

CFA INSTITUTE 2019 US PAYMENT FOR RESEARCH AND MIFID II SURVEY

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METHODOLOGY

Over the nearly two years since implementation, the EU's Markets in Financial Instruments Directive II (MiFID II) has changed how EU investment firms pay for investment research. Despite the conflict between MiFID II and US laws and regulations, the EU rule also has affected how US-based firms pay for research. Some say they will pay for third-party research from their own funds (rather than through soft-dollar commissions or bundled brokerage). In response to the confusion MiFID II was creating, the US Securities and Exchange Commission issued three separate no-action letters in late 2017 while it considered how to respond to the conflicts.

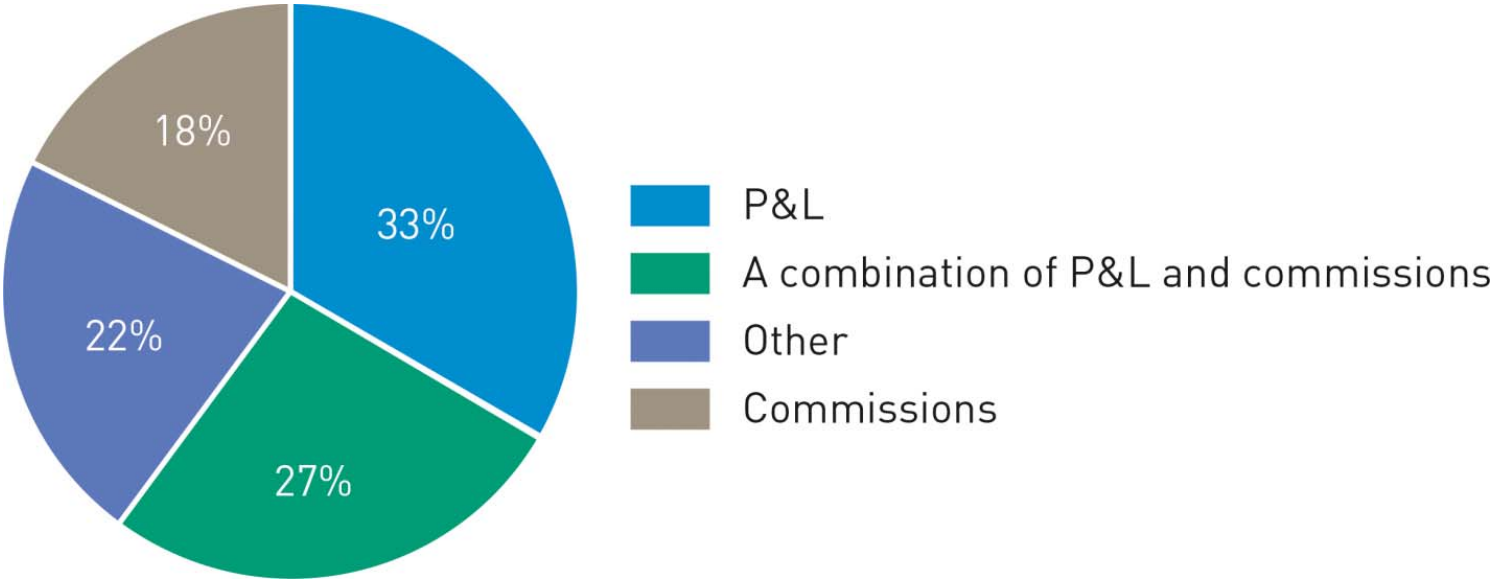
To measure MiFID II's effects on US research markets, CFA Institute conducted a US Payment for Research and MiFID II Survey of 1,163 currently employed CFA Institute Charterholders residing in the United States. The survey targeted those who have potential understanding, interest, and experience with regulations and their effect.

METHODOLOGY

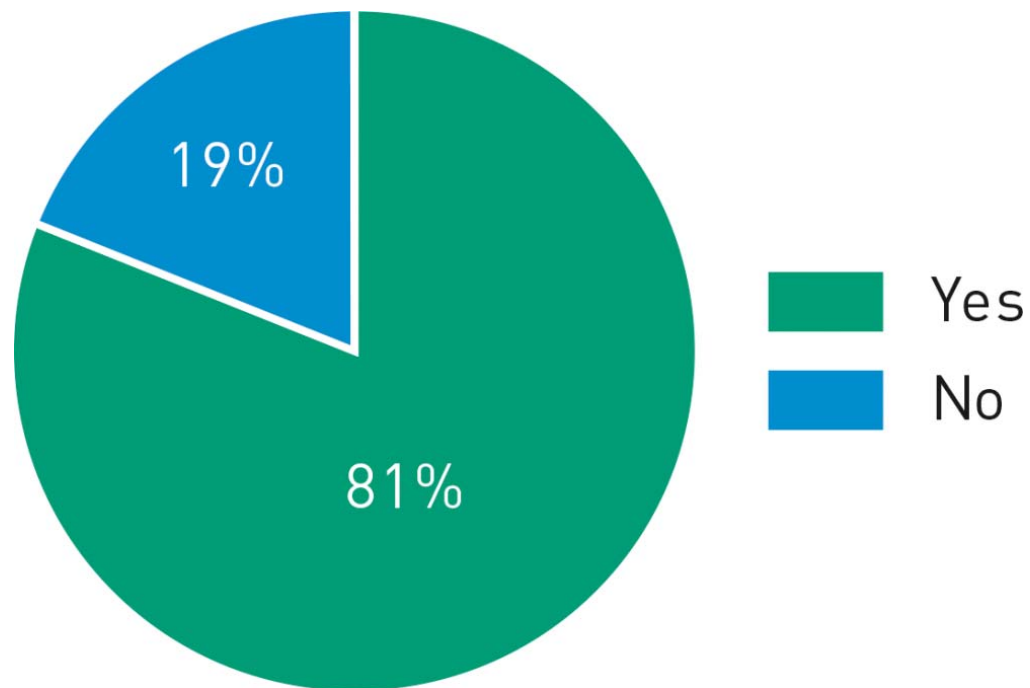
Participants were invited to participate in this electronic survey through two direct email invitations between 27 March and 10 April 2019.

A total of 158 individuals completed the survey; and yielded a response rate of 14 percent. A sample of this size has a margin of error of plus or minus 7.3 percent at a 95 percent confidence level. This means that if the survey was repeated 100 times with different samples from the same population, 95 out of 100 samples would yield a result within plus or minus 7.3 percent of each statistic reported in this study. For example, if an answer is offered by 50 percent of respondents, the results would range between a high of 57 percent and a low of 43 percent for 95 out of 100 other samples from the same population. The data, which included demographic information, were not weighted.

