

***Independent Research Providers call for
'Action Now' as MiFID II bites***

Press Release

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- Inducements risk cannot apply for services provided by IRPs
- Predatory pricing from investment banks threatens quality & differentiated research, damaging ultimate asset owners
- Market distortion may become embedded practice, undermining the true aims of MiFID II

A special meeting, under the auspices of Euro IRP – the industry group for independent research providers – attended by over sixty IRP firms, and with observers from both the FCA and the AMF, has revealed major concerns. These are that the way MiFID II rules on the provision and use of investment research for institutional investors, may lead to serious unintended consequences, by limiting the visibility and take up of independent research and advice. All member firms present agreed that the independent sector was experiencing turbulence in the short term. The current market for research under MiFID II is not functioning effectively - this could be to the detriment of the end investor.

In particular, asset managers should be able and encouraged to work with independents without the restrictions of inducement rules as independents cannot by definition induce asset managers to take other financial services as a bank can. In addition, predatory pricing and cross-subsidisation by banks undermines the value of quality research and that forward thinking asset managers and regulators should resist this sooner rather than later.

Chris Deavin, Chairman of Euro IRP said *'there is genuine concern from independent research providers (IRPs) that the core intent of MiFID II – to provide asset owners with much greater value for money and transparency on the investment research that fund managers purchase to inform their investment decisions – is being distorted and undermined by how the sellside and buy-side are applying MiFID II in their provision and use of investment research services.'*

He continued *'we welcome the commitment of the regulators, such as the FCA, the AMF and ESMA, to actively review and enforce how the investment research market is working in practice. We also welcome the recent FCA statement at a conference that the buy-side community can receive marketing, trial services and interactions from any IRP, free of risk of regulatory inducement scrutiny. However, we encourage the FCA to be explicit on this to the buy-side. More needs to be done now to ensure that a vibrant, independent research sector, offering high quality, differentiated products and ideas, can flourish going forward. Euro IRP will continue to work closely with ESMA and regulators on guidance around market mispractice, such as on pricing and trialling of services, and is actively collecting data to support these initiatives.'*

April 18, 2018

Euro IRP *The European Association of Independent Research Providers represents the interests of independent investment research firms which are based in Europe, or which have clients or activities in Europe. Founded in 2005, Euro IRP has over 70 member firms, and pursues four key goals –*

- *To enhance the awareness and reputation of independent research*
- *To change the perception that research is free*
- *To work with regulators and investors to promote the awareness and acceptance of payment structures*
- *To improve the regulatory and fiscal environment in which independent research firms operate*

- ENDS -

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