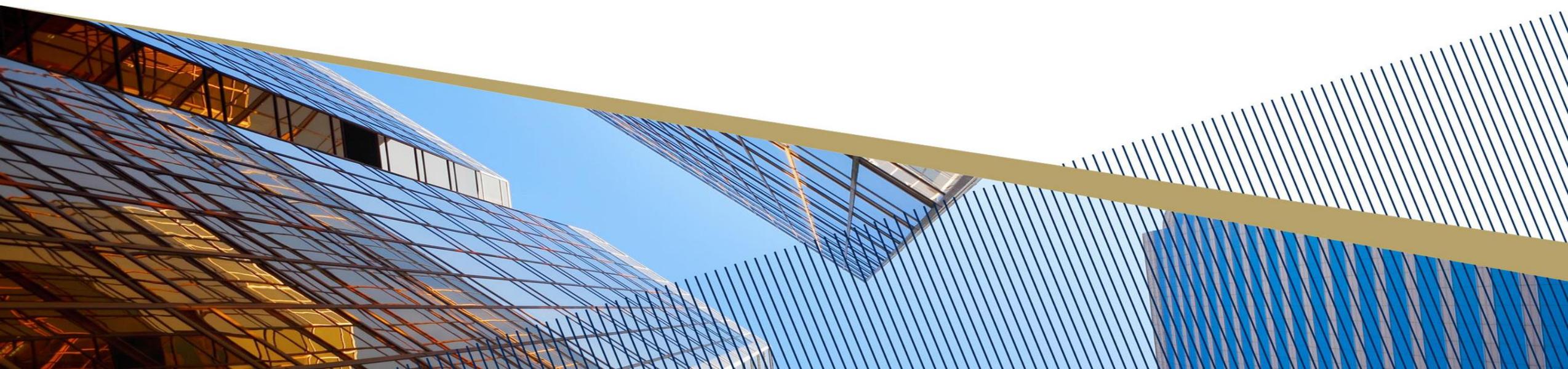


ICMA
AMIC FICC Research Unbundling Survey results
November 2017



Introduction

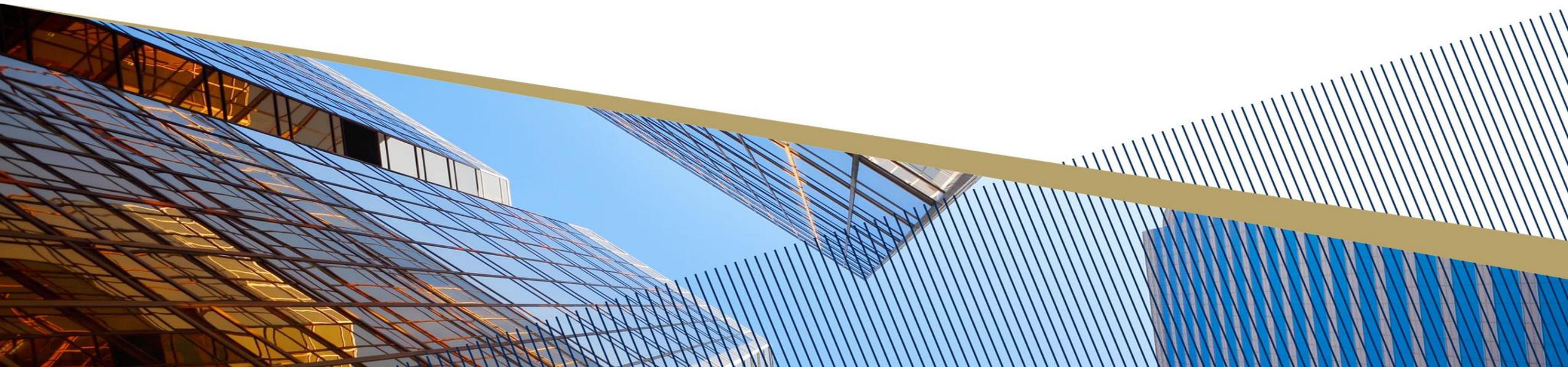
In October 2017, ICMA's Asset Management and Investors Council (AMIC) surveyed its members to discover firms' current intentions and progress regarding their implementation of MiFID II research unbundling with a specific focus on FICC research only.

This summary sets out the key elements of the survey results.

Individual firms are not identified. If you have any questions or comments on the survey results, please contact Bogdan Pop (Bogdan.Pop@icmagroup.org) or Patrik Karlsson (Patrik.Karlsson@icmagroup.org).