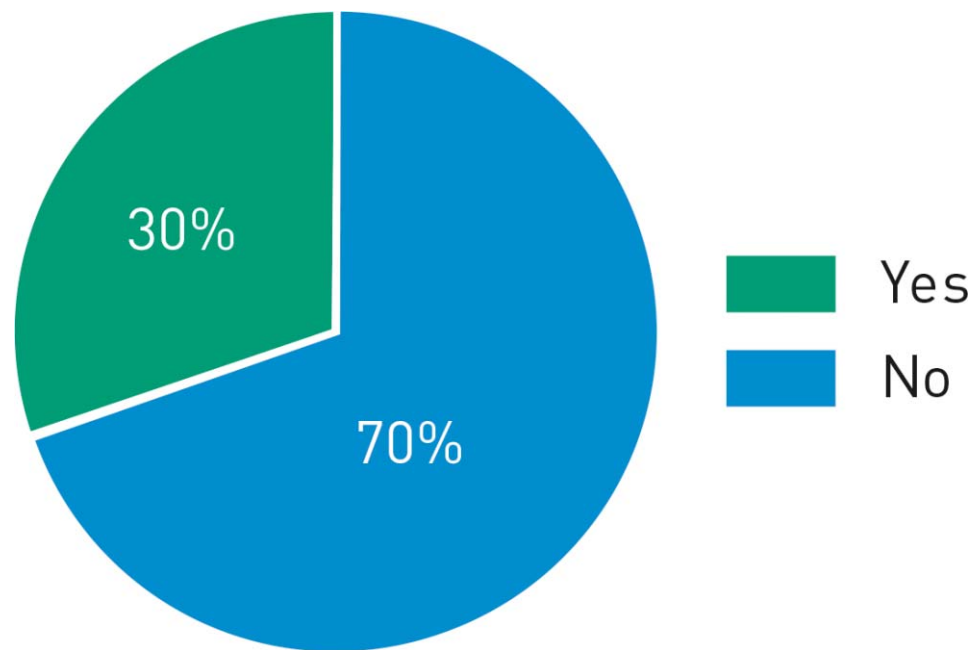
HOW DOES YOUR FIRM PAY FOR INVESTMENT RESEARCH?



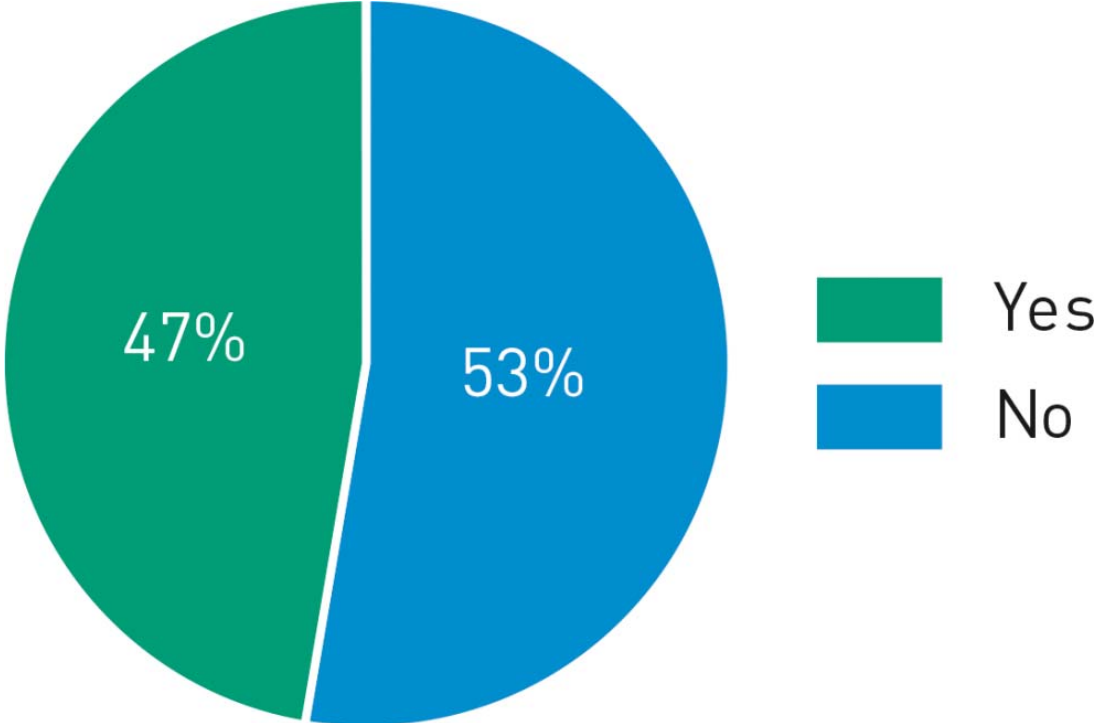
DO YOU CONSUME THIRD-PARTY RESEARCH?



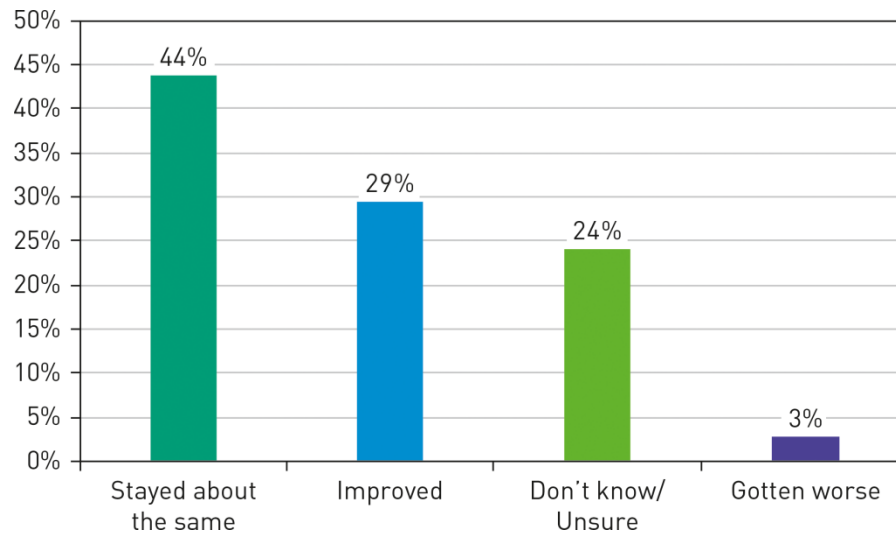
DO ANY OF YOUR RESEARCH PROVIDERS REQUIRE YOU TO TRADE WITH THEM TO RECEIVE THAT RESEARCH?



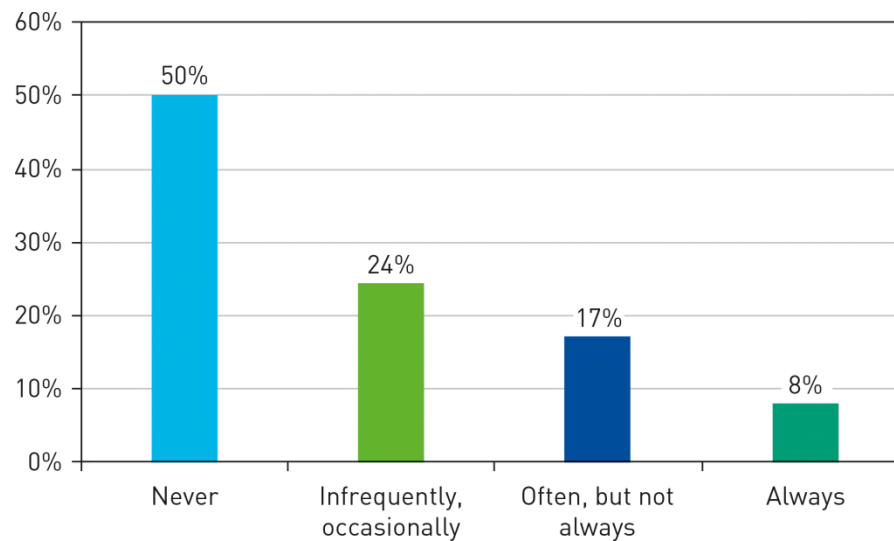
DO YOU PLACE A DOLLAR VALUE ON THAT RESEARCH?



