Master thesis

How to strategically position equity research offerings after MiFID II

A Nordic case study with ABG Sundal Collier

JOHANNES ESKILDSEN ZWICKY
MSc International Marketing & Management
Student number: 85145

MARK BJØRK
MSc International Marketing & Management
Student number: 37056

Supervisor:

IASON HALVADAKIS

Number of characters including spaces / Number of pages: 212,964 / 103

Submitted 17th September 2018 at Copenhagen Business School

CBS COPENHAGEN BUSINESS SCHOOL
HANDELSHØJSKOLEN

ABSTRACT

This thesis contributes to the limited existing literature on how to strategically position equity research using a case study approach. Specifically, the primary objective of this thesis is to investigate how ABG should strategically position its equity research offering in a post-MiFID II context. We base our analysis on semi-structured interviews with large institutional buy-side firms. We assess the competitive implications of MiFID II where we learn that the bargaining power has changed from sell-side to buy-side as a direct consequence of MiFID II. We find that the main parameters upon which buy-side firms evaluate equity research providers are depth and width. From an internal analysis of ABG, we determine that its main resource (its analysts) constitutes a sustained competitive advantage. Subsequently, we construct a theoretical model of relative positioning strategies in the Danish market for equity research, where we map the relative positioning strategies of ABG and its imminent competitors. From this mapping, we discover that ABG has deliberately positioned itself as the only equity research provider prioritizing width over depth. We find that ABG occupies an essential spectrum of what buy-side firms value when deciding whom to buy equity research from.

Furthermore, our model of relative positioning strategies unveils that there, at least theoretically, exists an inherent capital resource constraint in the Danish equity research market. In the case of ABG, this implicates that its relative positioning strategy involves a necessary sacrifice of depth to provide a wide coverage in a trade-off like situation. Lastly, this thesis concludes that ABG is successfully utilizing its main resources and capabilities to deliver value-added research through a differentiated relative positioning strategy centered around a wide coverage of Danish stocks.

Table of contents

1. Introduction 6
1.1. Introduction to MiFID II 7
1.2 MiFID II in context of its predecessor; MiFID 8
1.3 MiFID II and unbundling of equity research and trading commission 9
1.4 Introduction to ABG and the broker industry 11
2. Research Task 14
2.1 Problem statement 14
2.2 Research questions 14
2.3 Scope and delimitations 15
3. Research Philosophy 17
3.1 Methodological approach 22
3.2 Research approach 22
3.2.1 Research design and method 23
3.3 Research strategy 24
3.4 Data collection 26
3.4.1 Interviews and the interview situation 26
3.4.2 Data reliability and validity 27
4. Reasoning of data and theory 29
4.1 Institutional theory 29
4.2 Competitive strategies 30
4.3 Resources and capabilities 32
5. Theoretical framework 36
5.1 Neo-institutionalism 36
5.1.2 DiMaggio and Powell's three isomorphic pressures 37
5.2 Competitive strategies 38
5.2.1 Cost leadership 39
5.2.2 Differentiation strategy 40
5.2.3 Critique of competitive strategies 40
5.3 Resource-based view 41
5.3.1 The VRIN/VRIO criteria 42
5.3.2 Capabilities 43
5.3.3 Critique of the resource-based view 44
6.0 Empirical data analysis 45

6.1 The interview process 45
6.1.1 Preparing data for analysis 45
6.1.2 Analytical approach 46
6.1.3 Inductive analytical approach 46
6.2 Presentation of the interview respondents 47
6.3 Analysing our empirical data 49
6.3.1 Quality of research 50
6.3.2 Strategic resources and capabilities of sell-side firms 51
6.3.3 Competition 52
6.3.4 Regulatory changes 53
6.3.5 Strategy 54
6.4 – Key themes in semi-structured interviews 55
6.5 – Sell-side coverage 58
7. How is competition in the equity research market affected by MiFID II? 60
7.1. Coercive isomorphic pressure from MiFID II forces sell-side firms to conform 60
7.2 Normative isomorphic pressure from buy-side firms forces sell-side firms to adapt 63
7.3 Interim conclusion 66
8. What do buy-side firms value when deciding which equity research providers to buy research from after MiFID II? 68
8.1 Types of differentiation in the equity research industry 68
8.1.1 Depth is highly valued by buy-side 68
8.1.2 Wide coverage is a parameter of differentiation 70
8.1.3 Global scale and macro research perceived as value adding 71
8.1.4 Educating events support value-adding research 72
8.2 Cost leadership 73
8.3 Interim conclusion 74
9. What are the main resources and capabilities of ABG? 75
9.1 Equity research analysts – a valuable, rare, inimitable and organizationally embedded resource (sustained competitive advantage) 75
9.1.1 ABG's analysts are a valuable resource 76
9.1.2 ABG's analysts are a rare resource 77
9.1.3 ABG's analysts are an inimitable resource 77
9.1.4 ABG's analysts are an organizationally embedded resource 78