Respondent Breakdown



Respondent breakdown

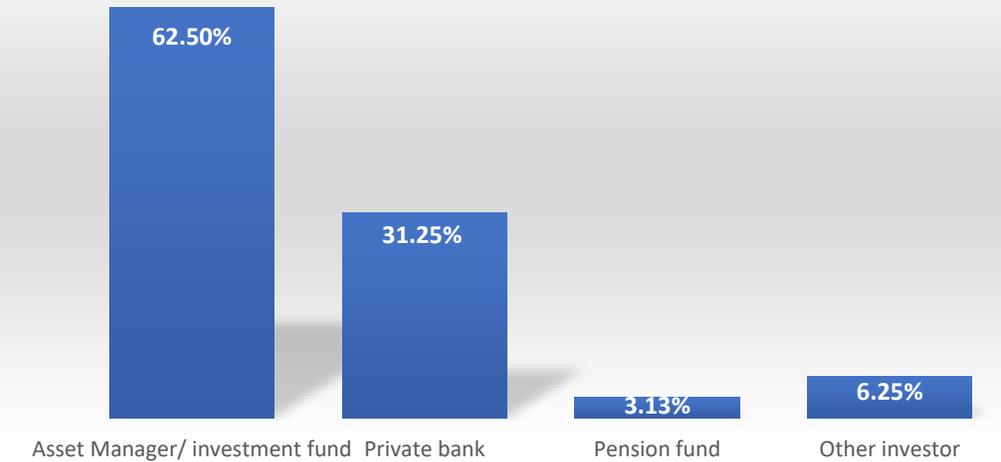
In respect of types of firms, respondents classify as:

- **62%** asset managers or investment funds;
- **31%** private banks;
- **3%** pension funds; and
- **6%** other investors.

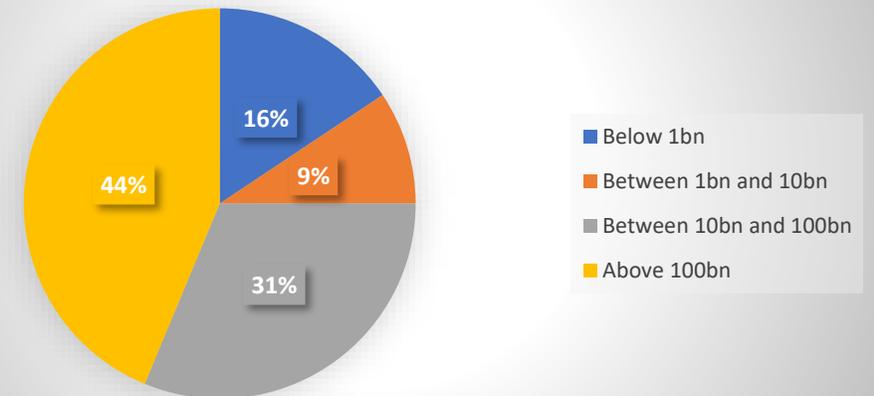
In terms of AUM (expressed in USD) respondents classify as:

- **44%** above \$100bn;
- **31%** between \$10bn and \$100bn;
- **9%** between \$1bn and \$10bn; and
- **16%** below \$1bn.

What kind of firm are you?



What is your AUM (expressed in USD)