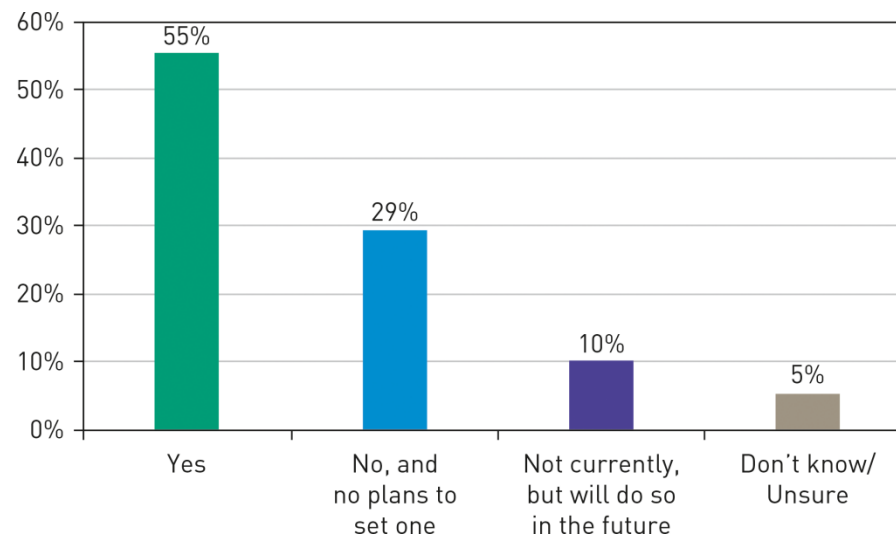
DO YOU BELIEVE THE COST TRANSPARENCY OF THAT RESEARCH HAS _____



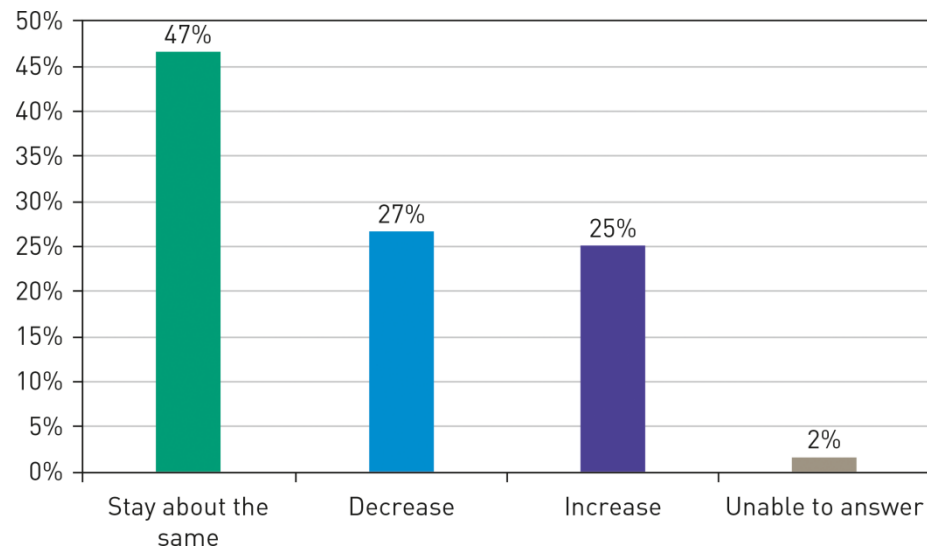
WHEN DECIDING ABOUT WHICH BROKER TO SELECT FOR A TRADE, HOW OFTEN DO YOU FACTOR IN RESEARCH?



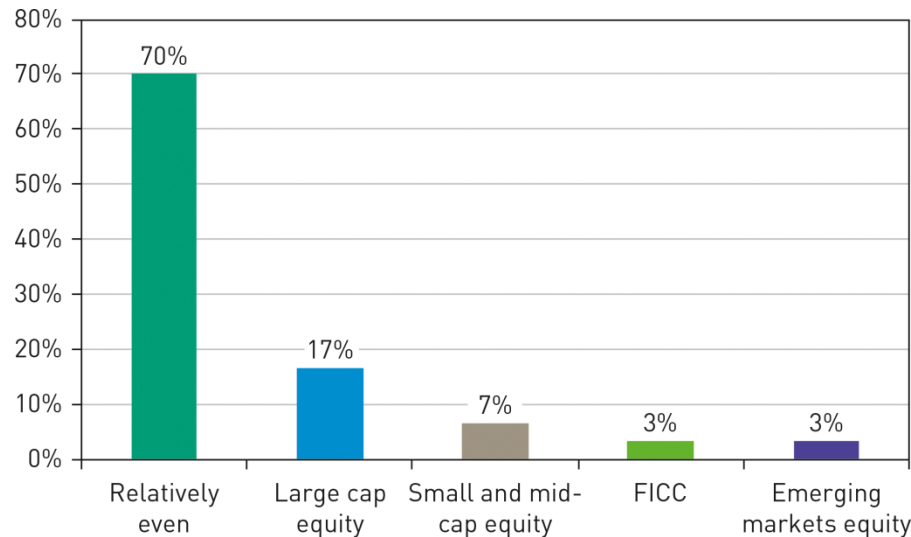
DO YOU SET AN ANNUAL RESEARCH BUDGET?



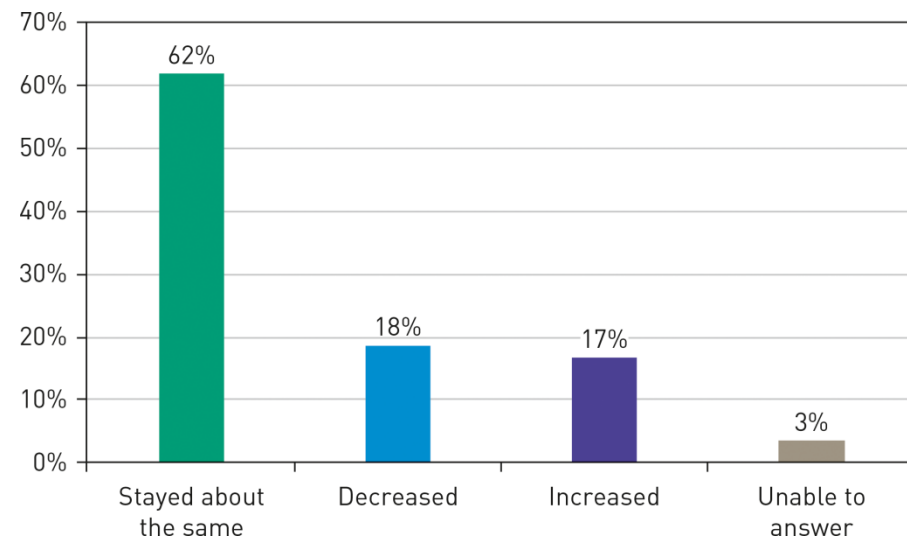
IF YOU SET AN ANNUAL RESEARCH BUDGET, FROM 2017 TO 2018, DID IT



