











Accenture Interactive

# MiFID regulation. Reimagined.

Learn how to turn **investment research compliance** into an engine for growth.





**Don't**   
 **complicated. You'll**  
**get**   
 **bound**   
 **up to 50%**  
 **of your net worth**  
**in red**  **lining the**  
 **already complex**  
**tape** 

## Value pressure

**\$13.8B**

Estimated global industry research sales in 2019 — a 5.5% decrease y/y — by and large driven by Europe in the post-MiFID II landscape.

**40k**

Research reports produced every week by the top 15 global IB's in 2017. **Less than 1% were actually read by investors on 2017.**

**\$900M**

Estimated in the value of valuing corporate access to banks last year, about 12% of their total equities revenues in 2018.



Of fund managers reported “one-to-one meetings” as the most valuable part of equity research pre-MiFID II provided by IBs.

## Cost pressure

**\$3B**

**Projected loss to banks** as asset managers cut back research spending.

**\$300M**

**Reduction in research** budgets by asset managers across Europe in 2017.



**Reduction** in IB research budgets in the UK alone last year per the FCA.

## Organizational pressure

**18-20**

Analysts coverage on large cap stocks in the US across a number of IBs.



**Decrease in headcount** for equity research at 12 major EMEA investment banks since 2013.



**Drop since 2015 in the number of front office staff** covering currencies, such as traders and researchers at the 12 biggest banks.

A research team recently and **entirely disbanded** as part of an IB's trading cost cutting effort.

# The ground under investment research is shifting...

**The investment research landscape is changing radically. MiFID II and other regulations are rewiring the rules for investor protection. At the same time, trading and investment firms face a very different set of requirements caused by global COVID-19 disruption on top of the preexisting challenges of new market entrants, cost pressures, and radically different client expectations.**

Bottom line? Financial institutions are being forced to rethink how they do business. The new client-focused regulatory environment is having a lasting impact on the way research is produced, consumed and charged for. Provisions that protect the investor cover the entire lifecycle of investment products and services, including how products are designed, how clients are segmented, how research gets disseminated, what kind of third-party inducements are permitted, and how telephone and electronic communications should be handled.

**But today's investment research challenges don't begin and end with red tape.** Clients of all sizes are reassessing the value in the light of unbundled fees. They're asking whether research ratings can still move markets like they once did. And they're seeing innovation from quant funds, FinTech and others that's challenging traditional ideas about what investment research is, how it gets created, and how it gets consumed by the client. On top of all this, and especially with the global economic disruption caused by COVID-19, the downward pressure on banks' budgets remains intense.



**of investment banks and asset managers are rethinking their business strategy in response to regulatory changes.**

A close-up photograph of a woman with dark hair and her eyes closed. Her hands are clasped together in front of her face, with her fingers resting on her forehead and cheeks. She is wearing small pearl earrings. The background is blurred, showing what appears to be an office or indoor setting with soft lighting. The overall mood is one of stress, pressure, or deep concentration.

**... and the  
pressure is  
on for new  
solutions**

The regulatory clock is ticking. Financial institutions must now be proactive in their compliance monitoring, so that regulatory issues can be highlighted, managed and remediated early in the business cycle. This “show me, don’t tell me” approach means compliance can no longer wait for periodic scheduled reviews. Instead, institutions need sophisticated monitoring software to track compliance in something close to real time.

But it’s not enough to get baseline MiFID II compliant and think the work is done. Regulatory environments are continuously evolving. MiFID is a strong signal of things to come. In addition, client and employee needs and expectations are rising fast, driven upwards by the best, the most elegant, the most immediate, and most delightful experiences provided by leading digital platforms. Moreover, as remote working becomes a necessity and/or preference during and after the COVID-19 pandemic, the need for a digitally connected research ecosystem will only grow.

**To meet these changing needs, financial institutions must have the ability to constantly sense, adapt, and respond to what producers, clients, and regulators in the investment research ecosystem expect and demand:**



### **Clients**

need research content that stands out in a “sea of sameness”. They need it in an easily digestible format that gets right to the nub. They want it on their terms, at a time that suits them. They want a single contact to manage interactions, not a bunch of parallel lines of communication.



### **Sales teams**

need real-time intelligence and insight. They need to see exactly how clients are interacting with research and how it’s impacting their investment decisions. They need clear communication with research teams to improve collaboration. They need platforms and systems that are as effective and easy to use as their existing black books and spreadsheets.



### **Research analysts**

need the time, the space and the behavioral insights to develop their unique perspectives. They need research authoring platforms that are easy to use, save time, and don’t need plug-ins that constantly crash. They need the right support, collaboration, resources, and technology from the rest of the organization. And they need much faster and easier ways to get reviews and approvals.



### **Regulators**

need to see clear evidence that investment research is not being used as an inducement to trade with the firm. They need fees for research to be unbundled from those for trade execution. And they want firms to show the ongoing proactive steps they’re taking to stay compliant.

# The status quo isn't working...

Is today's investment research living up to the expectations of its stakeholders? Short answer, no. The reality is, today's tools and processes too often fail to deliver everything either clients or financial institutions need. What's wrong?



### **Research is too hard to digest**

The style and format used today doesn't consistently articulate actionable insights for clients. Summaries often have to be laboriously re-written by sales teams. Unique ideas are, in practice, few and far between. Research output often lacks a brand identity.

### **No-one really knows the impact**

Most firms lack a consistent way to measure the impact research content has for clients, or how effective it is in guiding their market decisions. Client portals and CRM systems often require detailed and laborious inputs, while providing limited value in return.

