

In Case You Missed It:

6 of the hottest topics, straight from the 2022 Substantive Research's Unbundling Uncovered conference in London

Once again, Substantive Research has put on an interesting and informative research and analytics conference at the Institute of Directors in London. Panel discussions focused on a number of themes, including the diverging regulatory landscape, geopolitical turmoil, inflationary pressures and data management headaches.

Below are six of the most talked about issues, both on and off stage:

1. Expiry of SEC No Action Letter in 2023, which will ban hard dollar payment for research in the US

We are no longer in a world where governments are moving in the same direction when it comes to financial regulation. Four years on from MiFID II, fund managers have to navigate a complicated regulatory framework with the impacts of Brexit and a divergent SEC requiring additional compliance due diligence.

Currently, fund managers with operations on both sides of the Atlantic have the flexibility to pay for US Research services via hard and soft dollar payments. This is coming to an end on 3rd July 2023, meaning that commission will become the only allowable form of payment to US research providers. This change directly contradicts the EU/UK's path with MiFID II, which separated research payments from execution and encouraged firms to pay for research out of their own P&L.

➡ **Our take:** The main challenge for global asset managers and research providers is to understand how to navigate this diverging landscape. While many participants are hoping that the SEC will modify its stance and allow hard dollar payments, they cannot assume that this will be the final outcome and need to plan ahead. Solutions range from purchasing more research through European subsidiaries to completely bifurcating their US and European research consumption, which creates large operational costs and reduces the ability of providers to deliver expertise from anywhere in the world.

2. Fund managers' jobs have become more complex

The need for greater awareness of a wider range of datasets (e.g. analytics, ESG, digital assets) is driving demand for data. There is also a new generation of finance professionals (both Millennials and Gen Z) who are hungry for more efficient solutions that can be integrated into their workflow without friction. These factors are driving those who manage data and research budgets to work more closely together, and seek more integrated solutions from external providers.

➡ **Our take:** Fund managers often need tools to help them make sense of the more complex data landscape that they now have to navigate. Technology has evolved to the point where it can help cut through the noise and isolate the datapoints that matter to the user.

3. Need for strategic thinking

Fund managers are now swamped with data in Front, Middle and Back offices. The biggest challenge for financial firms is interpreting all the data they receive to help generate alpha. Many data sets are still far too siloed, meaning the data/analytics looked at are not always meaningful to decision makers. PMs who acquire new datasets are also not always looking at the bigger picture in terms of how that data could be used across multiple business functions.

➔ **Our take:** When an asset manager starts a data or analytics search, it is often for one key project or user group, and so firms don't always take into consideration how the required data can be used across an organisation. API technology has made it easier to integrate data into multiple systems simultaneously, and serve multiple user groups at once.

4. Data management and technology innovation is key

The big technology challenge for many firms today is how to harmonise data effectively and ensure that revenue-generating functions have access to the right data from different departments. The cloud has helped with the collection and hosting of data, but making meaningful sense of and extracting the best value out of the data is a work in progress. It is becoming more important to have a knowledgeable team to navigate and evaluate all the datasets available to the investment function, with access to curation and quality control tools.

➔ **Our take:** The cloud has been a crucial resource in data management and harmonisation, allowing different entities within a global organisation to access the same data while lightening the IT resources required to initiate a global rollout. Advances in cyber security such as ISO 27001 has also meant that a lot of reluctance to utilise the cloud for data management has largely disappeared. Many providers, including Liquidnet, now operate on a cloud-first mentality, meaning that the old world of onsite-only deployment has largely disappeared.

5. Technology is FINALLY getting smarter

The industry has been talking about artificial intelligence and machine learning for years but only recently have technology and content providers actually delivered solutions that sufficiently automate workflows and reduce manual workload. End users are no longer satisfied with just having a firehose of data and prefer content tailored to their decision-making process.

➔ **Our take:** Technology systems have relied on manual intervention and for the user to tell the system what needs to be looked at for far too long. AI and Natural Language Processing has made this process much more efficient, helping users to cut through the noise and focus on the datasets that are relevant. Systems are now smart enough to look at a set of criteria and only serve up content which is important or interesting.

6. External Providers and Brokers need to provide more flexible solutions

Selling data and research to PMs in 2022 requires an understanding of their organisation's internal structures, budgeting delineations and key business needs. External providers need to think 'smarter' in terms of how to capture stakeholders attention and prove their worth to different parts of an organisation. In terms of supply, innovative and valuable data is being offered by sell side and independent data firms, but it is not always visible to the right stakeholders at the time a problem needs to be solved.

➔ **Our take:** Regulatory and market divergence has meant that there is not a one-size-fits-all model to engage, roll out or indeed pay for data and research. The differing approaches to research bundling/unbundling between the US and EU has made the landscape more complicated and costly for global asset managers. Providers need to be smart and flexible about how they engage with clients, and enable a regional approach where needed.

Overall it was a very insightful conference, with a good mixture of buy side, sell side and solutions providers participating in roundtable discussions. It is clear that the industry has moved on from MIFID II, with the time spent during Covid used to innovate and automate.



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