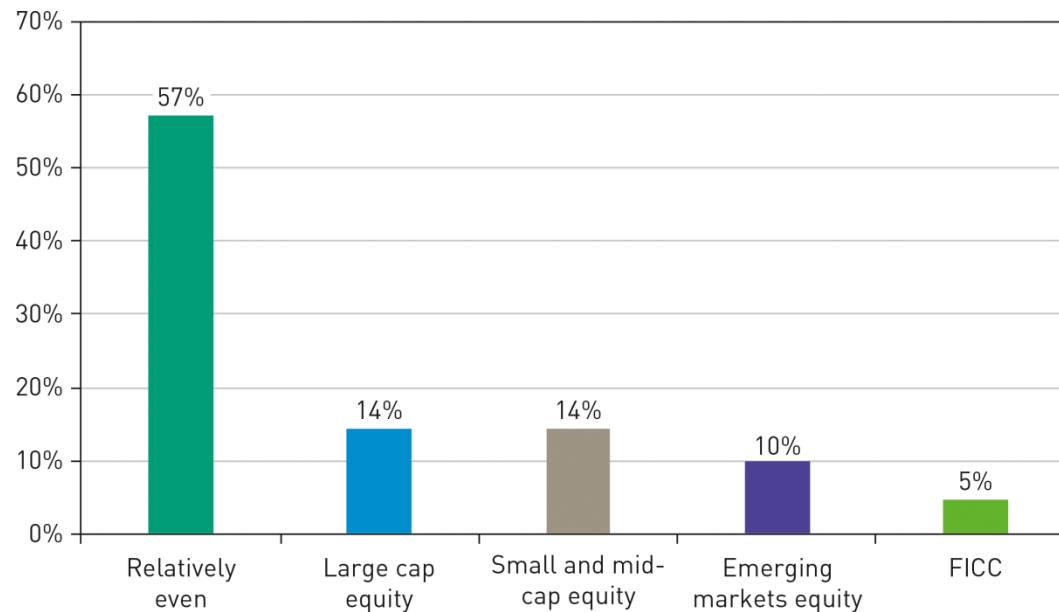
IF YOUR BUDGET CHANGED FROM 2017-2018, IN WHICH ASSET CLASS DID IT CHANGE THE MOST BY DOLLAR TERMS:



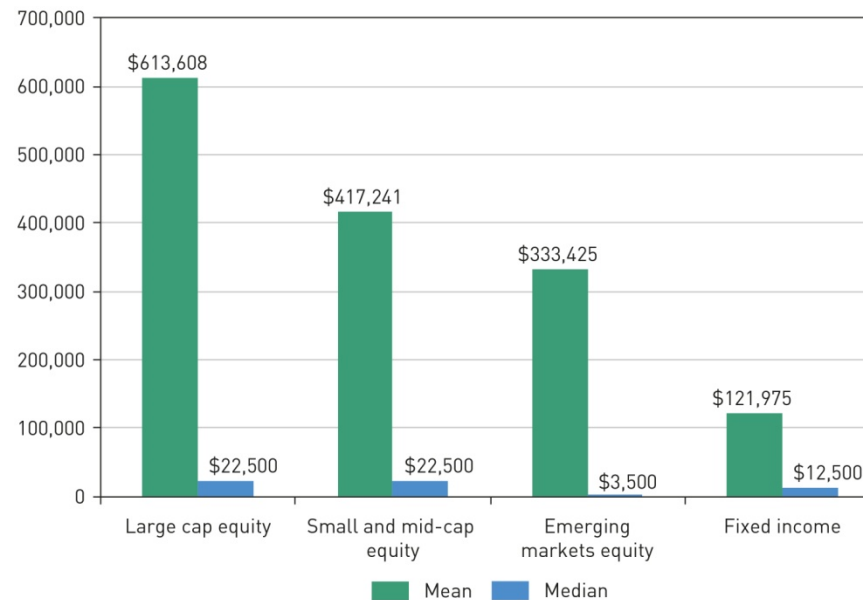
IF YOU SET AN ANNUAL RESEARCH BUDGET, FROM 2018 TO 2019, HAS IT



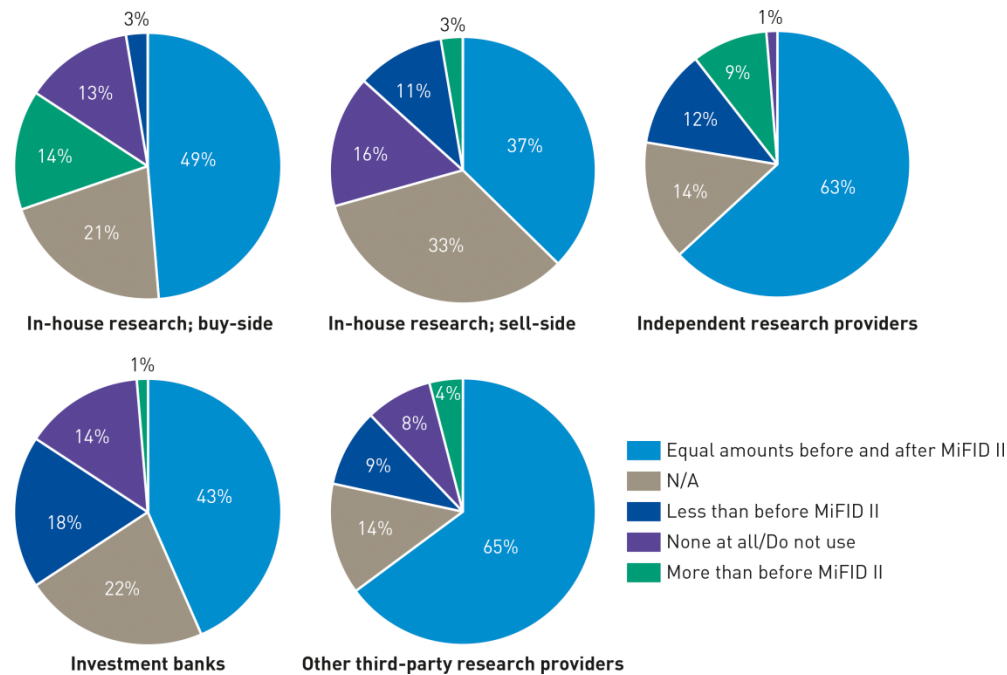
IF YOUR BUDGET CHANGED FROM 2018-2019, IN WHICH ASSET CLASS DID IT CHANGE THE MOST BY DOLLAR TERMS:



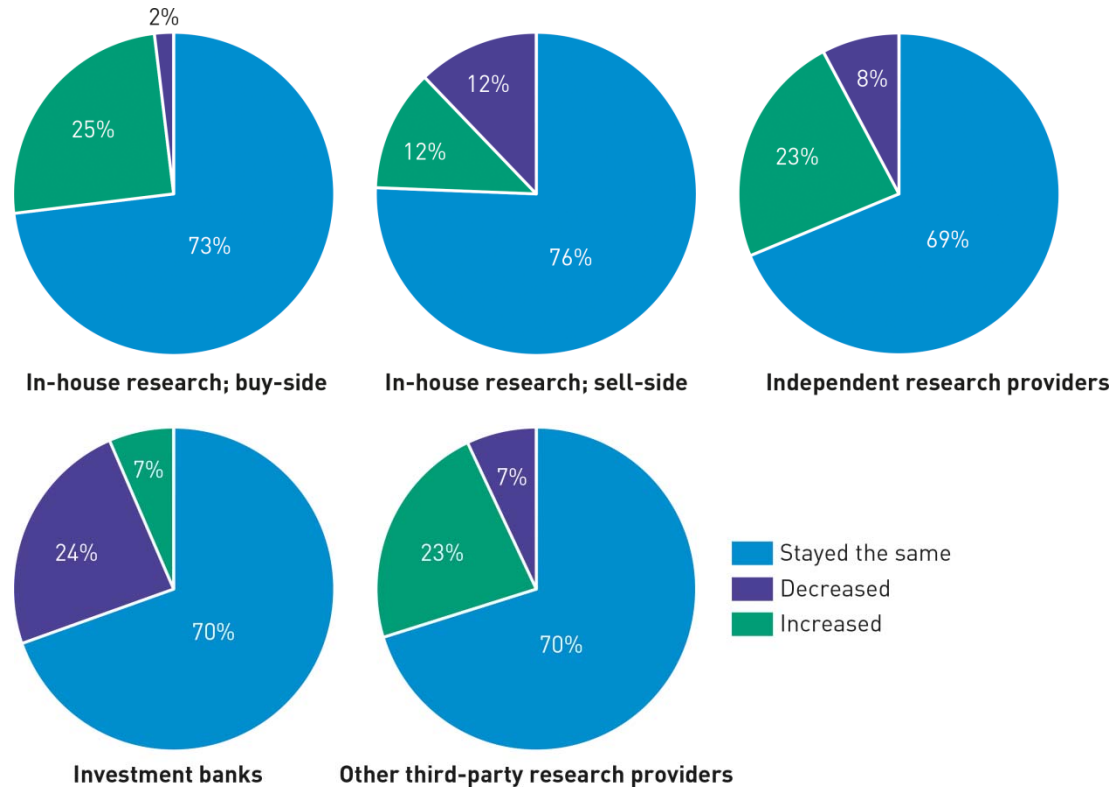
APPROXIMATELY HOW MUCH DOES YOUR FIRM PAY, IN U.S. DOLLARS (USD) FOR THE FOLLOWING TYPES OF INVESTMENT RESEARCH ON AN ANNUAL BASIS?



