

MiFID II & Investor Relations

**BLOOMBERG
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Regulatory Outlook

Dubai

MEIRA Bloomberg Breakfast

September 21, 2017



Bloomberg



AGENDA

- Introduction – David Massias
- Regulatory Outlook – Sarah Jane Mahmud
- International IRO Insight – John Andrews
- Q&A with Matthew Martin



AGENDA

- Rule Overview
- Payment Options
- Industry Dynamics
- Global Repercussions
- Short and Long Term Effects



OVERVIEW

The Future of Investment Research Post-MiFID II

BI Investment Mgmt, Global Dashboard | BI »



Sarah Jane Mahmud | BIO »
 Team: Government
 BI Senior Government Analyst



Ben Elliott | BIO »
 Team: Government
 BI Associate

1. Investment-Research Revolution Begins as MiFID II Picks Up Steam

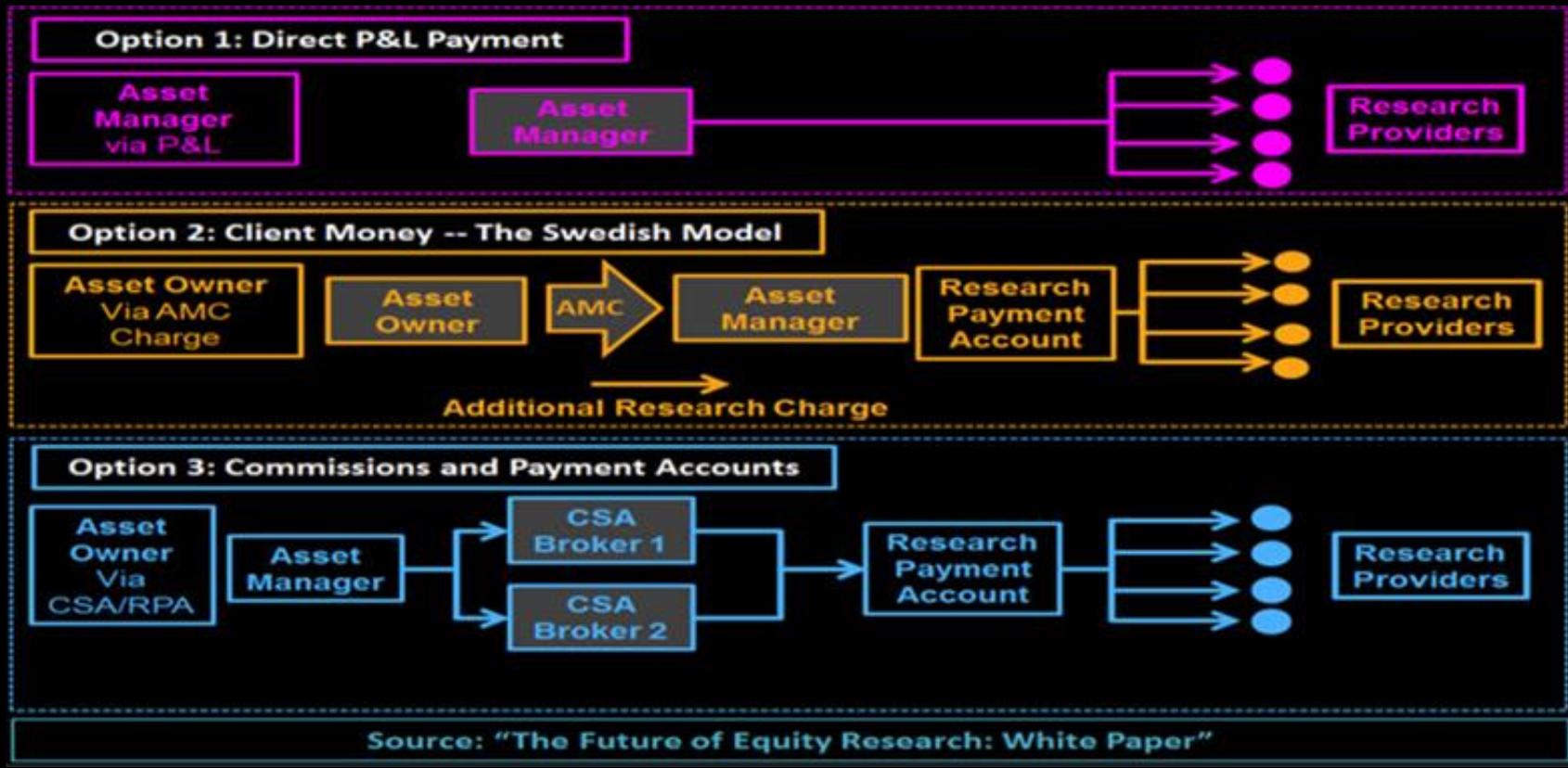
04/03/17

(Bloomberg Intelligence) -- The investment-research industry will be profoundly affected by the sweeping EU reform, MiFID II. Under the new regime, asset managers will need to fund external research from their own profit and loss accounts, or via research-payment accounts with clear audit trails. While implementation is scheduled for 2018, fund managers' business models are already being adjusted. With the asset-management industry continuing to consolidate and operate on a global basis, these changes are expected to resonate worldwide.

