MiFID II er nu trådt i kraft – første reaktioner og indtryk

Et af årets helt store temaer bliver, hvilke konsekvenser MiFID II-reguleringen vil få for Investor Relations. De første udenlandske analyser og rundspørger ankom allerede i løbet af januar, og her afholdt Danske Bank ligeledes et orienteringsmøde den 17. januar under overskriften 'Research and Corporate Access after MiFID II'.

Her gav henholdsvis Thomas Steen Hansen, Global Head of Equity Research, Danske Bank, Carsten Leth, Carsten Leth, PM hos Nordea IM og DIRFs formand Flemming O. Nielsen, Executive Vice President, Investor Relations & Corp. Communications, DSV A/S hver et indlæg om ESMA opdateringen, buy-side forhandlinger, fortolkning af lovgivningen og resultatet heraf, hvad angår fremtidig betalingsmodeller for corporate access, roadshows, research etc. samt ikke mindst konsekvenserne for IR.

Efter måneders fornægtelse, forhandling og forvirring er branchen nu nået frem til at acceptere det uundgåelige, og man er nu i gang med processen, der skal indfase nye modeller, hvor udgifter til salgsincitamenter, rådgivning, research og corporate access fuldstændigt splittes op og opgøres separat. Der hersker generel enighed om, at det næste års tid vil blive brugt til at gøre sig sine erfaringer med et skarpt øje til udviklingen, hvor de umiddelbare konsekvenser for den finansielle sektor især vil være:

- Øget konsolidering og eliminering af aktører og services (hidtidige prismodeller vil være urentable)
- Øgede omkostninger (til Asset Management)
- Ændring i dækning af selskaber (i hvert fald på sigt – og faldende kvalitet på research)
- Nye analysehuse vil skyde frem

Specifikt for Investor Relations vurderes konsekvenserne umiddelbart at blive følgende:

- Mere direkte kontakt til investorerne
- 'Overraskende' roadshows vil blive sat op med ukendte investorer
- Mere selvstændig investor targeting vil være nødvendig
- Større IR-omkostninger og øget forbrug af ressourcer
- Nødvendig med tæt kontakt til ledelsen, som skal holdes godt orienteret om ændringerne

Reaktionerne fra udlandet er på linje med ovennævnte. Og som følge af ændringerne i de britiske regler omkring betaling for corporate access for et par år siden, er den generelle vurdering, at implementeringen af MiFID II et langt stykke af vejen vil blive på linje med den gældende praksis her.

Udenlandske reaktioner

IR Society: Global investors look to corporates to facilitate meetings directly, as they cut back on sell side corporate access

The research sought to establish investors' views on the impact of MiFID II on their meetings with companies. 302 institutional investors responded to the survey, including 10 of the top 20 largest global investment institutions:

- 92% of investors view corporate access as important or critical to their investment process
- 90% of investors regularly used sell-side corporate access teams last year, while 52% are now less likely to continue doing so
- However, only 25% of investors expect to have fewer meetings with company management this year, while 13% expect to have more meetings
- 54% of investors will be more reliant on companies contacting them directly in 2018, with only 33% planning to use internal resources to manage corporate access

A number of investors also state that they expect companies to be more proactive in arranging meetings, either directly or through independent intermediaries. This is particularly relevant for non-deal roadshows, which 59% of investors see as the preferred way to meet company management (by comparison, only 16% prefer to meet at conferences).

Half of all institutional investors (51%) also do not intend to make any payments for corporate access in the future, with the implied burden falling on companies' investor relations departments. Among those who remain willing to pay for sell-side corporate access, it is also clear that unbundled payments will bring the same additional scrutiny to the cost and quality of meetings as they do to analyst research.

The IR Society recently conducted a short survey of its members on the impact of MiFID II on IROs and what this means for consensus management. View survey results **here**.

69% of respondents do anticipate a change in how they will collect consensus post MiFID II. Of which:

- 43% expect data aggregators and third party providers to become more inaccurate as sell-side research notes are behind a paywall
- 45% anticipate more small- and mid-cap companies will have insufficient sell-side followers to generate a consensus
- 50% believe some small-cap companies will need to reconsider guidance detail in order to manage expectations

While it is still too early to assess the overall impact of MiFID II on research coverage and managing consensus, the IR Society encourages companies and their IR teams to retain control of compiling consensus and maintain ongoing engagement with the sell-side.