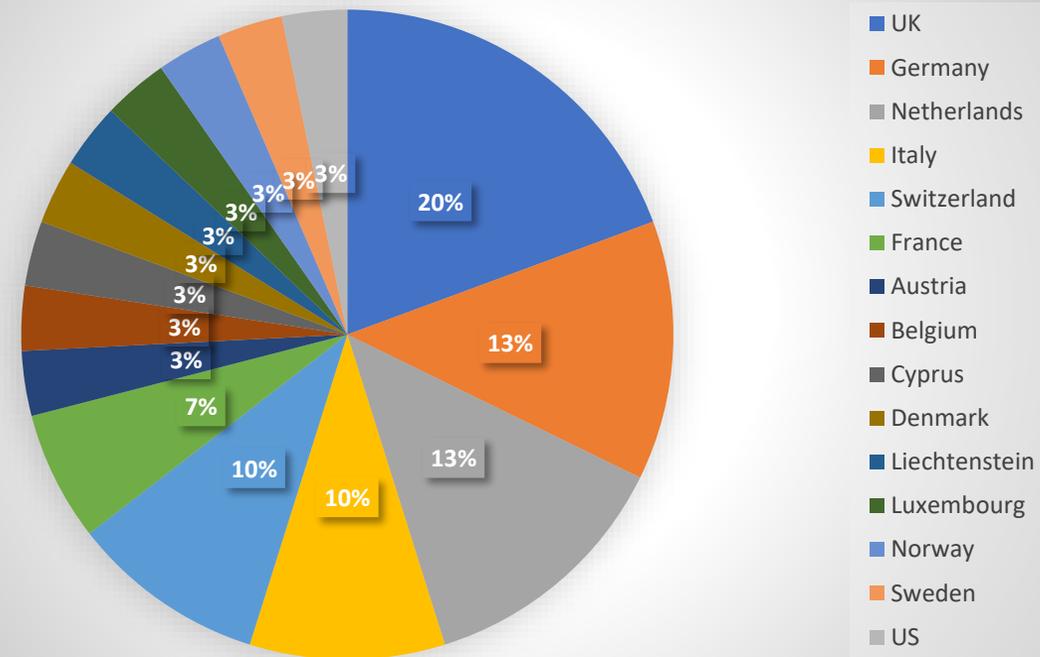


Geographical location

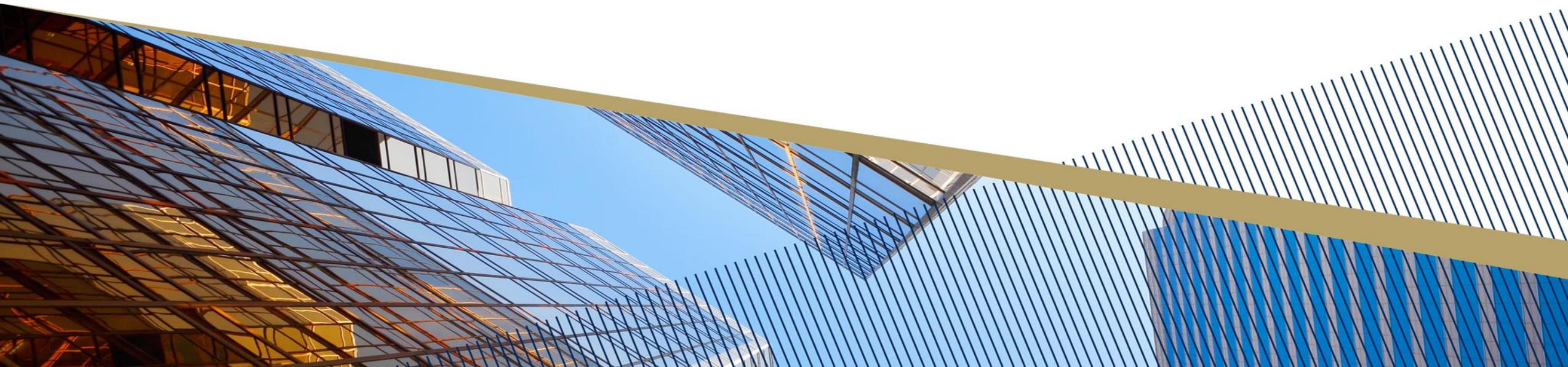
The respondent firms are based in a good mix of 15 mostly European countries with the biggest proportion being:

20% in the UK;
13% in Germany;
13% in Netherlands;
10% in Italy;
10% in Switzerland; and
7% in France.

What country are you based in ?