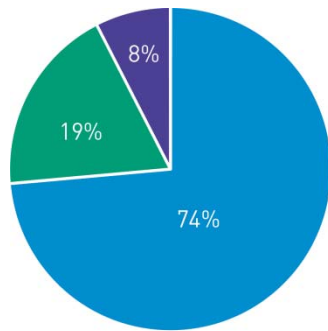
FOR EACH OF THE FOLLOWING RESEARCH PROVIDERS, HOW MUCH RESEARCH DO YOU SOURCE COMPARED TO BEFORE MiFID II?



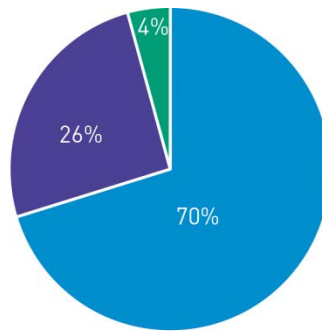
SINCE JANUARY 2018, FOR THE FOLLOWING ASSET CLASSES, RESEARCH COSTS HAVE:



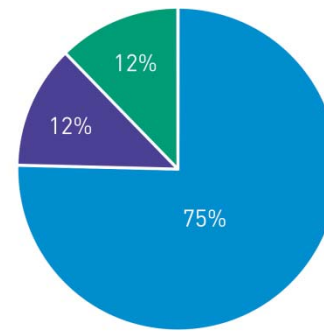
SINCE JANUARY 2018, FOR THE FOLLOWING ASSET CLASSES, RESEARCH QUALITY HAS:



