

Justin Urquhart Stewart Blog: MiFID II – The days of quid pro quo are long gone, and about time too

Whilst the ‘Day of the Mifids’ on 3 January has been and gone, ‘Mifid Groundhog Day’ might be a more apt description for overworked compliance departments. Just like John Wyndham writes in ‘The Day of the Triffids’, “When almost half a lifetime has been spent in one conception of order, reorientation is no five-minute business.”

In other words, MiFID II work very much continues in earnest, not least fine-tuning how the required charges data can be presented as clearly and transparently as possible. Providing the industry can get this right (and we do genuinely believe that we are in a good position), this should be a real positive for investors.

As always, our focus is on our clients and we would hope that they would see little direct impact from the changes that the directive brings. The overall intention of the legislation is to enhance the efficiency and transparency of markets, which should of course be to investors’ benefit.

Now one of the key areas of scrutiny has been that firms now have to separate out the costs of research from all their other costs. This means that the companies that provide research have to charge clearly and explicitly and if firms pass these charges on to clients, companies have to be transparent about it too. The days of quid pro quo are long gone, and about time too.

For our part, it’s pretty much business as usual on research costs, since in the past we already absorbed research costs in the vast majority of cases. Now we are absorbing 100% of research costs.

But we don’t live in a perfect world, and the laws of unintended consequences are always hard to predict. Now that investment banks and those who broker and execute transactions have to unbundle the costs and charge for it, the banks will start competing directly with the far smaller independent research industry. In other words, Darwinism is alive and well – increased competition may see the demise of some industry players, and who knows, perhaps even the restructuring of the industry.

However, from the perspective of start-ups, it’s possible that the need to pay for research will make life harder for them, because they now need much more funding. That won’t help competition in the investment management industry.

For our own part, our priority is to ensure that the changes that take place do not reduce the quality of our internal research or the decision-making that it drives. We will be watching what unfolds carefully.

For advisers, we have a [webpage](#) dedicated to MiFID II, from webcasts through to introductions and information on transaction reporting, which can be accessed directly at www.7im.co.uk/mifid. We have also [published](#) the top MiFID questions (with answers) that we have received from advisers.

With the ‘Day of the MiFIDs’ due to run for a good while yet, we may well be adding to this library of information for some time to come. It seems the industry’s penchant for jargon and acronyms has a good way to run too, but we have done our best. It seems that we can’t coin a new phrase for MiFID that will stick, so we had better get used to it and in true sequel style, look forward to MiFID III.

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