

## **Investment managers find it hard to measure the true cost of MiFID**

**London, 12 December 2006** – Few investment management firms have separate MiFID budgets, a recent forum run by Investit found. The FSA recently published a paper stating the total cost of MiFID could be as much as £1 billion, and the benefits could be £200 million each year. However, investment managers are able to absorb MiFID changes into existing 'business as usual' projects and use internal resources to run MiFID programmes. This makes it hard for both them and the FSA to calculate the true cost of MiFID for the investment management sector.

On 29 November, Investit ran a forum for current clients of its MiFID Toolkit, to discuss progress on their MiFID projects. There were 25 attendees representing nine investment management firms, one asset servicing company and the IMA. Eight out of the nine investment management firms attending did not have a separate MiFID budget; they are incorporating MiFID into existing business projects. A single programme manager is the only dedicated resource. So, investment managers are finding it complicated to estimate the true cost of MiFID.

Investit's MiFID clients named the MiFID projects that are generating the most amount of work as:

- Client categorisation.
- Transaction cost analysis.
- Best execution. Investit is now writing best execution policies for a number of firms.

Investit is conducting its first MiFID programme across both the asset management and asset servicing businesses of Northern Trust – to our knowledge; this is the first company of this type to run an in-depth, integrated MiFID programme.

Investment operations outsource providers and fund administrators are also feeling some of MiFID's impacts. Outsourcing is one key area that directly impacts both the asset manager and the asset servicer. Outsource contracts and the exact service definition will have to be reviewed to identify where MiFID issues arise and how they will be handled. And, while many of the services provided by asset-servicing firms are not directly within MiFID's scope, they do need to run MiFID programmes to ensure they identify which of their services, and therefore the legal entities delivering such services, do fall in scope. And many of their MiFID regulated clients will have raised expectations of the standards of service delivered to them by their administrator banks to ensure their compliance with MiFID.

***Commenting on the MiFID Toolkit Forum, Investit's Clare Vincent-Silk said:***

"Given the number of MiFID scare stories we've read, it's good news to hear that investment management companies are able to incorporate MiFID into existing 'business as usual' projects. It's apparent that MiFID projects are a lot less complicated than first feared."

***Commenting on the MiFID Toolkit, Friedrich Burian, Head of Risk Management, Northern Trust, said:***

"We consider MiFID to be the most important regulatory change in the last decade in Europe and we take its impact on our clients and our business very seriously. While the impact of MiFID on our business will vary from most investment firms, custody firms of similar size and scale will have like issues. We are absolutely committed to be MiFID compliant by November 2007 and are on target with our plans. We want to ensure that we continue to meet the highest possible standards across all our business activities for our clients and other stake holders. We were pleased to host the Investit conference and glad to contribute to a better understanding of the issues across the industry."

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## About Investit

Investit is the leading investment management consultancy. It has a unique range of services, providing expert advice across all areas of investment management companies, from front to back office. Investit also offers detailed research and benchmarking services. Investit was founded in 1998 and includes five core expertise areas: investments, client management, performance and risk, operations and technology. In 2002, Investit People was added to provide specialist recruitment services to support project work. Investit Intelligence completes the offering with a range of specialist surveys and detailed research papers. For more information, go to [www.investit.com](http://www.investit.com)

## About Investit's MiFID Toolkit

The MiFID Toolkit is an efficient piece of consultancy work, focusing specifically on buy-side impacts. It conducts detailed gap analysis that allows investment management companies to identify the operational and IT projects required to comply with MiFID.

- The Toolkit can be bought as a DIY handbook.
- Clients can also ask Investit to conduct gap analyses.
- Investit can also manage entire MiFID programmes.

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**Northern Trust Corporation** is a leading provider of investment management, asset and fund administration, fiduciary and banking solutions for corporations, institutions and affluent individuals worldwide. Northern Trust, a multibank holding company based in Chicago, has a growing network of 84 offices in 18 U.S. states and has international offices in 13 locations in North America, Europe and the Asia-Pacific region. As of September 30, 2006, Northern Trust had assets under custody of US\$3.3 trillion, and assets under investment management of US\$667 billion. Northern Trust, founded in 1889, has earned distinction as an industry leader in combining high-touch service and expertise with innovative products and technology. For more information, visit <http://www.northerntrust.com>. Northern Trust is authorised and regulated in the United Kingdom by the Financial Services Authority.