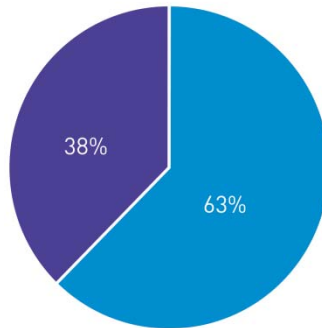
In-house research; buy-side



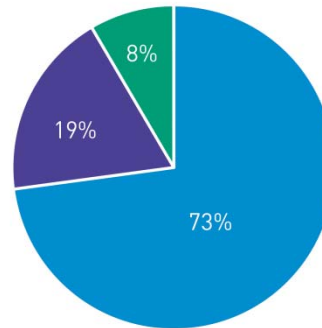
In-house research; sell-side



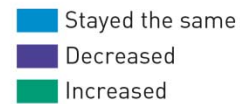
Independent research providers



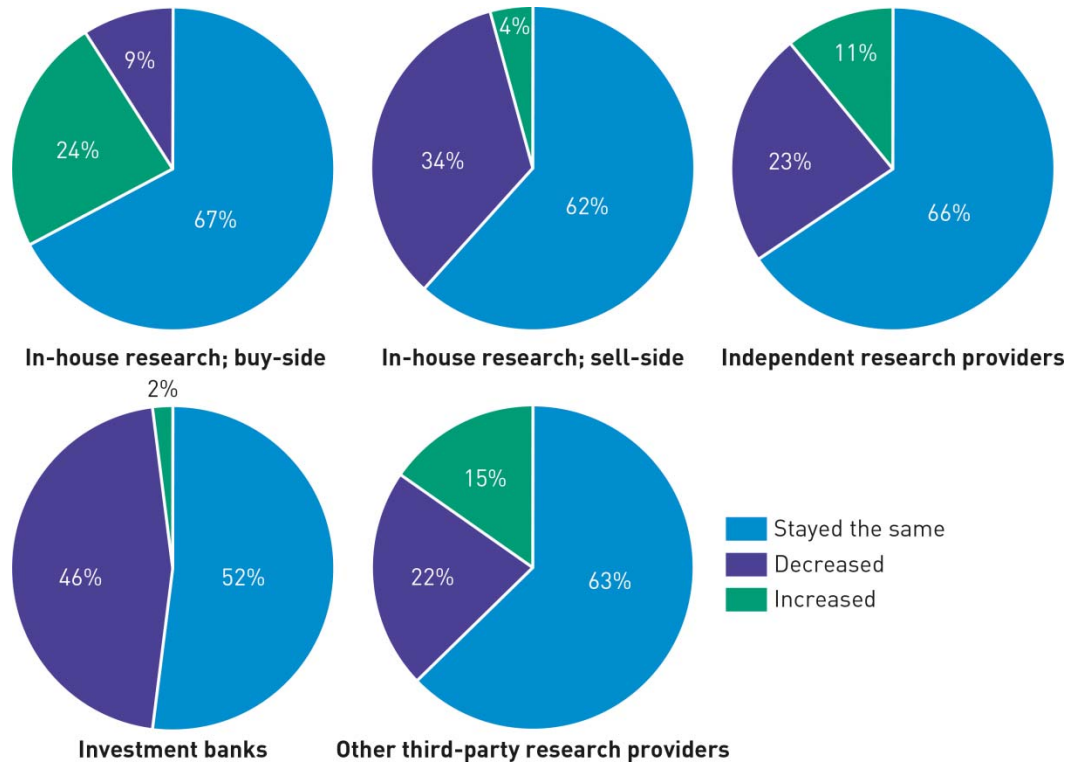
Investment banks



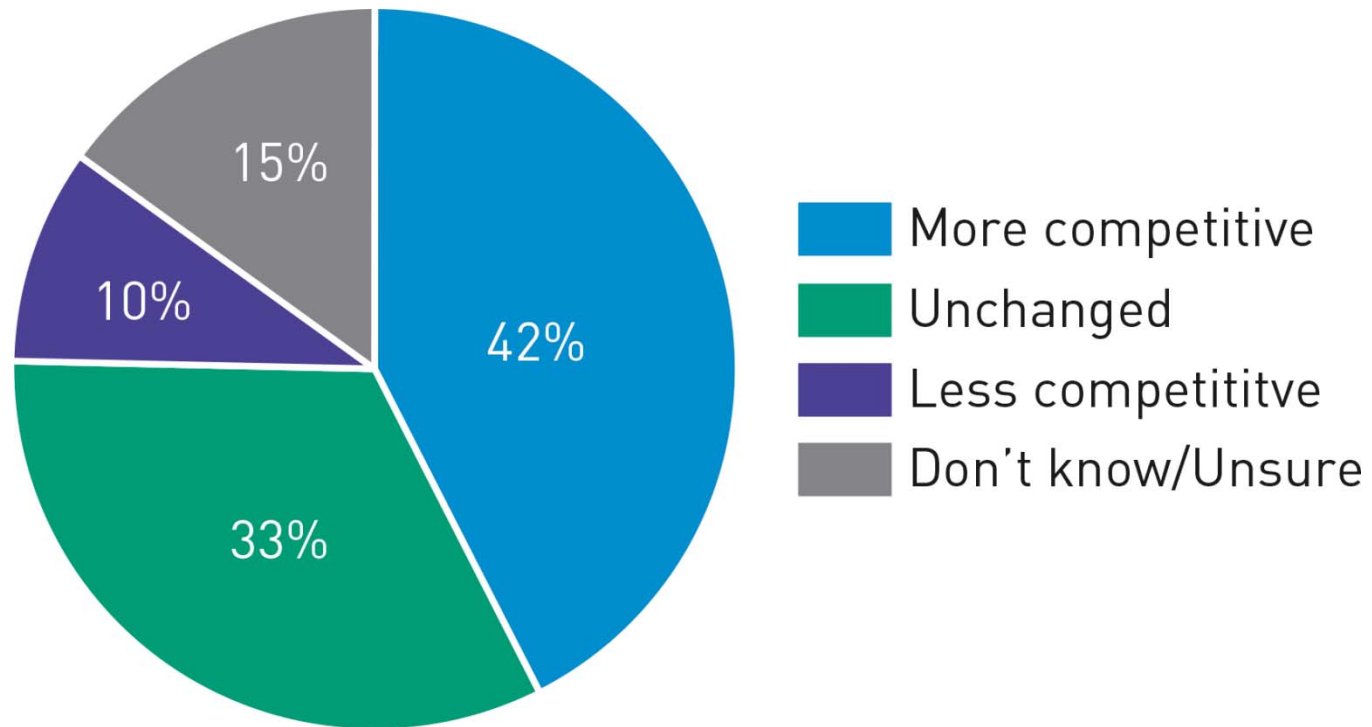
Other third-party research providers



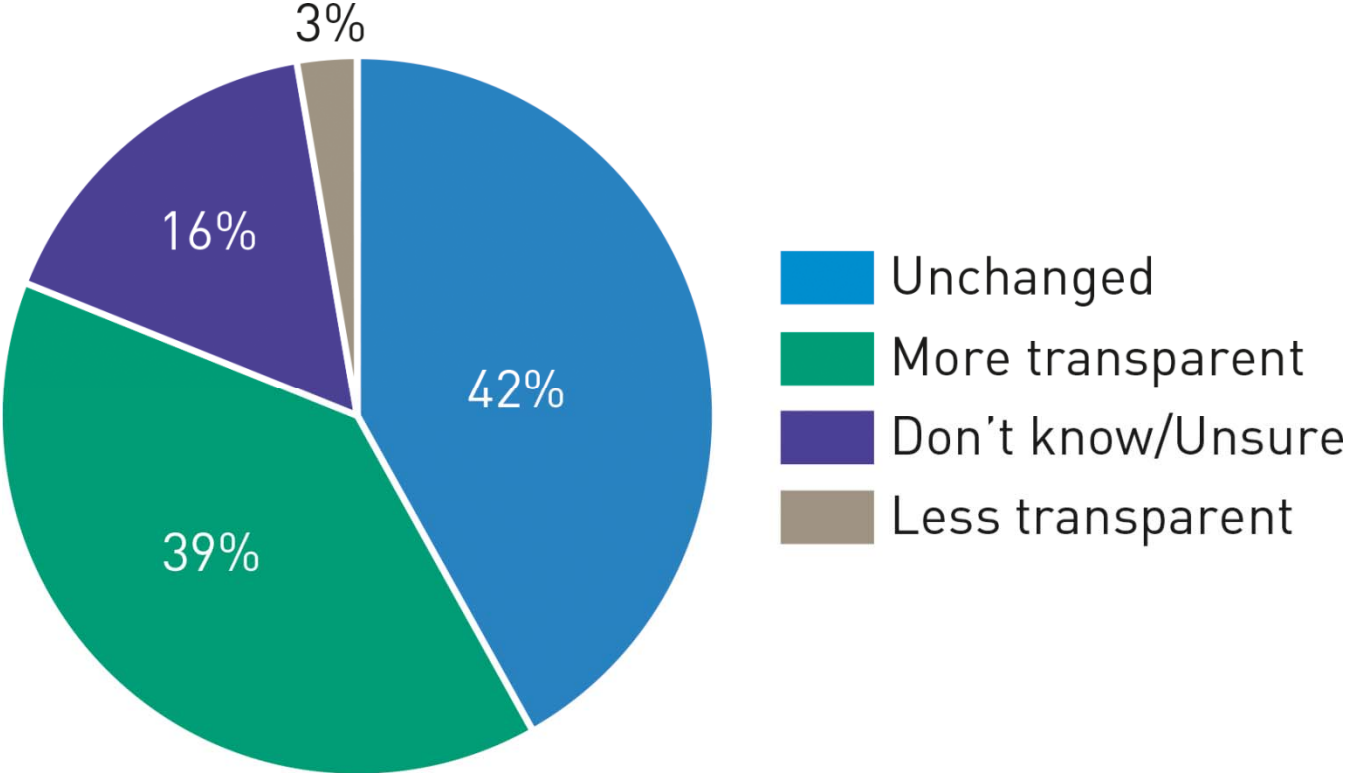
SINCE JANUARY 2018, FOR THE FOLLOWING ASSET CLASSES, RESEARCH COVERAGE HAS:



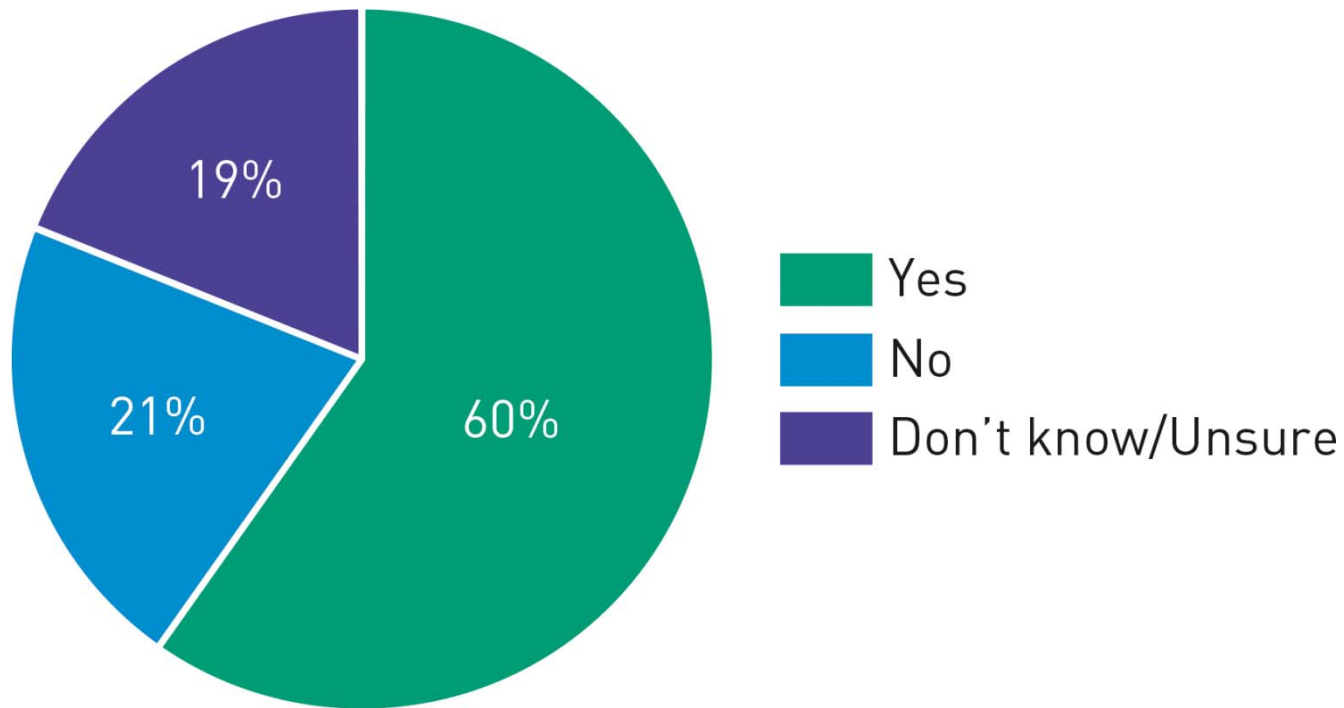
SINCE JANUARY 2018, THE INVESTMENT RESEARCH MARKETPLACE OVERALL HAS BEEN:



