Business as Usual? Eying Fundamental Change in Payment for Research

May 28, 2015

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.

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