Broker Vote Mechanics: Valuing Sell-Side Research and Compensating Brokers

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Executive Summary:

The broker voting process is taking on growing importance for institutional investors.

Facing serious balance sheet constraints and return expectations, brokers are taking a hard-nosed look at research costs and revenues and altering the way they allocate resources to maximize profitability.

Institutions are also watching the horizon for the impact of regulatory reforms in Europe that could bring sweeping changes to the way institutions value and pay for research.

Methodology:

In May 2015 Greenwich Associates interviewed 118 buy-side U.S. equity broker liaisons, heads of commission management, and head traders. Respondents answered a series of qualitative and quantitative questions about the structure of their broker vote process, valuing broker research, and expected influences from the changing regulatory landscape coming out of Europe. All respondent institutions in Greenwich Associates Equity Investors research are placed into one of seven tiers, based on their aggregate cash equity commissions generated. Greenwich Associates Priorities are the largest commission generators, comprised of Tiers 1-4.

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Greenwich Associates is planning to extend its series of Roundtable Discussions on Research Budgeting and the Broker Vote in the months to come and to conduct additional research among asset managers after European regulations are unveiled. To participate in the research or in the Buy-Side Roundtable Discussions, please contact Will Llamas at +1 203.625.4310 or William.Llamas@Greenwich.com.

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