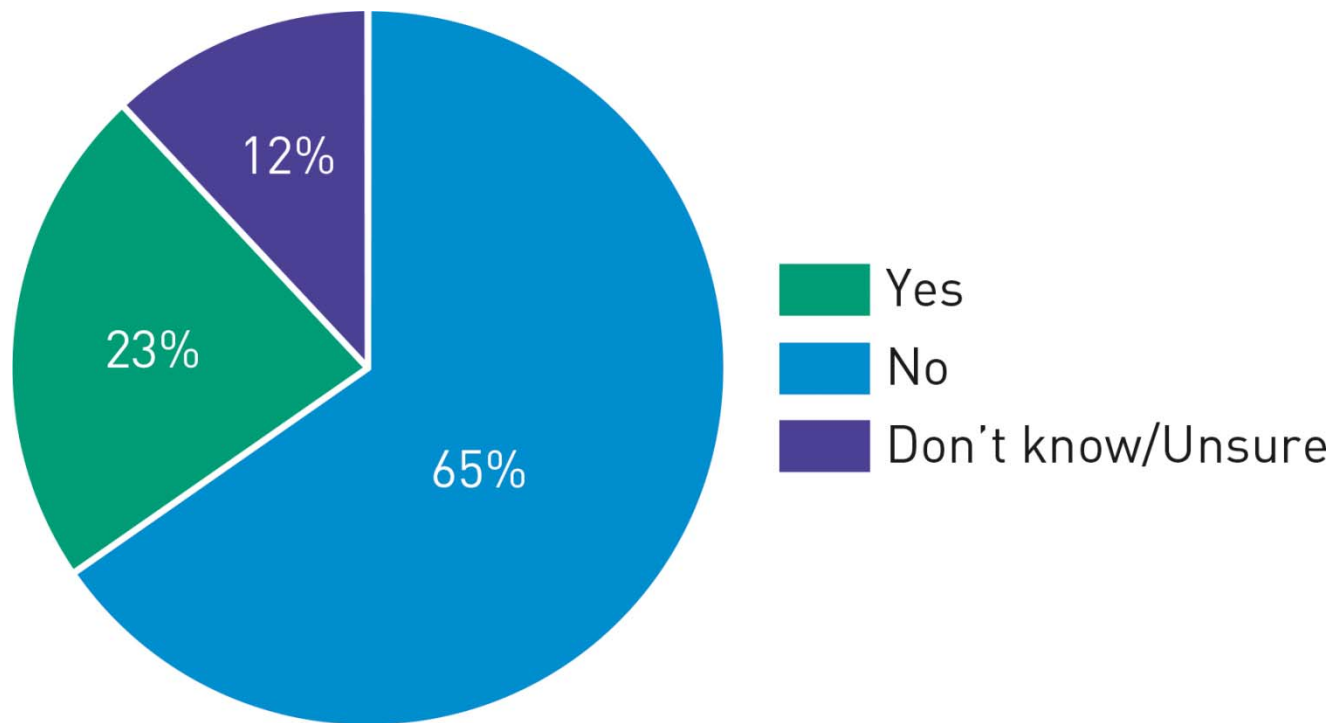
SINCE JANUARY 2018, THE COST TRANSPARENCY FOR RESEARCH OVERALL HAS BEEN:



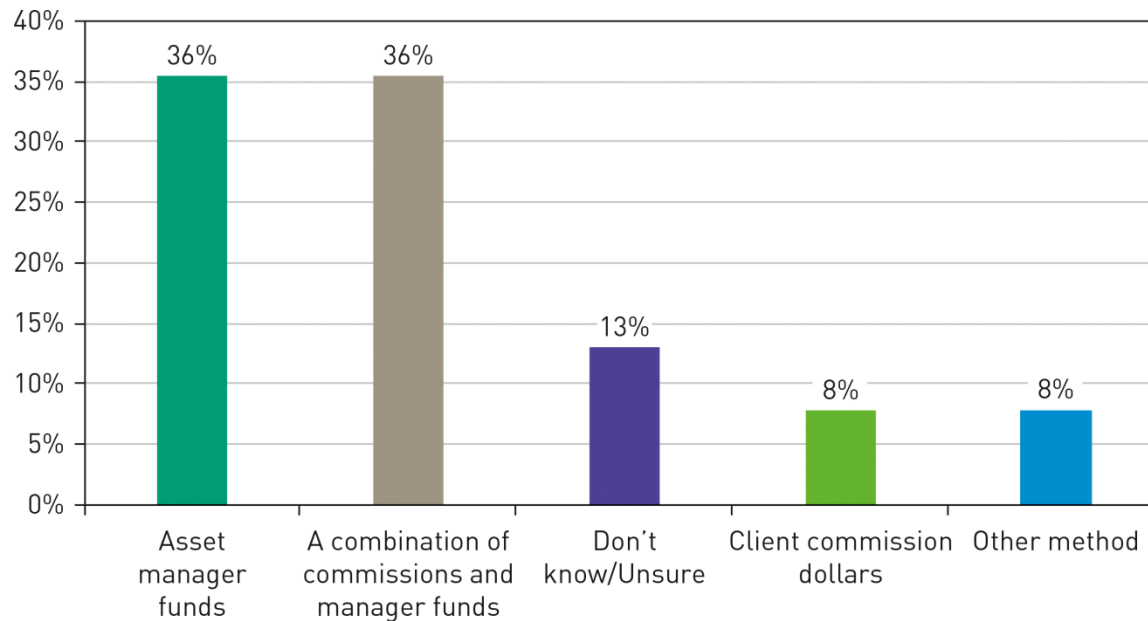
SHOULD THE SEC REVISE ITS RULES TO PERMIT BROKERS TO ACCEPT HARD DOLLAR PAYMENT FOR RESEARCH IN THE UNITED STATES?



