

Policy - provision of research by third parties

On 3rd January 2018, the Second Markets in Financial Instruments Directive (MiFID II) came into effect replacing the original MiFID regulatory framework.

Prior to 2018, Merrion Investment Managers (MIM) paid broker trade commission that typically ranged between 0.05% and 0.20% on trading the securities in your portfolio, depending on the size, nature, execution venue and other considerations relating to the execution of the trade order. Reflecting industry standards, an element (generally estimated at 60%) of this trade commission enabled investment managers to receive investment research from 3rd party research providers. For MIM the purpose of this research is to improve the decision making process around securities we invest in and enhance the quality of the service to our clients.

Following the introduction of MiFID II, firms that provide execution and research services to regulated Investment Managers such as MIM are required to price and supply both trade execution & research services separately. This is commonly referred to as the “unbundling of services”. MiFID II requires MIM as the Investment Manager to announce information about the budgeted amount for research and provide our clients with annual information on the actual total costs that have been incurred for this 3rd party research on the portfolio. Following extensive review and negotiation with our brokers we are able to announce to our clients a research budget that will be lower than the estimated 60% of the bundled total commission charges in the past. In addition to the anticipated saving in terms of research costs we can also confirm that broker trade execution costs will be 0.05% or less for the portfolio.

The research cost will be administered in accordance with the MiFID II requirements of having a Research Payment Account (RPA) to facilitate the funding of Research via the “transactional method”. The transactional method of funding an RPA is the method where an unbundled research charge is collected alongside the trade’s execution commission up to an announced research budget limit with the client. The research charge will be readily identifiable from the trade’s execution commission and the information will be contained in our client reports

We will monitor the effectiveness and quality of Research provided on an annual basis or where there is a material change to the services provided. Assessing them based on quality criteria and the research ability to contribute to better investment decisions.

The review will cover quality, cost, value criteria and ultimately whether the research provides assistance in the investment decision-making process for our client portfolios. While also determining that the research budgets and costs are reasonable and fairly allocated based on portfolio size and strategies applicable to the portfolios.