

Business as Usual? Eying Fundamental Change in Payment for Research

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Executive Summary:

While the majority of cash equity commissions are currently allocated to brokers as compensation for research services, European regulators contend that while investment managers are more rigorous when purchasing research services from their own wallet, they become "sloppy buyers" when spending their clients' money.

The more radical solution put forward in Europe is full unbundling, which would require investment managers to pay hard dollars for research out of their own P&L.

Greenwich Associates believes such an outcome would be a "solution in search of a problem," likely lessening the availability of sell-side research, which in turn would meaningfully disadvantage small/mid-sized asset managers unable to support large in-house research teams of their own.

Methodology:

Greenwich Associates conducted in-person and telephone interviews regarding the U.S. equity investing with 243 U.S. equity portfolio managers and 321 U.S. equity traders between November 2014 and February 2015. Respondents answered a series of qualitative and quantitative questions about the brokers they use and their businesses in the U.S. cash equity space.

The data reported in this document reflect solely the views reported to Greenwich Associates 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. Greenwich Associates compiles the data received, conducts statistical analysis and reviews for presentation purposes in order to produce the final results. Unless otherwise indicated, any opinions or market observations made are strictly our own.



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