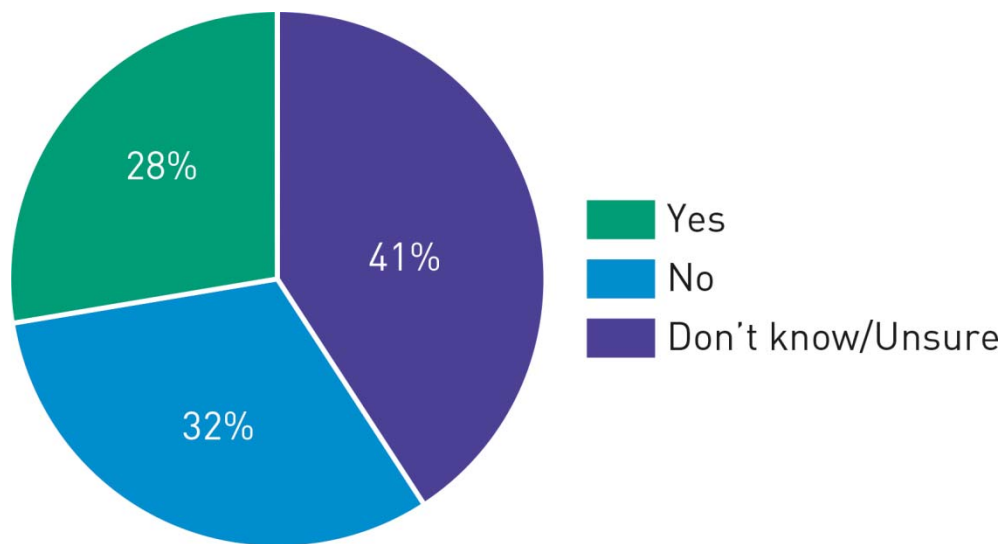
HAVE YOU RECEIVED INQUIRIES FROM CUSTOMERS REGARDING HOW YOUR FIRM CONSUMES AND PAYS FOR THIRD-PARTY RESEARCH?



LOOKING FORWARD, HOW DO YOU PREDICT US ASSET MANAGERS WILL PRIMARILY PAY FOR RESEARCH IN 10 YEARS?

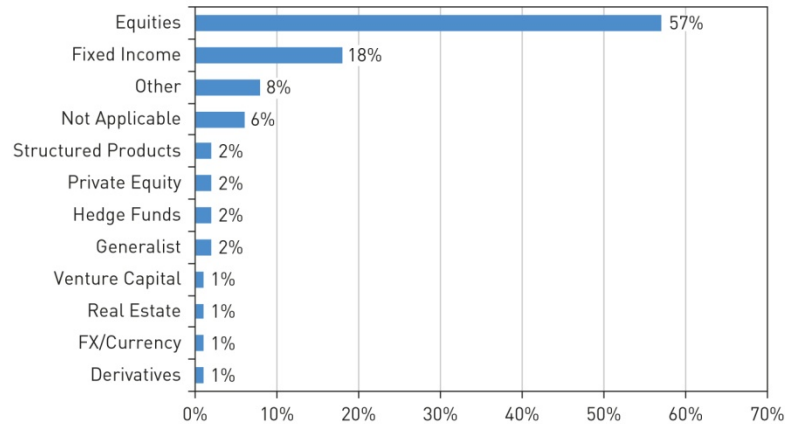


MIFID II WAS INTENDED TO IMPROVE COST TRANSPARENCY AND PROMOTE COMPETITION FOR RESEARCH, REDUCING COSTS FOR INVESTORS. OVERALL, DO YOU BELIEVE CURRENT REFORMS ARE DELIVERING BETTER OUTCOMES FOR END INVESTORS?

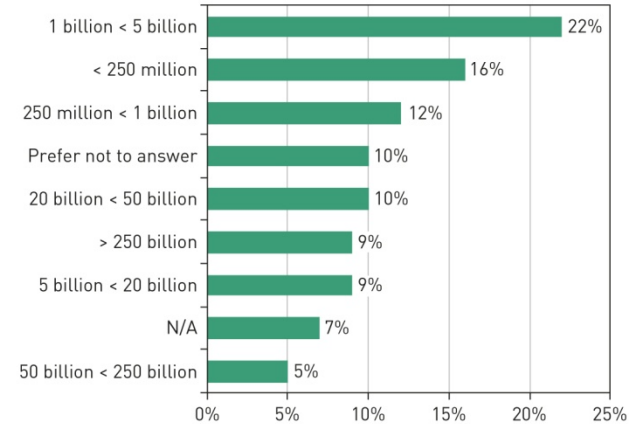


RESPONDENT DEMOGRAPHICS

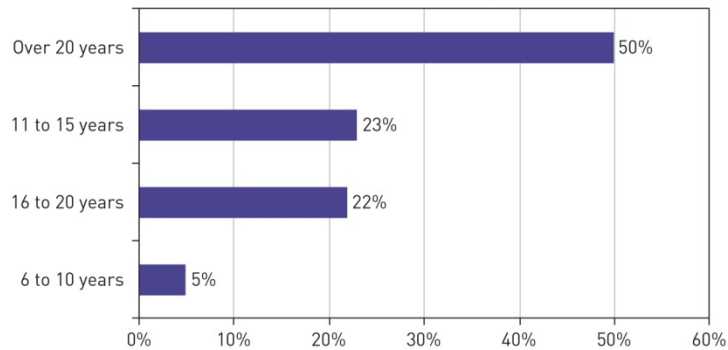
Primary Investment Practice



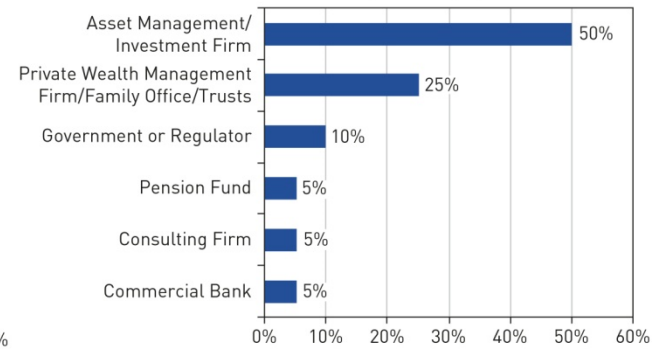
Assets Under Management



Years in Industry

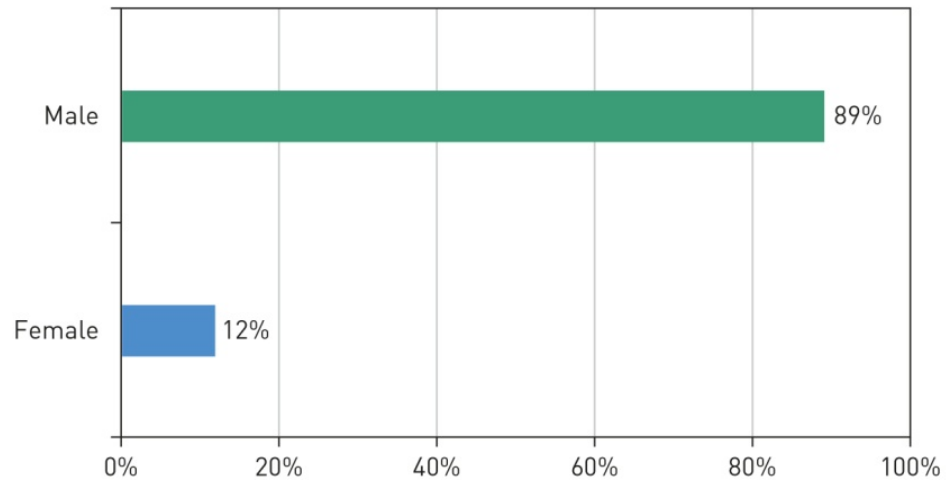


Type of Employer



RESPONDENT DEMOGRAPHICS

Gender



Primary Asset Base