For any further information or to find out about the IR Society's policy work please contact Laura Hayter, Head of Policy and Communications at laura.hayter@irs.org.uk

Exane BNP Paribas (summary from MiFID2 survey)

What does MiFID2 mean for sell-side and buy-side?

The old model - whereby every broker spoke to every investor and research was (almost) freely available - is coming to an end. With a growing number of institutional investors announcing that they will cease charging clients for research and instead absorb research costs into their own P&Ls under the new rules, research/advisory budgets should decrease by 20% year-over-year according to a recent Greenwich Associates survey.

MiFiD2 has also prompted investors to cut ties with research providers (roughly 20%). For the first time, the two sides have found themselves engaged in tough negotiations about how to price research. We expect to see a more exclusive model in time, with relationships and flows increasingly concentrated on a smaller number of counterparts. The most highly-ranked analysts will become even more influential as they increasingly dominate client relationships at the expense of the "long tail" of analysts outside the top 5 in their sector.

What does it mean for corporates?

MiFID2 does not *directly* regulate corporate interactions with the buy-side or sell-side. However, we have identified several *indirect* impacts that investor relations professionals (IRs) need to be aware of. Some of these impacts are being felt already, whilst others will be more of a ‘slow burn’ – we think it is likely to be a few years before the implications are fully understood. We expect 2018 will be somewhat of an experimental year for the buy-side and sell-side in terms of adjusting to the new operating model of MiFD2. Pricing models and account management procedures may well evolve during the coming year.

Research distribution is the first impact IRs will have seen from MiFID2. As the sell-side tightly controls the distribution of their data and research notes to the buy-side, corporates will notice an increasing number of brokers sending them research via html links, rather than in pdf format. This could present a challenge to IRs who wish to collate research from several brokers for their management and board members.

Research coverage is the second area where IRs may see an impact. As the buy-side becomes very selective in their choice of brokers with whom they will work and pay, there is likely to be deflationary cost pressure on sell-side advisory businesses (in addition to deflation on execution businesses from the rise of passive investing). This could lead to some consolidation on the sell-side and a reduction in the number of analysts covering a stock. Some IRs at large cap companies believe this could have a positive impact and lead to higher quality research coverage overall, if the lower quality analysts dropped coverage. However, we are not so sure - could “juniorisation” of research coverage be another way for some sell-side firms to reduce their cost base? Also, for small- or midcap companies, a significant drop in the number of analysts covering the stock is unlikely to be helpful.

IRs also need to monitor how MiFID2 impacts **consensus management**. It remains to be seen whether the quality of consensus will be positively or negatively impacted by the potential changes in research coverage. With brokers tightly controlling the distribution of their data, how relevant will the consensus data published by aggregators be post MiFID2? Could there be more bonus on IRs teams to publish consensus data on their IR websites, if they become the only players who are seeing the full range of broker consensus estimates?

Corporate access and the impact of MiFD2 on roadshows and conferences is the topic IRs ask us about the most. It is also the area where we have seen a significant amount of fake news circulated in the market. Can brokers still book meetings with non-clients? Will corporates have to pay to have roadshows organised for them? Will more investors come to IR teams directly to set up meetings? How can IR teams know which investors are still on broker client lists? How will MiFID2 impact investors in North America? Will some conferences be cancelled, or will roadshow schedules be lighter than before?

Having a transparent dialogue with analysts, specialist sales and corporate access teams who you trust will certainly be crucial for navigating this evolving landscape. Best practice for roadshow organisation is likely to vary according to geography, and on whether the roadshow is open solely to current top shareholders or to potential new shareholders.

Market intelligence provided by trusted brokers will remain critical to high quality and high-impact investor targeting. The daily interactions that analysts, salespeople, traders and corporate access have with the buy-side is unique to the sell-side and will have a more important role post MiFID2: as investors become highly selective about which corporate meetings to accept, high quality and timely insight into which investors are genuinely interested in the stock can be invaluable information for IR teams.

With much uncertainty for IRs about the real impacts of MiFID2, many teams are adopting a ‘business as usual’ and ‘wait and see’ approach in the short-term, which seems sensible to us. We advise IRs to be more vigilant with investor targeting in general; and IRs may need to re-think their previously held views about the regional strengths of individual brokers.

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