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- Topics
- BI Event
- White Paper
- Research Payment
- Global Impact
- Pricing Issues
- Key Developments
- Research Innovation



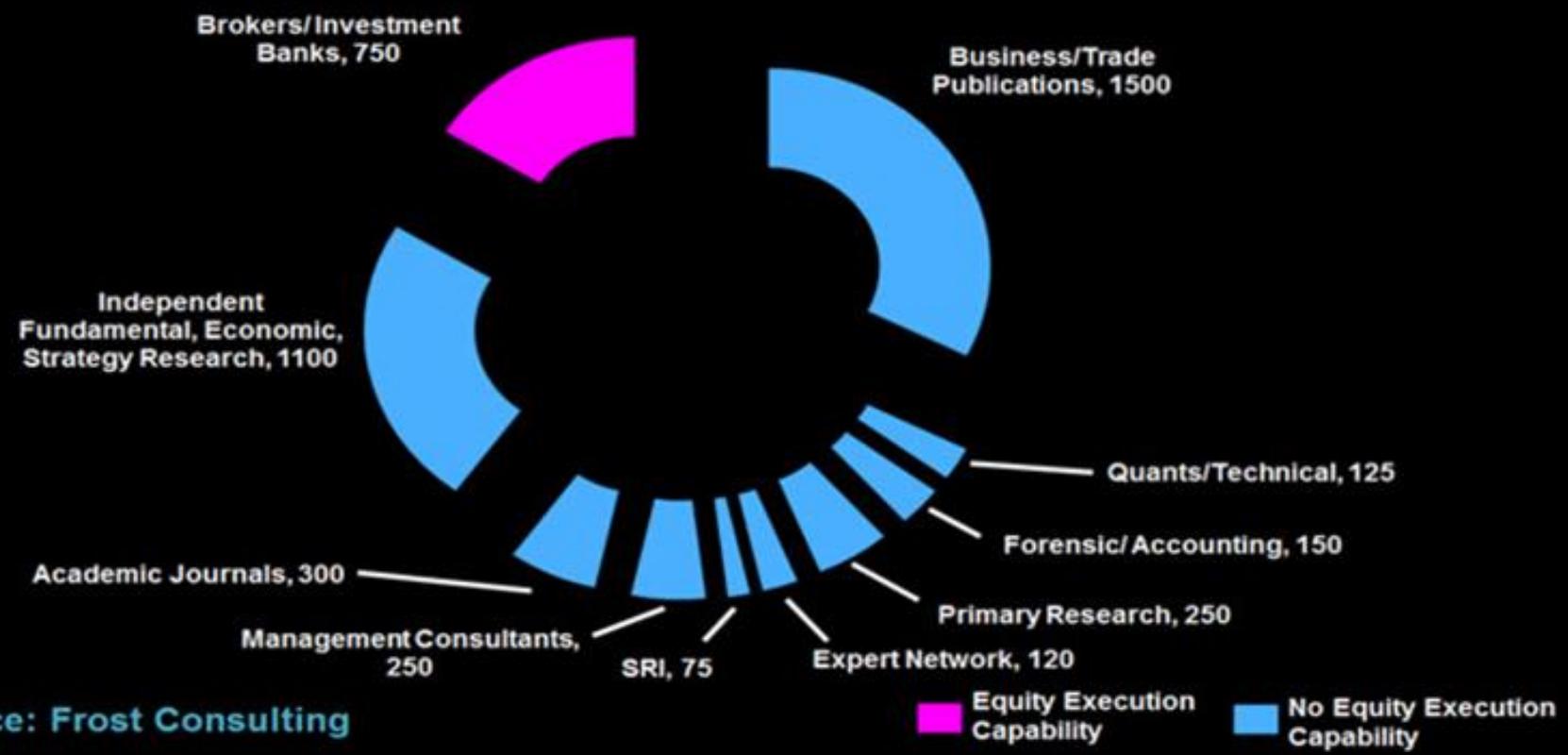
PAYMENT OPTIONS





INDUSTRY DYNAMICS

Future alpha generation, leveraging the wider research universe



Source: Frost Consulting



GLOBAL REPERCUSSIONS

- Rule applies to EU managers
- Non-EU brokers caught when serving EU clients
- Global managers and brokers may choose to adopt a MiFID II approach
- Regional brokers may follow suit



UPCOMING ACTION

- Principles-based MiFID II proposal** enters into force
- ESMA submits proposals, weaving in research into MiFID II**
- Commission adopts Delegated Directive on research**
- ESMA updates Q&As - more detail on how the rule will work in practice***
- Deadline for EU member states to integrate MiFID II into national law**
- Further guidance from ESMA**
- SEC and U.S. investment firms seek resolution to legal conflict**
- Rule takes effect**
- European Commission will review impact of MiFID II on listed SME equity research**



3Q11 3Q14 4Q14 April 7, 2016 June 6, 2017 July 3, 2017 3Q17 2H17 Jan. 3, 2018 1Q19

* Q&As initially published Oct. 10, 2016 then updated on Dec. 16, 2016 and April 4, 2017.

Source: Bloomberg Intelligence



SHORT-TERM EFFECTS

- Continued separation between trading-generated revenues and research-service revenues
- Opening up of the content universe
- Shift from unpriced to priced research environment
- Shrinkage in overall payment for research
- Reallocation of spend among research providers
- Consolidation on buy and sell side



LONG-TERM EFFECTS

- A network of new research inputs
- Innovation to deliver content in more innovative format
- Changing research content at investment banks
- Long-tail strategies, growth in aggregators
- Stock exchanges facilitating research – ASX, SGX, NXT and more
- Growth in issuer-sponsored research



INVESTOR RELATIONS

- Review budgets allocated to IR activity
- Support IR with more in-house resource or third-party service providers
- Make it easier for buyside and sellside to follow your company
- Allocate more time to strategic targeting of investors

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