



The research industry has been through a challenging environment over the past few years due to the global financial crisis and regulatory influences. The once highly regarded Wall Street research has lost some of its value while independent research has gained in popularity; evidence that there is a shift in investment managers' needs for research services.

Changes in the Research Landscape

Looking back over the past decade, the enactment of Regulation FD in October 2000 and the Global Research Analyst Settlement in April 2003 played significant roles in transforming the research industry. While Regulation FD helped to level the playing field by requiring all public companies to disclose material information to investors at the same time, the Global Research Analyst Settlement exposed a long standing conflict of interest between the investment banking and research departments within some brokerage firms.

The economic downturn has also contributed to the change in the research industry. With revenues down on the sell-side and fewer assets under management on the buy-side, changes are being made on both sides of the street. Wall Street firms have responded by reducing the number of analysts on staff and the number of stocks they cover, while investment managers have looked at bringing research in-house and using more customized research.

Growth of Independent Research

The independent research industry has grown as a result of Regulation FD and the Global Research Analyst Settlement. While there will always be a need for Street research, the independent players are finding a niche in specialized offerings. Customized research has become very valuable. Firms that offer services such as channel checks, expert networks, fundamentals, etc. are usually attractive to the buy-side as they are able to add value to their primary research.

Wall Street research and independent research should not be viewed as mutually exclusive, but rather complementary to one another. Each type of research adds value in different ways.

Outlook for Investment Research Report

If you are interested in reading more about the research industry, please click on the link below to receive a copy of CAPIS's Outlook for Investment Research report.

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