9.2 Capability to cover many stocks per analyst – a complementary organizational capability reinforcing the value of ABG's analysts 80
9.3 Capability to cover the small- and midcap segment – a complementary organizational capability enforcing the value of ABG's analysts 81
9.4 Interim conclusion 83
10. How to strategically position equity research after MiFID II 84
10.1 How has ABG strategically positioned its equity research offering? 87
10.2 Has ABG utilized its resources and capabilities optimally to strategically position its equity research offering to match the parameters valued by the buy-side? 91
10.3 Recommendations to ABG 94
10.3.1 Recommendation 1: Continue with current focus on a wide coverage of the small- and mid-cap segment 95
10.3.2 Recommendation 2: Align event offering to reflect the relative positioning strategy positioning strategy 95
10.3.3 Recommendation 3: Investigate the possibility of enhancing focus on global- and macro research 97
11. Conclusion 99
11.1 Competitive implications of MiFID II 99
11.2 Equity research preferences of the buy-side in an after MiFID II environment 99
11.3 Main resources and capabilities of ABG 100
11.4 ABG's relative positioning strategy after MiFID II 100
12. Limitations 102
13. Future research 103
14. Bibliography 104
15. Appendix 111
15.1 Sell-side interview guide 111
15.2 Buy-side interview guide 113
15.3 Interview with head of equity research at ABG, Michael Vitfell-Rasmussen 117
15.4 Interview with buy-side respondent 1 122
15.5 Interview with buy-side respondent 2 132
15.6 Interview with buy-side respondent 3 147
15.7 Interview with buy-side respondent 4 160
15.8 Interview with buy-side respondent 5 166
15.9 Interview with buy-side respondent 6 178

List of figures

Figure 1 - MiFID II: An overview 7
Figure 2 - Bundled commission allocation 9
Figure 3 - Payment directly out of asset managers' P&L 10
Figure 4 - The 51 stocks covered by ABG Denmark 13
Figure 5 - Research structure 28
Figure 6 - Theoretical map 35
Figure 7 - Data categorization 46
Figure 8 - HQ office of respondents 49
Figure 9 - Quality of research 51
Figure 10 - Strategic resources and capabilities of sell-side firms 52
Figure 11 - Competition 53
Figure 12 - Regulatory changes 54
Figure 13 - Strategic considerations for sell-side firms 55
Figure 14 - Thematic map 57
Figure 15 - Number of analysts employed 58
Figure 16 - Number of stocks covered per firm 59
Figure 17 - Number of stocks covered per analyst 59
Figure 18 - Coercive isomorphic pressure 61
Figure 19 - Normative isomorphic pressure in the equity research industry 64
Figure 20 – Number of stocks covered per analysts 80

List of models

Model 1 - Strategic positioning of equity research providers 85
Model 2 - Width and depth of equity research providers 88
Model 3 - Relative positioning of Nordic equity research providers 90

List of tables

Table 1 - Best execution under MiFID vs. MiFID II 8
Table 2 - The best Danish analyst teams in 2018 11
Table 3 - Top rated analysts 2018(17) 12
Table 4 - The results of fulfilling the varying level of the VRIO criteria 43
Table 5 - Broker evaluation 71
Table 6 - VRIO analysis of ABG's analysts 79
Table 7 - ABG's main resources and capabilities and their strategic value 83

1. Introduction

January 3rd, 2018 marked the beginning of a new era for European financial markets. The much-anticipated Markets in Financial Instruments Directive II (MiFID II) entered into force. MiFID II is building upon the existing MiFID regulation from 2007, and both directives are aimed at increasing transparency and protecting investors from a fragmented market with a complex trading environment (Stafford, 2017)

The primary ambition of MiFID II is to restore investor confidence following the global financial crisis in 2008 (European Commission, 2018). The MiFID II regulation has more than 1.4 million paragraphs and its reach span across five key areas:

1. Market infrastructure and transparency
2. Product governance
3. Transaction reporting
4. Rules on inducements and unbundling of research
5. Investor protection and best execution

MiFID II is unquestionably one of the broadest and most wide-ranging pieces of financial legislation ever written, impacting the far majority of actors across the financial service industry, from banks to hedge funds, institutional investors, exchanges, brokers and high-frequency traders (ibid). MiFID II is designed to create fairer, safer and more efficient markets; however, such desirable objectives do not come without a cost for the affected parties. IHS Markit and Expand, a Boston Consultancy Group company, estimated that the cost of preparing for MiFID II was $2.1bn in 2017 (IHS Markit, 2017), and Opimas, a consultancy, estimates that the total cost will amount to $3bn and that the financial service industry will spend a further $870m a year on remaining compliant (Unmack, 2018).

One of the most debated areas of MiFID II is unbundling of equity research. Unbundling requires equity research providers to split up payment for equity research and trading, which historically has been considered a bundled service. The directive implicitly means that sell-side of equity research must adapt its business model to comply with the after MiFID II regulatory and competitive environment, and on the other hand, the buy-side of equity research is forced to allocate specific research spending to broker firms and refrain from engaging in inducement and use research which they have not paid for. Before the implementation of MiFID II, sell-side experts and commentators

