

Key Points

- Strategy Level Research Budgets – Firms must document why they have grouped portfolios together to create the strategy budgets.
- Asset owners must be informed of the quantum of their research budget in advance of the research services being purchased/delivered.
- Asset owners must agree to research budgets.

Note: Although the MiFID II does not start until January 2018, given the requirement to secure asset owner approval, firms will likely want to communicate budgets in 2H 2017 to allow time to deal with asset owner questions/objections that may arise. This suggests that the methodology for grouping strategy budgets and determining their size and client allocation would have to be in place by the end of 1H 2017.

- Will apply to UCITs funds
- Non-equity asset classes must also have strategy level research budgets – RPAs required (if client money is used)
- Clients and regulators have can request data on research providers paid, amounts versus budget and benefits and services received by the asset manager – relating to their account.
- Managers must keep list a of services received and how they enhance the quality of service provided to the asset owner given the portfolio strategy of the product.
- Written research valuation policy

RPAs

- Funds must be swept from broker CSAs to RPAs within the settlement period
- All research payments must be via RPA. Not possible to “leave” funds with CSA brokers to compensate them for their own research.