
Press release

AFME welcomes UK Mansion House reforms, including optionality on how to pay for investment research

10 July 2023

In response to the UK Government's Mansion House reforms, announced today, including the publication of the Investment Research Review, allowing for optionality on how to pay for investment research, **Adam Farkas, CEO of the Association for Financial Markets in Europe (AFME) commented:**

"Today's reforms from the UK Government are another welcome step towards driving greater access to capital markets, following the positive rulebook changes proposed in the Wholesale Markets Review.

"In particular, AFME members are supportive of the UK Government's approach to the provision of investment research which allows for more flexibility in that clients will have the option to choose how they pay for the research they consume, whether bundled or unbundled, by removing the requirement on market participants to unbundle which is currently contained in the EU's MIFID II legislation.

"It should also be noted that the investment research market is inherently international and further changes to the UK's regulatory and legislative environment in this area should prioritise, where possible, alignment with other jurisdictions. It should also provide a level playing field for both UK providers and consumers of research competing with international counterparts. AFME notes that similar themes are being addressed in ongoing discussions by other policymakers, and it is important for the respective UK initiatives to take account of developments in other jurisdictions such as the US and EU.

"From our own analysis, AFME has found no evidence to support a causal link between the introduction of the unbundling rules and the pre-existing declining trend in SME research coverage. Among the numerous surveys and reports AFME has conducted on this topic, no respondents have identified the unbundling regime as a causal factor in declining SME coverage.

"Noting the UK proposals on a new research platform and a pre-public offering arena, AFME will be interested in assessing the scope and objective of such new infrastructures and their impact on UK financial markets and their users."

On simplification of prospectuses:

"AFME fully supports simplifying rules for prospectuses, both in the context of making procedures, disclosure and oversight more effective and efficient in primary issuances and also in the context of questioning if or when a prospectus (or other shorter form document) is needed for a secondary or follow-on issuance. These are welcome proposals which will go a long way towards increasing the attractiveness of the UK as a venue for company listings."

– Ends –

Note to Editors:

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- AFME and UK Finance response to Investment Research Review Call for Evidence
<https://www.afme.eu/Portals/0/DispatchFeaturedImages/UK%20Finance-AFME%20response%20to%20IRR%20Call%20for%20Evidence%20-%202024April23%20-%20Final.pdf>
- AFME reports which find no evidence of a causal link between unbundling rules and the decline in SME research coverage:
 - Bridging the Growth Gap, BCG report (February 2015)
 - Raising Finance for Europe's Small & Medium Sized Businesses: (September 2015)
 - The Shortage of Risk Capital for Europe's High Growth Businesses (March 2017)
 - Recapitalising EU businesses post COVID-19, PwC report (January 2021)
 - Introducing a New Hybrid Recapitalisation Instrument for Smaller EU Corporates, PwC and Linklaters report (November 2021)
 - AFME Capital Markets Union Key Performance Indicators – Fifth Edition (November 2022, pages 83-85)
 - AFME Response to EU Listing Act Consultation – Research Section (March 2023, page 16)

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Notes:

AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information, please visit the AFME website: www.afme.eu. Follow us on Twitter [@AFME_EU](https://twitter.com/AFME_EU)