
Consultation Response

AFME Response to CP 24/21: Investment Research Payment Optionality for Fund Managers

16th December 2024

FCA Consultation Paper: <https://www.fca.org.uk/publication/consultation/cp24-21.pdf>

Questions

1. Do you agree with our proposals to permit fund managers to purchase investment research with joint payments?

Yes, No, No view

As stated in our previous [response](#) to CP 24/7, AFME welcomes the FCA proposal to cater for investment fund managers.

This will ensure that all consumers of research are treated the same and will allow firms to apply rules consistently across the franchise, which will likely encourage take up of the new option and enable the UK to be more competitive internationally.

2. Are you likely to take advantage of the proposed new payment option for investment research?

Yes, No, **No view**

Competition law prevents AFME members from discussing this.

Each individual member would need to consider whether to offer the option, based on its own community of clients and client relationships.

3. Are there any features of the proposed payment option and associated guardrails which would positively or negatively impact the take up of joint payments ?

Yes, No, No view

We support The Investment Association's view that fund-level budgeting does not take into consideration the way research is typically procured, with budgeting usually set at firm or strategy level (because research is undertaken by portfolio managers for a mix of accounts). Requiring fund-level budgets is likely to leave the UK with a significant extra burden versus international peers and act as a substantial (potentially an absolute) barrier to fund managers taking up payment optionality. This would, in our opinion, also render changes made for segregated mandates largely moot as

managers are unlikely to be able to implement different systems for different fund types. None of which would be in the UK's interest.

We also share AIMA's concerns and endorse the detailed analysis provided in its response to question 3. We agree with AIMA that fund level budgeting requirements will bring about several inefficiencies, including, for example:

- **duplication of research resources** where multiple funds cover similar asset classes or industries
- **inconsistent research strategy**, where research which does not immediately align with the fund's strategy is overlooked, but that same research could benefit the broader investment strategy.
- **fragmented research coverage**, where communication and coordination across funds could be reduced, and with that the sharing of analysis and insights valuable to multiple funds.

For these reasons, AFME is not supportive of proposals which prescribe budgeting at the level of each fund (see COBS 18 – Annex I - 4. 16R (3)(a)).

Such level of granularity (as well as the inconsistency between COBS 2.3 and COBS 18 rules) will be a barrier to the take up of the new option. We believe this is contrary to the objective of providing a payment option which alleviates operational burdens on firms, and should be removed.

Fund managers should be given flexibility in relation to the appropriate level at which budgeting is set. Flexibility will mitigate operational obstacles, ensuring a proportionate and therefore more effective level of disclosure and transparency.

As stated in our response to CP 24/7, firms will need to assess different rules in different jurisdictions and make a determination as to whether to offer the new research payment option. **Increased optionality, and a flexible framework around it, are crucial to minimise unnecessary mismatch across key geographies and ensures the UK remains competitive on a global basis.** We strongly urge the FCA to drop this requirement in favour of a strategy or fund-manager level budgeting requirement – left to the discretion of the fund manager and their clients.

4. Do you agree with our proposals for authorised retail funds?

Yes, No, No view

We agree with the FCA proposals that, for authorised retail funds, fund managers will be required to treat the take-up of joint payments as a “significant change” under the relevant COLL rules and guidance.

We believe this is a critical step needed before UK retail funds could utilize the new payment optionality. We believe that, if the issue is not addressed, this may prevent all UK retail funds from availing themselves of the new optionality.

This could disadvantage UK retail funds versus peers and undo the regulatory progress made to date.

5. Do you have any additional comments on the proposals of allowing fund managers to adopt joint payments for investment research?

Yes, No, No view

Accelerated timetable

We note that the FCA aims to publish relevant rules or guidance in a policy statement in the first half of 2025.

The FCA previously committed to consult on regulatory changes stemming from the Investment Research Review under an accelerated timetable.

We would encourage the FCA to finalise the relevant policy statement, and make rules to commence, as soon as possible in 2025 with enough lead-time to allow asset managers to consider making changes from mid-2025 onwards.

Corporate Access

As previously stated in our response to CP 24/7, we support corporate access being included in the new regime.

Corporate access is a critical part of the information gathering process of the investment manager, which is beneficial to not only the investment manager but also ultimately to the investment managers' end clients. This point seems to be acknowledged by regulators in other jurisdictions who allow the arrangements of such meetings to be paid through the use of client commissions recognising the importance of the dialogue to the end consumer and overall capital market information ecosystem.

Not permitting the same level of optionality as research could result in members being required to run separate payment constructs leading to additional operational complexity especially versus international peers.

The rules have made it much harder for smaller fund managers, as opposed to larger managers, to get as much corporate access and to inform their full investment process.

Creating greater opportunities for investors to directly access SMEs/corporates as part of the normal course of business is an integral part of the investment decision making process.

This is as important as finding structures to improve availability and quality of research – therefore not addressing this consistently may reduce the overall potential benefits of the newly introduced joint payment option.

6. Do you agree with other amendments that we are making in COBS 18 Annex1?

Yes, No, No view

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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. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

AFME is the European member of the Global Financial Markets Association (GFMA) 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) in Asia.

AFME is registered on the EU Transparency Register, registration number 65110063986-76.