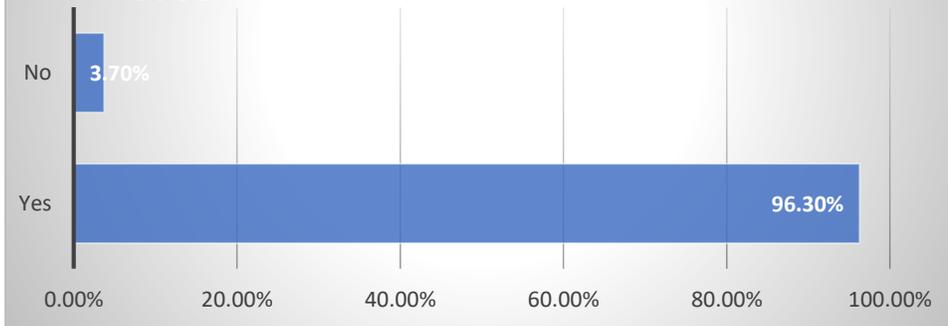
Rule awareness and state of play



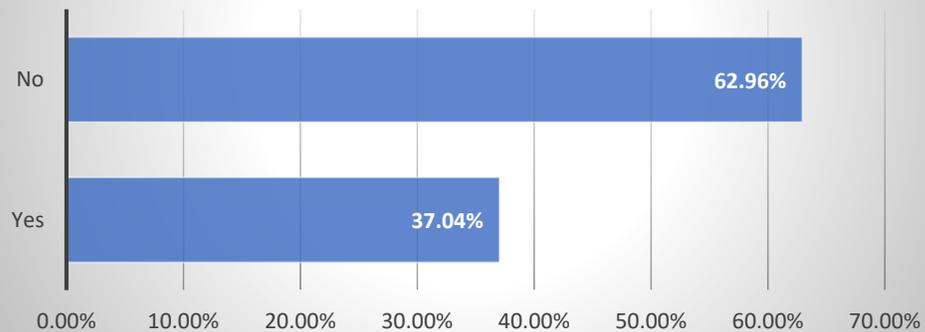
Rules awareness

The majority of firms, 96%, are aware of the application of the new rules and the ESMA guidance on FICC research.

Are you aware of the application of the new MiFID II research unbundling rules and ESMA guidance on FICC research?



Are you already compliant with the MiFID II research unbundling rules with regard to FICC research?



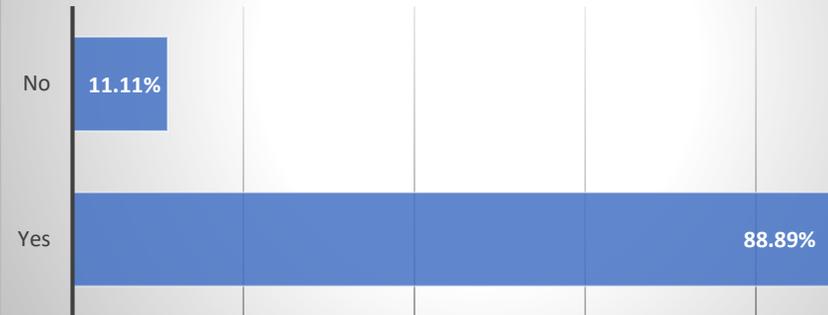
Already compliant?

Some firms, 37%, are already compliant with the new rules, while the others are actively working on becoming compliant.

Compliance by deadline

The majority of firms, 89%, expect to be compliant by the 3 January 2018 deadline. The 11% who do not, are likely from countries who may not have the same implementation deadline for MiFID II, such as Switzerland.

Do you expect to be compliant by the 3 January 2018 deadline with regard to the FICC research you consume?



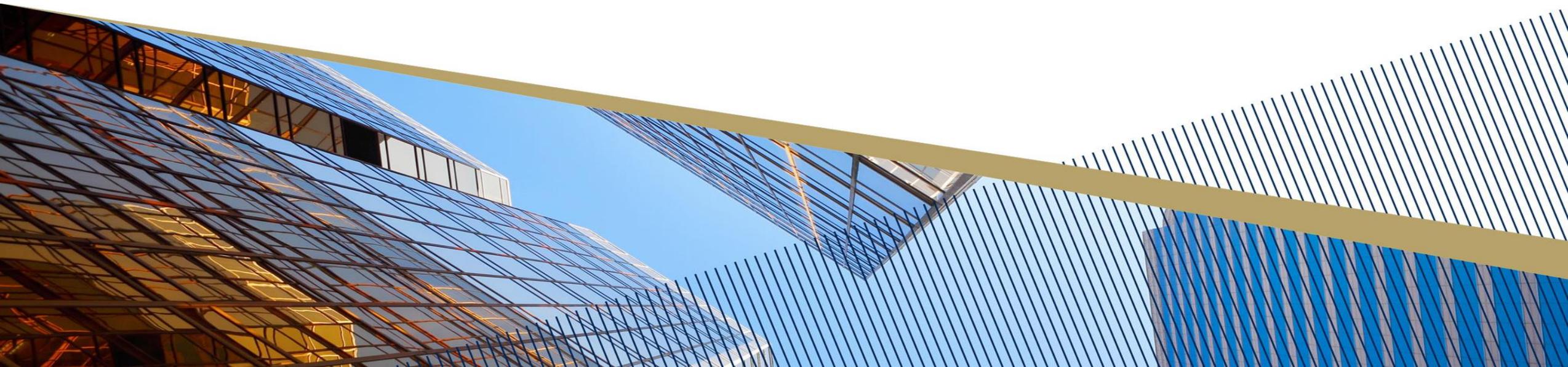
Have you received guidance from your national regulator about the national implementation of research unbundling for FICC research?