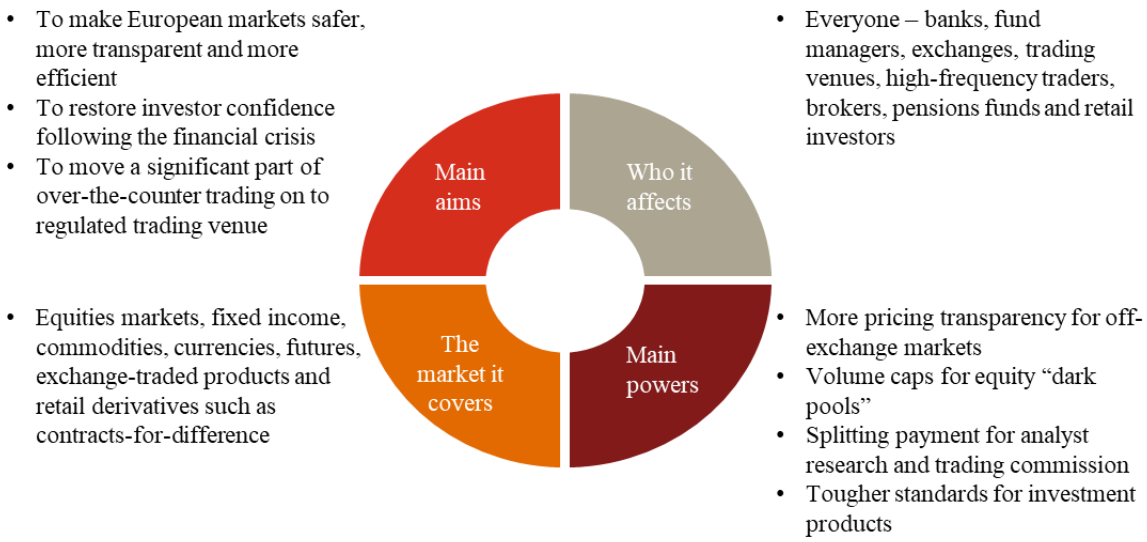
highlighted that research revenues could decrease with 15-30% as a consequence of MiFID II and unbundling of equity research (Chiarella *et al.*, 2017; Griffin and Vaghela, 2017).

The new business environment molded by MiFID II thus create new opportunities and threats for both the buy-side and sell-side. Sell-side needs to revise its strategy to establish a viable business model, and buy-side needs to look for smarter and cheaper ways to generate alpha. It is expected that MiFID II will increase the competition among brokerage firms as well as contribute to a possible accelerating consolidation of the brokerage industry (Chiarella *et al.*, 2017; Mahmud and Elliott, 2017; Vitfell-Rasmussen, 2018). In this thesis, we will seek to investigate how equity research providers (sell-side) should position their equity research offering in a after MiFID II environment, with a specific focus on ABG Sundal Collier (ABG), a Nordic equity research provider.

1.1. Introduction to MiFID II

MiFID II is a principle-based directive issued by the EU and originally scheduled to take effect from January 2017. However, in February 2016, the European Commission made a proposition to postpone the deadline to January 3, 2018, as the European Securities and Markets Authority (ESMA) informed the commission about technical implementation challenges making both regulators and market participants unable to have systems ready in time to meet the original January 2017 deadline. By June 2016, the European Parliament confirmed the extended period (A-Team Group, 2017). Figure 1 provides an overview of the central elements and objectives of MiFID II, who it affects, the markets it covers and its reach, including the splitting of payments for equity research and trading commission.

Figure 1 - MiFID II: An overview



(Stafford, 2017)

1.2 MiFID II in context of its predecessor; MiFID

MiFID II is considerably broader in its scope than its predecessor MiFID. MiFID was adopted in April 2004 and entered into force on 1st November 2007 as a cornerstone in the Financial Services Action Plan (FSAP) of the EU Commission. MiFID was, however, revolutionary through the way in which it radically changed the landscape for the trading of securities in Europe both on a competitive-, legal- and economic level (Casey and Lannoo, 2009). The key objectives of MiFID were to impose common guidelines and legislation for the EU countries, to increase the European financial markets effectiveness, integrity, and level of transparency as well as promoting investors trust in the markets.

The timing of MiFID's arrival in November 2007 coincided with the inception of the financial crisis which exposed MiFID's focus on equities as a significant limitation in the subsequent years (Stafford, 2017). The ruleset of MiFID limited to equities trading on regulated platforms has now been extended to cover equity-like and non-equity instruments traded on any trading platform with MiFID II. Likewise, MiFID II amended many of the MiFID provisions covering organizational requirements for providers of investment services, the conduct of business and specific requirements and rules at various types of trading venues. Table 1 below contains an overview of the most prominent differences in best executions between MiFID and MiFID II.

Table 1 - Best execution under MiFID vs. MiFID II

	MiFID I	MiFID II
Requirements	The overarching MiFID I best execution obligation requires firms to take all the **reasonable** steps to obtain the best possible result, taking into account a range of execution factors, when executing client orders or placing orders with (or transmitting orders to) other entities to execute	The overarching MiFID II best execution obligation requires firms to take all the **sufficient** steps to obtain the best possible result, taking into account a range of execution factors, when executing client orders or placing orders with (or transmitting orders to) other entities to execute
Instrument scope	- Equities* *all assets were under scope but due to lack of data it was difficult to prove best execution in non-equity markets	- Equities & equity-like - Bonds - Derivatives - Structured finance products - Emission allowances
Importance and Change	1. To ensure protection for investors 2. To sustain the integrity of the price formation process, which itself underpins all trading activity 3. To promote competition among trading venues in increasingly fragmented markets	1. Introduction of price transparency across all instruments to aid better price discovery 2. Greater focus across to prove best execution across non-equity asset classes

(ESMA, 2018)

Finally, another major element of MiFID II is the unbundling of research services – often provided by sell-side firms, i.e., brokerage firms, to their buy-side clients, e.g., asset managers. Unbundling of

