

Investment banking research departments face potential losses of up to USD 240 million by 2020

Quinlan & Associates sees alternative research models for brokers

Hong Kong, 26 June 2017 – Quinlan & Associates, an independent strategy consulting firm specialising in the financial services industry, has released a follow-on thought leadership paper looking at the changes in the investment research industry triggered by MiFID II.

This latest report, titled *A Brave Call*, focuses on the dilemma faced by the traditional sell-side and the rise of independent research providers (IRPs).

'We believe it is the sell-side that is facing the largest competitive disruption, with downside risks greatest for the global investment banks', said Benjamin Quinlan, CEO & Managing Partner and lead author of the report. The report discusses the inherent conflicts between the research and investment banking departments of full-service investment banks, supported by empirical evidence around stock recommendations. 'Regulation to-date has failed to fully resolve the inherent conflicts', added Yvette Kwan, co-author of the report, 'whilst the structural complexity and costs of sell-side research departments remain stubbornly high.'

At the same time, IRPs have been steadily gaining traction, reflecting their capacity to produce high-quality, in-depth independent analyses at a considerably lower cost than major sell-side brokerages. 'We have seen a host of new IRPs emerge, with analysts from bulge bracket firms capitalising on low barriers to entry to set up their own firms, as well as consolidation amongst existing IRPs', said Mr Quinlan. From a buy-side perspective, the report explores the IRPs' proposition, including specialised content and flexible payment options, which is especially compelling for smaller managers. 'Additionally, many IRPs have developed their platforms or ecosystems from the bottom up, including innovative content management and built-in compliance with the latest regulations, without the burden of legacy systems', said Ms Kwan.

In the report, Quinlan & Associates discusses the alternative research models available to brokers in the wake of this rising competition. Options include operating research out of a separately-owned entity, and outsourcing research to IRPs either directly or via online research marketplaces (ORMs), such as Société Générale's partnership with Smartkarma. 'The most important priority for brokers now is to start making decisions around the structural make-up of their investment research offering', said Mr Quinlan, 'as the status quo of the fully-integrated model is no longer an option.'

About Quinlan & Associates

Quinlan & Associates is an independent strategy consulting firm specialising in the financial services industry. The Company is the first firm to offer end-to-end strategy consulting services. From strategy formulation to execution, to ongoing reporting and communications, Quinlan & Associates translates cutting-edge advice into commercially executable solutions. With a team of top-tier financial services and strategy consulting professionals, and a global network of alliance partners, Quinlan & Associates provides its clients with the most up-to-date industry insights from around the world, positioning the Company as a leader in this field.

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