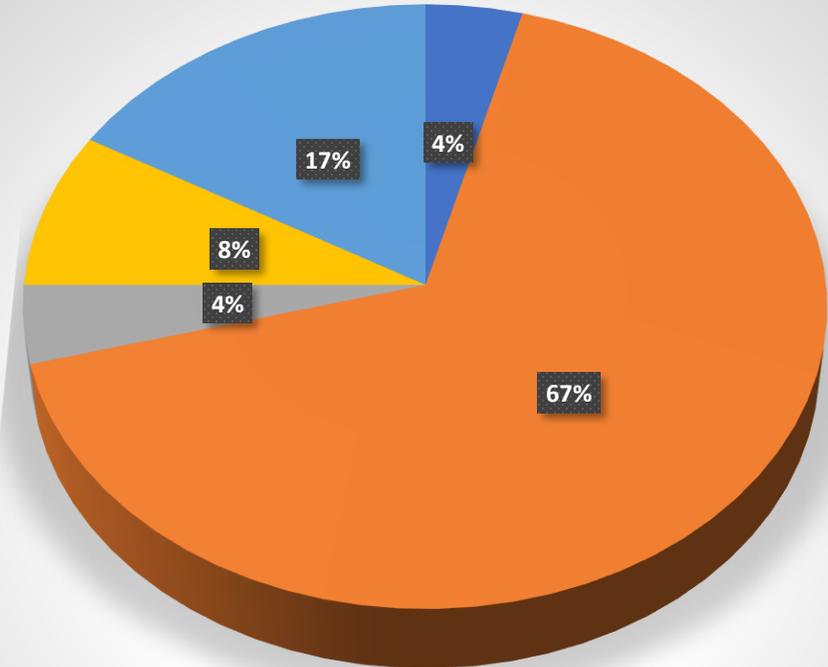
Guidance from regulator

Half the firms have responded that they have not received guidance from their national regulator about the implementation of research unbundling for FICC research.

Specifics on paying for FICC research



How do you intend to pay for FICC research from 3 January 2018 under the new MiFID II research unbundling rules?



- Use a Research Payment Account (RPA) which will be funded by a charge to clients
- P&L (hard dollar)
- A combination of the above
- Do not intend to pay for research from external sources
- Have not decided

Payment for research

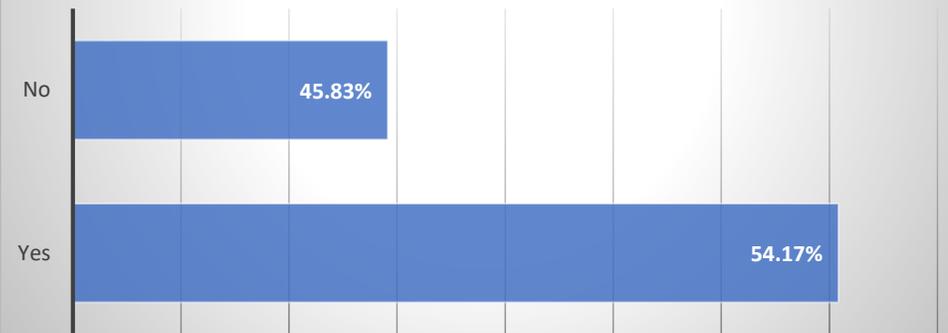
In line with recent market developments, the majority of asset managers intend to pay for research themselves.

- 67% of firms intend to pay for FICC Research using their P&L
- 17% are still undecided
- 8% do not intend to pay for external research
- 4% intend to use an RPA funded by charge to clients
- 4% intend to use a combination of the above

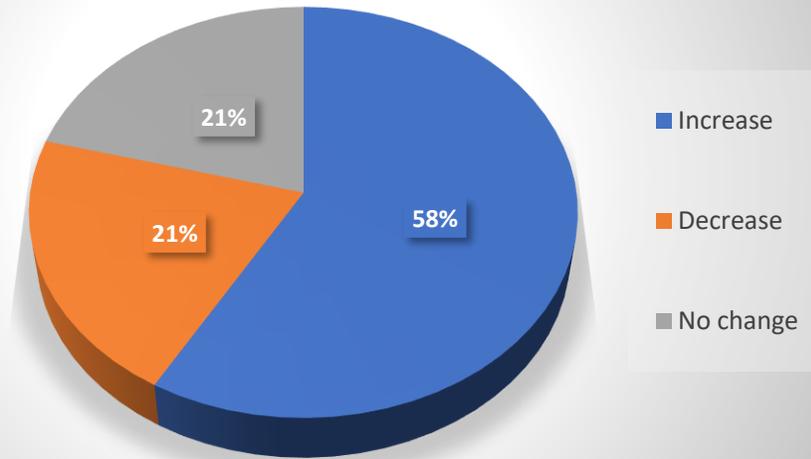
Approached by research providers?