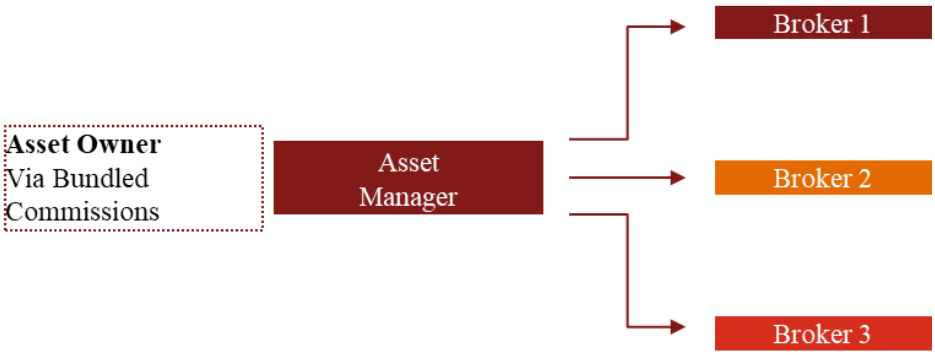
equity research means that buy-side firms, since January 3rd 2018 have been required to subscribe to third-party or broker provided research services with the direct cost of these services listed as a line item in their cost equations, thereby improving transparency for investors (A-Team Group, 2017). The following section will elaborate on unbundling of research services under MiFID II, as it is a central element of this thesis.

1.3 MiFID II and unbundling of equity research and trading commission

Up and until MiFID II entered into force, asset managers (buy-side) have typically received research bundled with trading services, and thereby implicitly paid for research through the trading commission. Before MiFID II, buy-side firms would sign up to receive "free" analysis from a broad range of providers. The cost of producing equity research was included in the trading commission. Sell-side firms thus provided research to a wide range of buy-side firms with the anticipation that they would come back and execute their trades with the respective research providers (Buy-side respondent 1-3).

One element of the MiFID II legislation prohibits this type of "bundled" commissions (the joint payment of execution and research commission). Up until MiFID II, this has been the most common way of purchasing research (Mahmud *et al.*, 2016). The unbundling of equity research also means that sell-side firms are now not allowed to provide free research and that buy-side firms must pay for the research they receive, including analysis and calls with equity analysts. Figure 2 illustrates an example of bundled research where the asset manager is paying a "bundled commission", and the broker thus captures both the research and execution portions of the commission. In this model, asset managers pays brokers/investment banks via a bundled commission. The purchases of independent research providers would have to be funded by another means.

Figure 2 - Bundled commission allocation



(Mahmud *et al.*, 2016)

The regulatory requirement of unbundling research means that both buy-side and sell-side now must set a price tag on research and quantify its value compared to before the implementation of MiFID II. Moreover, MiFID II prohibits asset managers from using free research.

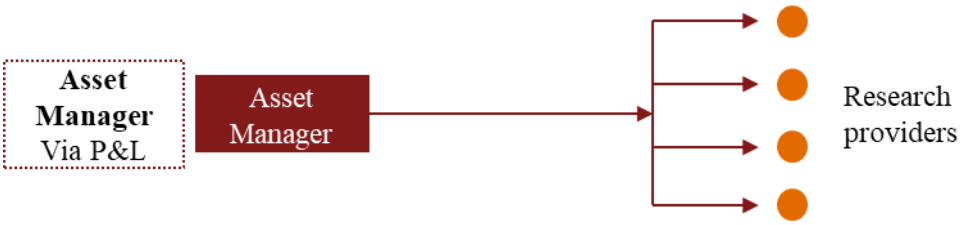
Consequently, three new approaches to pay for research and trading separately have emerged to comply with the new MiFID II directive. There are three main types of payments:

1. Direct payment from the P&L
2. The "Swedish model"
3. Commissions and payment accounts

Direct payment from the P&L

With this approach, the asset manager pays for research directly out of the corporate P&L, with no additional research fee transferred to the client as shown in Figure 3. Consequently, asset managers' profit margins diminish. Based on a reluctance of the buy-side to ask asset owners for additional research fees, most asset managers have opted for this payment option (Llamas, 2018; Mooney, 2018; Buy-side respondent 5).

Figure 3 - Payment directly out of asset managers' P&L



(Mahmud *et al.*, 2016)

The Swedish model and commissions and payment accounts options

These two approaches involve the use of client money, and MiFID II requires that the research payments are made from a Research Payment Account (RPA) (Mahmud and Elliott, 2017). In the "Swedish model", the buy-side asks the asset owner for extra fees (on top of the management fee). While viable for some asset managers, many managers have been reluctant to ask asset owners for further research funding, as the asset management market is highly competitive and price conscious. Therefore, the direct payment from P&L has been the preferred option (Llamas, 2018; Mooney, 2018, Buy-side respondent 5). The commissions and payment accounts option has likewise not been the

preferred choice for many asset managers (Llamas, 2018; Mooney, 2018), and as such, the two payment models will not be described further.

1.4 Introduction to ABG and the broker industry

ABG was founded in 1984 and is headquartered in Oslo, Norway. The Norwegian investment bank has offices in London, New York, Stockholm, Copenhagen, Frankfurt, and Singapore. Most of its operations are in the Nordic region, particularly in Norway and Sweden.

