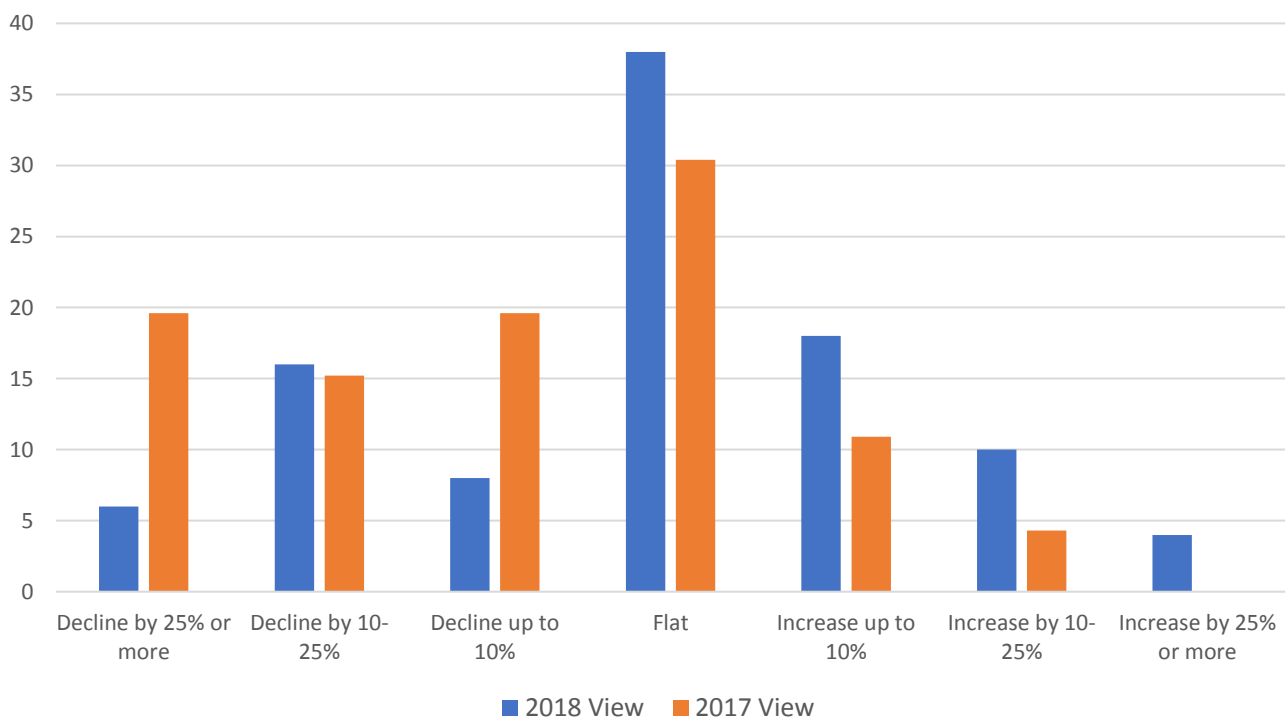


New Euro IRP Survey highlights Research Pricing continues to threaten an inducement risk for asset managers

PRESS RELEASE

- 84% of Euro IRP members are calling for urgent action on research pricing, amid deep concerns about cross-subsidisation of research services by the investment banks.
- Revenues for IRPs are flat or declining for many firms, with real pressure on margins, driven by asset managers cutting the number of research providers they use; and by their reluctance to accept trials or marketing, for fear of breaching inducement rules. Independent research providers, by definition, present zero risk of inducement.
- Over the next two years, whilst the majority view of IRPs that prices will be flat, there is no uniformity of sentiment. It is noteworthy that compared with last year, there is more expectation of prices rising.
- Research pricing remains opaque, and as part of addressing this, Euro IRP is providing average prices for seven key components of research services. The average price for an annual full research service provision from an IRP is \$45,200; and the average price for a full, in-depth thematic report is \$7,500.

Direction of Research Pricing over the next Two Years



The 2018 Euro IRP Members Study presents a complete picture of the status of independent investment, and the challenges and opportunities in the market. Chris Deavin, Chairman of Euro IRP commented *'We continue to be a firm advocate of the aims of MiFID II, to bring full transparency and accountability to investment research provision, consumption and payments – for a more efficient, equitable marketplace, for the true benefit of end investors'*.

Chris Deavin added *'Euro IRP and our member firms individually, are however, truly concerned that parts of MiFID II, most notably research pricing, are not functioning as they should. This is not in the main due to regulatory failings, nor to the attitude or activities of asset managers. Rather it is predominately the continuance of cross-subsidisation of their research by investment banks and major brokers, which is preventing a true level playing field for research providers, and denying the best outcomes for end investors. We welcome the FCA announcement they are placing research pricing under 'very close scrutiny', and we hope the findings of our report can assist in that process'*.

The 2018 Euro IRP Survey report contains an extensive range of data and findings on the investment research market, including as well –

- How the buy-side is adopting hard dollar payments for research
- The development of the 'broker vote' to a 'research vote', with the focus on quantitative data rather than qualitative assessment
- Potential direction of research pricing over the next two & five years

August 7, 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 -

Contact

Steve Kelly, Special Adviser, Euro IRP
steve.kelly@euroirp.com
+44 (0)7423 758 736