With only two months left, it is concerning that up to 46% of respondents state that they have not yet been approached by a significant majority (75%) of their existing FICC research providers.

Has your firm been approached by a significant majority (75%) of your existing FICC research providers about potential pricing arrangements from 3 January 2018?



After MiFID II is applied, how do you expect your FICC research spend to change?



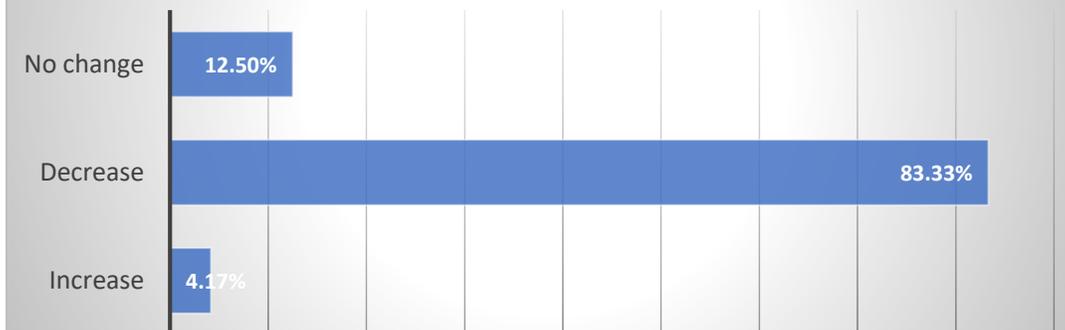
Changes in FICC research spend

The majority of respondents (58%) expect FICC research spend to increase. The remainder are equally split (21%) between FICC research spend staying the same and FICC research spend decreasing.

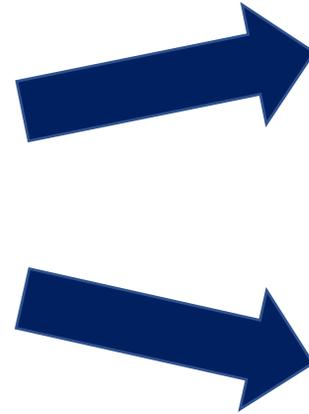
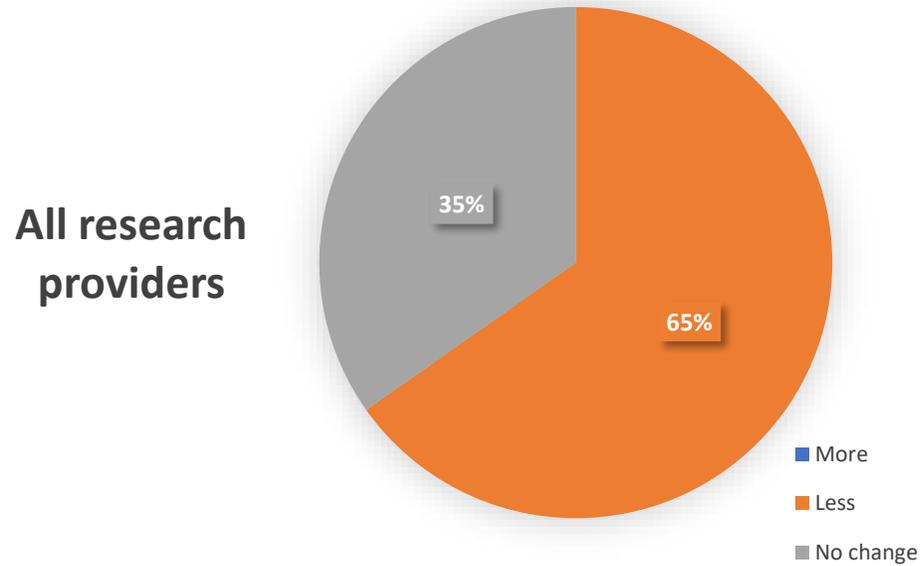
Changes in the number of FICC research providers

The majority of respondents (83%) agree that they will use a smaller number of research providers once the new rules come into effect.

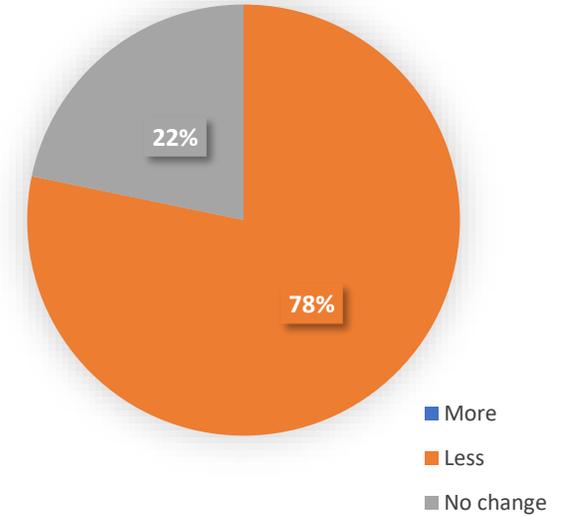
How do you expect the number of providers whose FICC research you consume to change?