The firm operates within two segments: markets and investment banking. The investment banking segment provides corporate advisory services, including ECM, DCM, M&A, and financial restructuring. The markets segment offers financial services, such as brokerage, trading, and execution of equities, convertible bonds, bonds, FX, equity research, credit research, and corporate strategic access services (ABGSC, 2017). ABG's operations are considered to be highly dependent on the development within the markets for equity and corporate transaction and research (Euroinvestor, 2018).

In the Nordic region, large banks dominates the financial market. There is, however, room for smaller actors in the niche segments such as equity research, brokerage, and special corporate financial services. With respect to equity research, the five primary market actors are Nordea, Danske Bank, SEB, Carnegie and ABG as also evident in Table 2. Each year the analyst teams are rated by buy-side firms, and as shown in Table 2 ABG is trailing behind the biggest banks, i.e., Nordea and Danske Bank.

Table 2 - The best Danish analyst teams in 2018

Top rated research providers in 2018				
2018 (17)	**Broker**	**Total**	**PM**	**IR**
1 (2)	Nordea	85	50	35
2 (1)	Danske Bank	76	40	36
3 (5)	SEB	35	9	26
4 (3)	Carnegie	32	19	13
5 (4)	ABG Sundal Collier	28	8	20
6 (6)	Handelsbanken	6	1	5
7 (8)	Jyske Bank	5	5	-
8 (7)	Sydbank	1	1	-

(Økonomisk Ugebrev, 2018a)

Moreover, the individual analysts are also ranked. When looking at the ranking of the best analysts across all the sell-side teams in Table 3, ABG has five analysts in top 26. Nevertheless, the highest-

ranked analyst of ABG, Morten Larsen is “only” listed as the eleventh best analyst. The top analysts come from Nordea and Danske Bank.

Table 3 - Top rated analysts 2018(17)

Top rated analysts in 2018			
2018 (17)	**Analyst**	**Broker**	**Total**
1 (1)	Michael Novod	Nordea	35
2 (5)	Jakob Brink	Nordea	17
3 (2)	Poul E. Jessen	Danske Bank	16
4 (3)	Kristian T. Johansen	Danske Bank	16
5 (4)	Lars Topholm	Carnegie	15
6 (6)	Thomas Bowers	Danske Bank	14
7 (10)	Per Grønborg	SEB Equities	13
8 (-)	Niels G. Leth	Carnegie	13
9 (7)	Maritn Parkhøj	Danske Bank	13
10 (9)	Claus Almer	Nordea	12
11 (11)	Morten Larsen	ABG Sundal Collier	11
12 (7)	Hans Gregersen	Nordea	9
13 (15)	Asbjørn Mørk	Danske Bank	9
14 (15)	Søren Samsøe	SEB Equities	9
15 (15)	Fasial A. Kalim	SEB Equities	8
16 (13)	Christian Ryom	Nordea	7
17 (19)	M. Vitfell-Rasmussen	ABG Sundal Collier	5
17 (19)	Jonas G. Hansen	Danske Bank	5
19 (NY)	Mads Thinggaard	ABG Sundal Collier	4
20 (22)	Andrew Carlsen	ABG Sundal Collier	4
21 (NY)	Casper Blom	ABG Sundal Collier	4
22 (19)	Marcus Bellander	Carnegie	3
22 (NY)	Jørgen Bruaset	Nordea	3
22 (-)	Frank H. Andersen	Jyske Bank	3
22 (-)	Finn B. Petersen	Danske Bank	3
26 (NY)	Peter Sehested	Handelsbanken	3
26 (NY)	Carsten L. Madsen	SEB Equities	3

(Økonomisk Ugebrev, 2018a)

With a focus on unbundling of equity research, ABG is an exciting firm to investigate due to its focus on investment banking related services, hereunder equity research. ABG is the only "pure" broker in the Danish market that is not grounded in a commercial bank. In the Nordic market, ABG has sought to obtain a differentiated position based on a broad and deep research coverage:

"We're focusing on small- and midcap, whereas the other research houses are concentrating more on the larger stocks. The large foreign research houses will play a larger role over time. However, my view is that Danish and Nordic brokers have a role to play through a broad and deep coverage." - Tue Østergaard, Managing Partner and head of markets at ABG (Økonomisk Ugebrev, 2018b).

ABG's equity research strategy is exemplified by the fact that in February 2018 they initiated coverage on its 51st Danish stock, Brødrene Hartmann, as a part of its mission to be the Danish investment bank with covering the most shares (Østergaard, 2018). Figure 4 shows the 51 Danish shares currently covered by ABG's Danish analyst team.

Figure 4 - The 51 stocks covered by ABG Denmark

(Østergaard, 2018)

2. Research Task

When determining the research task ahead, it is crucial to obtain a comprehensive understanding of the environmental and situational context leading to the problem under investigation (Malhotra, Birks and Wills, 2012). It has been essential to evaluate and analyze secondary data to understand the problem and facilitate a thorough understanding of the situation and environment (ibid). Having outlined the situational context regarding MiFID II and ABG in the previous sections, this part of the thesis aims at identifying the challenges and opportunities from the perspective of equity research providers through an inductive approach using interviews from buy-side firms and relevant secondary data.

