



Paper Link: [“The Use of Dealing Commission for the Purchase of Investment Research”](#)
IMA: www.investmentuk.org

Changes from Earlier Drafts

1. More rigorous defence of current system
2. Definitive call for any changes in commission to be in an international context through IOSCO
3. Clearer definition of research including sub-categories (SUBSTANTIVE)
4. Rejects that research producers cannot value research
5. Calls for price transparency from producers – threatens sequential declines in payment if they do not.
6. LACK OF DATA POINTS on relative research pricing. – PARTICULARLY RELATIVE TO EXUCTION
7. Risk of regulation impeding global flow of research

Risks of Banning Commissions

1. Lack of UK competitiveness in asset management.
2. UK research job losses
3. Reduction of asset manager competition through damaging smaller managers
4. Reduction in available research

Recommendations:

Research

1. Research budget setting – independent review (not portfolio managers) and internal consistency checks - CFO oversight, end of year audit.
2. That compliance *not portfolio management* should oversee the process
3. Oversight of the research commission allocation be substantially expanded, to the board level if research expenditures are as large as other expenditures which have to get board approval – increases risks to asset manager boards around commission allocation.
4. Keep appropriate (far better) records of research consumed.
5. Check research budgets against whatever quantitative measures exist.
6. Provide greater and more consistent feedback to research providers as to what products/ services are valued.

CSAs

1. Asset manager reconciliation of CSA balances.
2. Re-papering of agreements to clarify FX and unused balances