### **The need to be first can diminish quality**

Speed can be vital to research impact. But, today, precious hours are often lost to administrative tasks. Moreover, under pressure of time, firms often end up working reactively in response to client requests, missing opportunities to get ahead of the market.

### **Every person is an island**

Day to day, bank employees and teams often operate independently. For example, most sales teams and analysts end up maintaining their own client records. Institutional knowledge gets fragmented, meaning no individual sees the whole picture. Without feedback loops, vital insights are often missing and the experience for clients is negatively affected.

### **Where's the difference?**

Frequently, neither clients nor banks themselves are clear what really differentiates the research output. The best institutions distinguish themselves through research quality, personal relationships with clients, and proprietary tools. Others, hindered by disconnected legacy technology, siloed processes, and a lack of brand equity, struggle to provide differentiated client experiences.

# **so embrace compliance as a platform for growth**

The solution? Treat MiFID II-era compliance not as a burden but as an opportunity for transformation and growth. For many financial institutions, this calls for a digital transformation of infrastructure, process and client experiences.

By creating a flexible, efficient, future-ready investment research ecosystem, firms can meet regulatory requirements, manage risk, reduce costs, deliver delightful experiences, and start unlocking new pools of value in the post-COVID and post-MiFID world:



### **Meet new client expectations**

Using MiFID II's stricter requirements as a lever, financial institutions can improve the quality of their research processes and outputs. Personalized products and services will increase client satisfaction and retention. Greater transparency will help reinforce a firm's image as a trustworthy partner. More automation will reduce analysts' manual workloads, freeing them to improve the end product for clients.



### **Increase revenue**

MiFID II will increase costs in the short term. In the medium to long term additional revenues can offset the impact. But that will only happen if investment firms take this opportunity to design and distribute better, more client-friendly products and services that can capture a bigger slice of the market.



### **Strengthen governance**

Stricter surveillance from regulatory authorities, plus greater involvement from management bodies in compliance issues, should reduce business risk and strengthen corporate governance.



### **Reduce operational cost**

MiFID II is the perfect opportunity to rationalize operations and reduce costs. By digitalizing processes and workflows, firms can avoid redundancies across the value chain and make more efficient use of their human, technological and financial resources. This is all the more important as economies struggle to adapt to the severe disruption caused by COVID-19.



### **Make reporting work better**

Centralized regulatory reporting engines that leverage data synergies between global regulations (such as EMIR trade reporting and FCA transaction reporting) will bypass the effort of maintaining a decentralized reporting infrastructure across different territories. Centralization can also promote data quality, increasing opportunities for cross-selling while reducing financial and reputational risks.

# Let's reimagine red tape

Adapting to the MiFID II era will require extensive planning and effort in the short term. But it's vital not to get lost in the detail and to be able to see the bigger picture. To ensure firms build a future-ready operating model, they need a clear destination to anchor their transformation journeys.

**A North Star vision for the future.**



# Challenges ahead

This vision needs to cover the end-to-end transformation of investment research, from experience design and business models through to technology platforms and innovation engines.

The approach needs to be people-focused, working closely with analyst and sales teams, as well as clients, to understand their real needs and pain points. It must look to reduce complexity through digital technology and modernized operating models.

And it needs to be clear that creating easy, delightful client and employee experiences that 'just work' will be critical to success in the future investment research ecosystem.

Here are five guiding principles to keep in mind when getting started:

**1**

### **Experience matters**

Focusing on the needs of users of the system is a proven driver of sustainable growth.

**2**

### **Be digital at the core**

Use digital tools and platforms to enable the experiences that build lasting, trusting relationships between research, sales and clients.

**3**

### **Take risks and build the brand**

This is a chance to delight employees and clients through differentiated research content and experiences.

**4**

### **Put people at the center**

Looking at change through a human lens is essential for improving company culture, client satisfaction and employee behavior.

**5**

### **Keep an eye on the North Star**

Let the overall vision guide technology and operational decisions.

# ~~Know~~ limits

**It's time to rethink compliance and refocus on the opportunities it creates.** By viewing the transformation of investment research through a human-first lens, putting a laser focus on user needs, using streamlined digital technologies and platforms, firms won't only be strengthening their compliance with MiFID II. They'll also be building a connected research ecosystem that delights users, deepens relationships with clients, and supports new growth for the business as economies rebound from the COVID-19 pandemic.

Treat the changing compliance environment as an opportunity to grow, not just a challenge to overcome. Use human-centered innovation to truly understand client, analyst and sales needs. And bring best-of-breed technologies together to rethink how investment research gets done in the post-MiFID world.



## About Accenture

Accenture is a leading global professional services company, providing a broad range of services in strategy and consulting, interactive, technology and operations, with digital capabilities across all of these services. We combine unmatched experience and specialized capabilities across more than 40 industries — powered by the world's largest network of Advanced Technology and Intelligent Operations centers. With 509,000 people serving clients in more than 120 countries, Accenture brings continuous innovation to help clients improve their performance and create lasting value across their enterprises. Visit us at **[www.accenture.com](http://www.accenture.com)**

## About Accenture Interactive

Accenture Interactive is reimagining business through experience. We drive sustainable growth by creating meaningful experiences that live at the intersection of purpose and innovation. By connecting deep human and business insights with the possibilities of technology, we design, build, communicate and run experiences that make lives easier, more productive and rewarding. Accenture Interactive is ranked the world's largest digital agency by Ad Age and has been named a Most Innovative Company by Fast Company. To learn more, follow us @AccentureACTIVE and visit **[www.accentureinteractive.com](http://www.accentureinteractive.com)**

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