bubble at the beginning of this decade."

McCreevy acknowledged calls for greater promotion of independent research but said he does not have plans to overlegislate.

"I will generally only legislate where there is a market failure and where the benefits of doing so clearly outweigh the costs," he said.

"At this stage, on independent research, we are not yet convinced there are any significant failures."

Applications for membership of the trade body have already been received from independent research houses in the UK, France, the Netherlands, Germany, Italy and Scandinavia, and it is hoped the establishment of the body will promote the sector.

Christina Sinclair, head of institutional business policy at the Financial Services Authority, said the independence of research is influenced by conflicts of interest and it was important that research was not influenced by other people.

"For example, fund managers should not take analysts to pitches, and salaries should not be linked to success," she said.

"The independent research market will not require regulation and will not be regulated, but it will be subject to MiFID," Sinclair added.

Sinclair said the need for unbundling has "shined a light on how research is provided and we will see changes going forward".

Sinclair said the trade body will help develop a more level playing field between the sell-side and independent research.