2.1 Problem statement

The purpose of this thesis is through a bottom-up approach to, investigate how Nordic buy-side firms have changed their consumption of equity research following MiFID II and determine how ABG should position itself to remain competitive in a consolidating and evolving industry. The emphasis will be on how ABG should deploy its resources and capabilities to accommodate an increased competitive landscape. Based on this, we propose the following problem statement:

How to strategically position equity research offerings after MiFID II?

A Nordic case study with ABG Sundal Collier

2.2 Research questions

To answer the problem statement, this thesis seeks to answer the following research questions:

1. How is competition in the equity research industry affected by MiFID II?
2. What do buy-side firms value when deciding which equity research providers to buy research from after MiFID II?
3. What are the main resources and capabilities of ABG?
4. Has ABG utilized its resources and capabilities optimally to strategically position its equity research offering to match the parameters valued by the buy-side?

By answering the research questions outlined above, this thesis will seek to provide the reader with a comprehensive understanding of the implications of the unbundling of equity research and specifically whether competition among sell-side firms is affected. Additionally, by interviewing buy-side firms, the researchers seek to unveil relevant insights about how Nordic buy-side firms value

equity research after MiFID II. Next, to determine how ABG should strategically position its equity research, we will first attempt to identify the main resources and capabilities of ABG, and subsequently investigate whether ABG has utilized these resources and capabilities to strategically position its equity research offering to match the parameters valued by the buy-side.

In combination, these steps will aid in answering our overall problem statement with a focus on ABG. This study will be qualitative in the sense that of our primary data is in-depth interviews with relevant industry experts, key personnel from ABG and top-tier Nordic institutional investors. Due to the qualitative nature of this study, the conclusions derived will not be generalizable to other equity research providers. The purpose of this study is thus to gain a deep understanding of MiFID II's implications for sell-side firms and subsequently apply it to the unique context of ABG and how the firm should position its equity research offering after MiFID II.

The following section will outline the methodological framework of this study. Throughout this part of the study, the authors will discuss the applied research philosophy, methodological approach, strategy, design, and data collection approach. This is done to develop a research design that enables the authors to establish the necessary procedures to obtain the required information to answer the problem statement (Malhotra, Birks and Wills, 2012; Saunders, Lewis and Thornhill, 2016).

2.3 Scope and delimitations

The overall scope of this thesis is not to investigate how MiFID II is affecting the financial service industry, but rather to examine to what extent equity research is influenced by MiFID II. This study focuses solely on the unbundling of equity research provision under the new MiFID II regulation. Therefore, we have deemed the overall implications of MiFID II to be outside the scope of this thesis, due to its complexity and wide span.

One limitation of this study is the inability to collect primary data from a more diversified sample of buy-side firms. We have interviewed six different buy-side firms, all belonging to the tier 1 segment, meaning that they all have billions worth of equities under management. We have made several attempts to include smaller buy-side actors. However, they were not interested in participating in our study. Thus, our primary data reflects the opinions and preferences of large buy-side actors exclusively. Had we been able to include small and medium-sized buy-side firms in our sample, our subsequent analysis could potentially have yielded a more diversified view on the value-adding attributes of the research provided by sell-side firms.

Next, the authors acknowledge that our findings in this study do not reflect the universal truth. With the application of qualitative data as our primary empirical data, our findings are limited by the fact that it cannot be independently verified. The findings are the truth of the respondents, and as such, no generalizations of relative positioning strategies in the equity research industry can be based upon this study.

Lastly, this study conforms to the importance of acknowledging confirmation bias as one of the most widely accepted notions of inferential errors in human reasoning (Evans, 1989). Confirmation bias of the researchers may have influenced the process, development and findings, data collection and discussion of this study.

3. Research Philosophy

Upon deciding on a research philosophy, it is crucial to consider the nature of the focal research question. The primary objective of this study is to determine how ABG should strategically position its equity offering following MiFID II. Specifically, this study investigates how the buy-side, i.e., the customers of ABG are changing their consumption and purchase of equity research following the regulatory changes and how ABG should strategically accommodate these changes. The first step towards answering one's research questions is to decide the philosophical research stance.

The research philosophy is the first layer of the research onion know from Saunders, Lewis, and Thornhill (2016) and provides the epistemological and ontological stance, from which assumption about human knowledge and realities are derived (ibid). The epistemology and ontology of the researchers will inevitably shape the understanding of the problem statement and how findings are interpreted (Crotty, 1998). The applicable paradigm is one of the most important considerations when reviewing the applied methodology.

"*Questions of method are secondary to questions of paradigm, which we define as the basic belief system or world view that guides the investigation, not only in choices of method but in ontologically and epistemologically fundamental way*s" (Guba and Lincoln, 1994 p. 105).

Ontology and epistemology tend to emerge together (Crotty, 1998). Ontology is concerned with the nature of reality and deals with the structure of reality and the way the world operates (Saunders, Lewis and Thornhill, 2016). There are two primary aspects of the ontological view and how the world is interpreted, namely objectivism and subjectivism (ibid).

Lakoff (1987) describes objectivism as "*one version of basic realism*." Objectivism thus takes the view that social actors are independent of social entities meaning that reality exists independently of humans and their interactions.

On the other hand, subjectivism takes the position that reality is created and molded by actions of social actors (Morgan and Smircich, 1980). Under the subjectivist view, reality is a social phenomenon created by the actors of the social world. Subjectivism acknowledges that realities can be multiple, whereas objectivism posits that reality is single (ibid). Hence, an ontological view of subjectivism implies that problems and social constructions must be understood in the details of a specific situation concerning social actors and their interaction, whereas objectivism advocate that reality exists independently of the social actors (ibid).