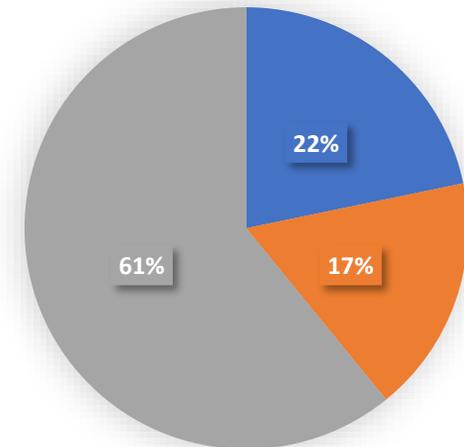
Do you expect to consume more/less FICC research in the new MiFID II world from the following sources?



Brokers



Independent research providers

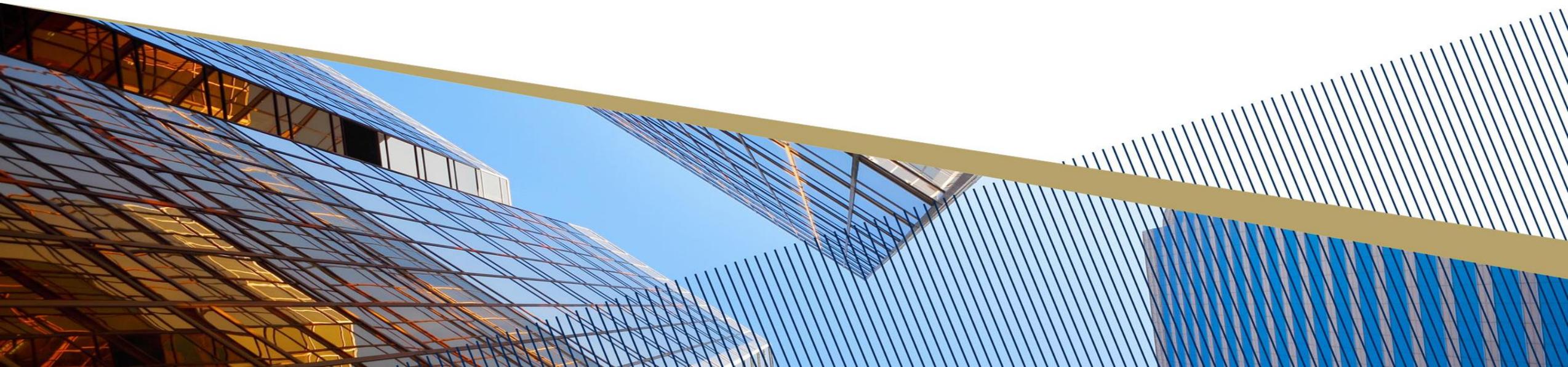


Trends in the consumption of research

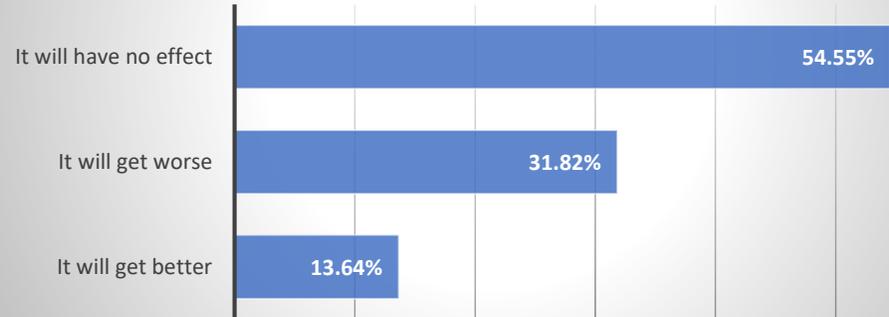
The majority of respondents (65%) agree that the demand for FICC research is going down, while a minority (35%) say it will not change.

Overall independent research providers are expected to get a larger slice out of the shrinking pie.

Impact on quality, performance and in-house research



What effect do you think the MiFID II rules on research will have on the quality of FICC research?



