

MiFID II unbundling regulations forecast to shrink global research wallet by up to 25-30% by 2020

Quinlan & Associates predicts major shake-up in sell-side research market

Hong Kong, 22 August 2016 – Quinlan & Associates, an independent strategy consulting firm specialising in the financial services industry, has launched a landmark report looking at the impacts of Europe’s reviewed Markets in Financial Instruments Directive (MiFID II) regulation on sell-side research brokers, focused specifically around the topic of research unbundling.

According to the new regulations, brokerages providing both research and execution services will need to supply and price them separately. This reflects the view of the European Securities and Markets Authority (ESMA) that under the current research payment model (i.e. bundled advisory and execution commissions), research can be seen as an inducement to trade and may give rise to a conflict of interest.

The report, titled “Research in an Unbundled World: The Outlook for Sell-Side Research Providers Post-MiFID II,” also outlines the key strategic and operational considerations that sell-side brokers will need to tackle in the lead-up to regulatory ‘go live’ on 3 January 2018.

“Going forward, fund managers will need to pay for research by either using their own resources or through the use of highly regulated research payment accounts (RPAs). Greater transparency will force the buy-side to become more disciplined in their research spend, with a 25-30% reduction in global research wallet forecast by 2020,” stated Benjamin Quinlan, CEO and Managing Partner at Quinlan & Associates and author of the report.

“We also see considerable disruptions in the competitive landscape, including a narrowing of waterfront coverage by global banks and a proliferation of independent research providers.”

“While sell-side institutions have made some effort to get their heads around the new regulations, we believe they still have a long way to go in preparing for the monumental implementation challenges that lie ahead, especially with respect to research pricing, billing and payments.”

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.

For more information, please visit www.quinlanandassociates.com.

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