Epistemology is concerned with what constitutes acceptable knowledge within a field of study. Furthermore, epistemology is concerned with how we understand what we know, how we develop knowledge and how we make sense of it (Saunders, Lewis and Thornhill, 2016). Much similar to the divergent ontological views of objectivism and subjectivism, the two different epistemological views can be distinguished between knowledge created by scientific facts and reliable data which can be objectively confirmed or rejected and, on the other hand, feelings and attitudes which are more subjective and therefore hard to measure.

To answer the problem statement and research questions it is therefore of crucial importance that the researchers have considered it's ontological and epistemological stance. In this thesis, the researchers will use qualitative data to analyze ABG's positioning of equity research in the light if MiFID II. Research questions 1 and 2 will try to answer how buy-side firms have experienced MiFID II and what the competitive impact of this will be for equity research providers. One could argue that these questions can be answered with an objectivist ontology, as it is possible to quantitatively determine how MiFID II has affected competition alongside determine what the main drivers of choosing equity research providers are. However, the researchers argue that these questions should be answered using a subjectivist ontology due to the nature of MiFID II and its novelty

Firstly, MiFID II entered into force on January 3rd, 2018, meaning that it would be highly doubtful that any objective measurement of the degree of competition would resemble the true reality. This is primarily due to the novelty and the limited time it has been a governing directive. Secondly, the resources and capabilities of buy-side firms differ enormously. This will also affect the value-drivers for choosing equity research providers and the amount of equity research purchased. Hence, this requires a more specific and deep understanding of the underlying drivers, implying that mere generalizations will not be enough to understand the underlying drivers comprehensively. Furthermore, it will limit the applicability concerning the case study of ABG, as the firm primarily deals with top-tier institutional investors, and a general overview from all investors in the market would distort the result.

Research question 3 and 4 require a qualitative understanding of ABG, its strategy and equity research offering. This will require a qualitative analysis of ABG and its resources and capabilities. This analysis needs to be interpreted in the context of MiFID II, and we argue that using an ontological view of subjectivism will enable the researchers to achieve a better phenomenological understanding

of ABG. This will eventually empower the researchers to provide valid recommendations that are suited to ABG's unique situational context.

The philosophical stance will have a profound impact on the research design and strategy, which is why it is essential to determine how the researchers interpret the world and how knowledge is developed and interpreted. Saunders, Lewis, and Thornhill (2016) further argue that there are four main research philosophies. Those are positivism, realism, interpretivism, and pragmatism. The main aspects of the four research philosophies will briefly be outlined to help understand their differences. This will be followed by a discussion of the applicability of each philosophy in relation to this study to determine which is most suitable.

When adopting a positivistic research philosophy, researchers will take a stance very similar to that of a natural scientist (ibid). With a positivistic research stance, the researchers are independent of the subject of research, and thus have an objective ontological view and consider reality as external and single. It is therefore very common that a starting point with positivistic philosophy is to develop hypotheses based on existing theory and subsequently confirm or reject those hypothesis based on statistical analysis. Although positivism was a dominant factor in social and educational research in the first half of the twentieth century, it has some disadvantages (Rahman, 2016). Among others, it cannot ascertain the meanings and explanations of social phenomena (ibid).

Furthermore, positivism cannot account for how reality is shaped and how people interpret their actions (Blaikie, 2007). In this study, the researchers interact with the participants through semi-structured interviews, which is contradictory to a positivist philosophy of external reality and objectivity. Additionally, this study acknowledges that realities are multiple, and the overall purpose of the research questions is not to derive an absolute truth, but rather explore how ABG should position its equity research after MiFID II. The researchers of this study acknowledge that the result of this study cannot be generalized which means that having a positivistic research philosophy is not appropriate.

Similar to positivism, critical realism has its epistemological position in the scientific area as well as an ontological view of objectivity and external reality (Saunders, Lewis and Thornhill, 2016). Contrary to positivism, realism acknowledges that reality cannot be understood independently of social actors involved in the knowledge derivation process (Dobson, 2002). Taking into consideration that reality cannot be understood separately from social interactions and realities, realism acknowledges that the world is in constant change and it is thus a mix of the contrary ontological

views of objectivity and subjectivity implying that the method can be both qualitative and quantitative (Saunders, Lewis and Thornhill, 2016).

A critical realist claim that there are two steps to understand the world. The first step is the events and sensations we experience, and the second step is how social actors mentally process the events and sensations (ibid). As for this study, the researchers argue that the social events and experiences cannot be objectivized, and the realities of the social actors experiencing the events will differ. This is the case with MiFID II, as its implications will affect implicated parties differently. Furthermore, the actions of the participants will vary, due to their different reality, resources and sense-making of the MiFID II regulation. This fundamental understanding of the world as external makes it very difficult to adopt a critical realism philosophy in this study.

