



# The Barbell Effect of MiFID II Research Unbundling

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When I speak with asset managers and sell-side firms about MiFID II research unbundling, there is a sense of urgency regarding the regulatory changes and how they impact business models and compliance departments.

In reality, it's not just a compliance matter – it's more of a competitive issue for global asset managers. Those located in the US will find it very challenging to operate their business in different silos. So it makes sense to align their businesses with the most stringent global regulation as a best practice.

Under MiFID II, asset managers will consolidate their research lists significantly as they are faced with increased challenges around sourcing content and managing the consumption of that content at a very granular level. Longer term, the sell-side is under pressure as they try to position themselves to get as much share of wallet as possible.

I use the term “barbell effect” to indicate that for the largest sell-side firms, who have a broad array of research services, they are least likely to be impacted by consolidation. On the other end of the barbell, firms that are independent have very specialized research that can add a lot of value, and this may help generate robust revenue streams.

Firms in the middle – specifically those that are simply adequate at execution and research – will face the greatest challenges from consolidation. Executing trades can be difficult when research must be leveraged in a way that does not induce a client to make a decision.

From an administrative perspective, everyone seems to be scrambling to figure out their new roles under MiFID II, and how

to do so in a way that is auditable – and when regulators come knocking, they need to be able to demonstrate that they followed the letter and spirit of the law.

At IHS Markit, we offer a plethora of services across research consumption, evaluation, best execution, and transaction and trade reporting. We help asset managers meet their needs in an environment where costs are going up, and it's more challenging to find the research that they need.

In the next six to twelve months, massive shifts for the industry are coming. Some asset managers will aim to grow in scale, so they can afford to source and bundle research, while building a more administrative process for research consumption and payments.

There is an opportunity for asset managers to be more innovative – and technology can make research more available and easier to access.



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