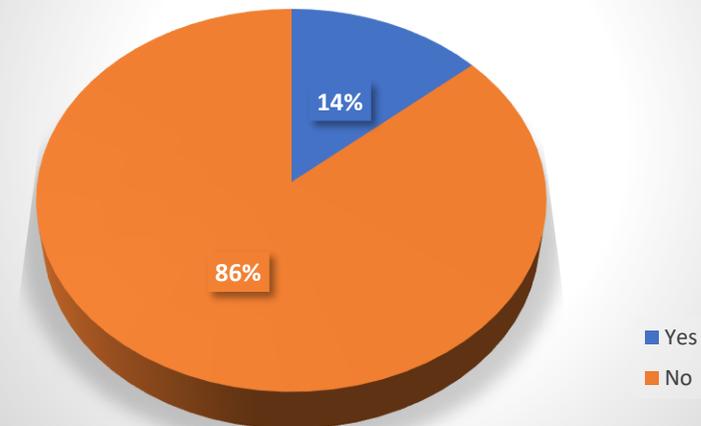
Quality of FICC research

The majority of respondents (54%) believe the quality of research will not change following the implementation of MiFID II. However, 32% believe research will get worse, while 14% believe it will get better.

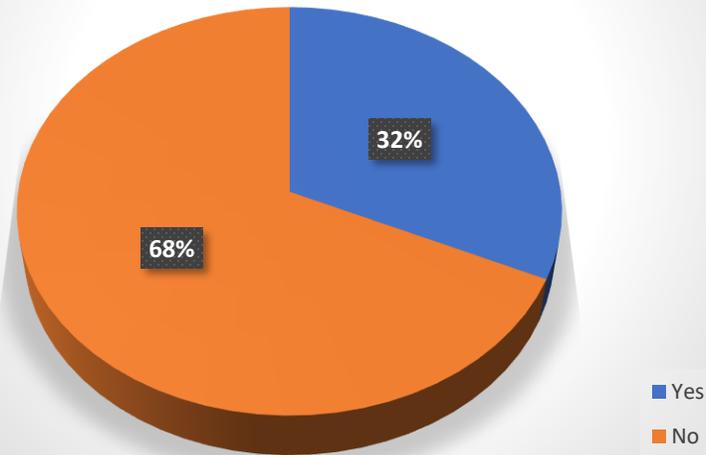
Impact on fund performance

The majority of asset managers are confident that the reduction in the number of FICC research providers will not have a negative impact on their funds' performance. 86% of respondents said they are not concerned about this scenario, showing a potential oversupply of research.

Are you concerned that a reduction in the number of FICC research providers used will have a negative impact on fund performance?



Do you intend to or have you already increased your in-house FICC research capacity because of the new MiFID II rules?



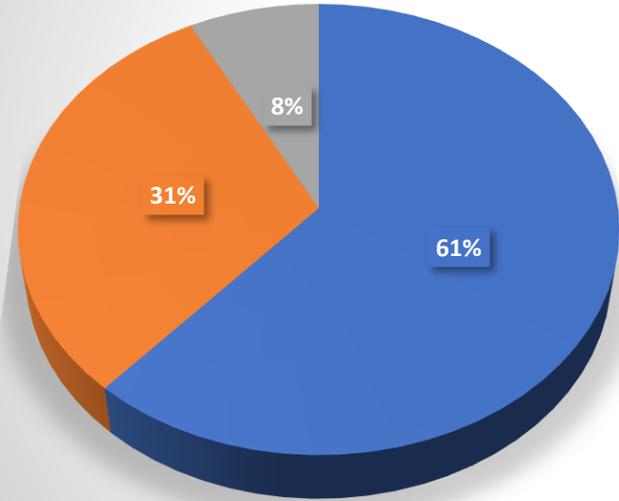
Changes to in-house FICC research

The majority of respondents (68%) said that they do not intend to or have not increased their in-house FICC research capacity because of the new rules.

Impact of rules on non-EU FICC research



If your firm has activities both in the EU and outside the EU, how are you planning to tackle the potentially conflicting rules on FICC research in other jurisdictions (e.g. US)?



- Plan to unbundle research costs from brokerage fees globally
- Plan to pay for research in non-EU jurisdictions only for EU clients, but not for non-EU ones
- Plan to segregate the EU business from the non-EU one

Impact on non-EU FICC research

The majority of asset managers with global activities plan to unbundle fees globally:

61% plan to unbundle fees globally

31% plan to pay for research in non-EU jurisdiction only for EU clients

8% plan to segregate the EU and non-EU businesses