

## **Fund managers join forces to negotiate the price of sell-side research**

### **- Investit and Integrity Research launch Research and Execution Spending Survey -**

**London, 15 October 2007** – Investit, in conjunction with Integrity Research Associates of the US, has launched the Research and Execution Spending Survey. This enables investment management firms to compare what they each pay for research and execution. The survey gives managers the information to negotiate external research costs, demonstrate careful commission management to clients (and regulators) and compare the consumption of research by their analysts.

As Paul Myners explained in his 2001 review, “an important cost for institutions, namely broking commission, is subject to insufficient scrutiny”. Subsequent unbundling legislation, PS05/9, separated the payment for external research from execution. But the external research market remains very opaque. Brokers providing research are paid from execution linked commission negotiated separately with each manager. Brokers have proved unwilling to publish price lists. There is regulatory pressure to make this research market more transparent, as investment management firms’ clients ultimately pick up the bill.

The Research and Execution Spending Survey has been developed in conjunction with a panel of investment management firms. The survey gathers information from participating investment management firms on the cost of the external research they buy and benchmarks this against their peers. It also gathers information on what is paid for different types of execution services and research inputs. The survey methodology is based on that of Investit’s market-leading IT Value Survey.

The survey will enable investment management firms to:

- **Know the market** – this information is better than price lists as firms can see the true amounts really paid for research. Price list are a basis for negotiation.
- **Benchmark against peers** – firms can see how their spend compares with competitors for similar service levels, broker by broker
- **Negotiate with providers** – the range of spend per service level enables more informed negotiation
- **Manage research spend** – firms can compare the research spend per user
- **Demonstrate transparency** – firms can demonstrate best practice to clients and regulators in managing commission spend

***Richard Phillipson, Principal Consultant at Investit said:***

“Fund managers and the FSA have been looking for a market-led solution to make the market in services bought from brokers with client commission more transparent. This survey helps meet that need. Fund managers can now compare what is paid for a range of broker services with what their peers are paying. Up until now only the brokers knew what all the managers were spending; this helps close the information gap.”

- Ends -

**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. Investit People provides 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 Integrity Research Associates**

Initially founded in 2000, Integrity Research Associates, LLC offers leading edge research, insightful analysis, objective ratings, and customised consulting to help meet the business needs of senior executives at investment banks and brokerage firms, portfolio managers at buy-side institutions, and hedge fund managers.

**For further information**

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