

commissions. They maintain that only the limited research element is eligible as research; not the arranging of the actual service. In the FCA's consultation paper (CP 13/17), they write:

We maintain that arranging access to corporate management does not amount to research and so must not be paid for with dealing commission. The arranging service in itself does not provide any analysis or insight, or reach meaningful conclusions. It is difficult to see how, when a bank or broker arranges for an investment manager to meet its corporate clients - by whatever means - they would fulfill the 'research' criteria. In most instances it is unlikely to involve original thought, have critical analysis and evaluation of information, and reach meaningful conclusions that are provided to the investment manager.

Market Data

Market data has been explicitly excluded from the UK definition of research since 2006. However, many asset managers have been using commissions to pay for market data on the grounds that there is some "substantive" research. The FCA would require asset managers to explicitly value the "substantive" research.

Use of Client Commissions

The consultation paper re-emphasized that commissionable research must contain critical analysis and evaluation of information provided. Additionally, the use of client commissions is not permissible for services used by the investment manager in developing or preparing their own research and analysis.

Comment Period

The comment period for CP 13/17 will remain open until February 25, 2014. The final release is scheduled for the spring of 2014.

Additionally

Over the next few months, the FCA will be reviewing how managers are managing their conflicts of interest and costs,