Interpretivism takes the opposite stand of realism and argues that the social world of business and management is too complex to theorizing by definite "laws," in the same way as physical science (ibid). Interpretivism emphasizes the need to understand differences in social actors and argue that business situations are unique and complex, implying that reality is multiple (Morgan and Smircich, 1980). One of the significant drawbacks of interpretivism is the lack of generalizability. However, an interpretivist would argue that the business world and its social actors are in a constant change and therefore is generalizability less valuable. With an interpretivistic epistemology, it is crucial that the researchers have an empathic stance (Saunders, Lewis and Thornhill, 2016). Another disadvantage of interpretivism is the interaction between researchers and social actors, which gives rise to potential biases, which can affect the results and reliability of the research (Myers, 2000). This thesis, amongst other things, focuses on how Nordic buy-side firms have reacted to MiFID II, specifically, regarding the composition of their equity research providers. This will be applied to achieve a better understanding of how ABG should strategically position its equity research offering. The researchers thus argue that the world of business and management is too complex to generalize and that the overall purpose of this thesis is not to find one single truth, but rather to identify premises that increase the likelihood of a conclusion in the specific case of ABG.

The primary data collected and analyzed in this study will be qualitative, and the authors, therefore, argue that realities differ across the interviewed participants. The multiple reality proposed by Morgan and Smircich (1980) fits well with our research questions and argumentation for a subjectivist ontological view. Each interviewee has experienced the changes following MiFID II differently, and as such, each subject has his/her reality and opinion about the directive. Saunders et al. (2016)

highlight that under interpretivism, researchers must adopt an empathetic stance to understand the reality and world of the subjects from their point of view. By interacting with the subjects, there is, without a doubt, a researcher-participant interaction. Thus, the authors acknowledge that these interactions during the interviews can affect the values and realities put forth in a biased manner. When a potential researcher-participant bias exists, it is essential that the researchers recognize that the interaction might lead to one single truth between the researchers and the participants.

Furthermore, under the interpretivist paradigm, knowledge is socially constructed rather than determined objectively (ibid). Therefore, meanings and realities are not discovered and validated, but instead constructed (Crotty, 1998). Overall, having an interpretivist philosophical stance has some significant drawbacks, such as the limits of not being able to generalize the findings. However, the researchers argue that the unique situational context of MiFID II alongside the need to provide ABG with strategic recommendations regarding its equity research offering after MiFID II require the researchers to take an interpretivist stance to answer the research questions.

Pragmatism lies in between the two opposing viewpoints of positivism and interpretivism. The emphasis is put on the research question and not on the paradigm as argued by Guba and Lincoln (1994). The stance of various realities and multiple ways of investigating a research question thus enables researchers to use both qualitative and quantitative research, and mixed methods are therefore applicable (Saunders, Lewis and Thornhill, 2016). With its broad approach to research philosophies, pragmatism can seem intuitively appealing but must be appropriate to the given study at hand (Tashakkori and Teddlie, 1998). Pragmatism is particularly helpful if the research problem does not unambiguously suggest one specific method to use. In this study, the research problem is in its nature limited to ABG and its equity research offering. Therefore, the authors argue that pragmatism is not an applicable philosophy.

After having briefly outlined the ontological and epistemological view of the four main research philosophies, this study argues that interpretivism is the most suited research philosophy to answer the problem statement. This is the case due to the qualitative nature of the primary data as well as the uniqueness of the MiFID II directive. The emphasis of this study is on how ABG should change the strategic positioning of its equity offering after MiFID II. This is achieved through a bottom-up approach using qualitative data from Nordic buy-side firms to understand what is valued when choosing equity research providers. Furthermore, this study does not aim at generalizing findings but emphasizes the importance of understanding a contemporary context with a focus on how ABG

should change its equity offering to accommodate the requirements from its customers better. Therefore, the researchers acknowledge that we will not find one objective truth. Nor will this thesis accommodate generalizations that are applicable across the industry. The purpose is to provide strategic recommendations to ABG concerning its equity research strategy, and the researchers will, therefore, use an inductive reasoning approach to answer the research questions. The research approach used in this study will be the addressed in the forthcoming section.

3.1 Methodological approach

In the following section, this study will outline the methodological approach that has been applied to answer the research questions. The main aspects of the methodological framework are the reasoning approach, research design, and data collection. Easterby-Smith and Thorpe, (2010) argue that an important reason for selecting a research approach is to allow for the researcher to take a more informed decision about the research design (Saunders, Lewis and Thornhill, 2016). Additionally, Easterby-Smith, Thorpe, and Lowe (2010) argue that knowledge of the different research traditions help researchers to adapt the research design. The purpose of the methodological framework is thus to clarify the course for the development of the findings and subsequent recommendations for ABG.

3.2 Research approach

There are two main types of research approaches, namely the deductive and inductive approach (Saunders, Lewis and Thornhill, 2016). The deductive approach is where researchers develop a theory and hypotheses and subsequently test the hypotheses using relevant data. On the other hand, the inductive research tries to collect data and develop a theory based on data analysis. A deductive approach is more often used with a positivist research paradigm, whereas induction is more often related to interpretivism (ibid).

The deductive approach tends to take a scientific research approach, and it is custom that the collected data is reliable and objective in its nature. With a deductive approach, theory is tested, and the ontological view of the world is that there is one single truth. Contrary, induction is more concerned with the development of a new theory based on data and patterns in social interactions. Therefore, it has an ontological view of a complex social world with multiple realities where social actors construct different realities and opinions. (Morgan and Smircich, 1980).

Given the interpretivist philosophy, this thesis will apply an inductive reasoning approach. Saunders, Lewis, and Thornhill (2016) argue that the inductive research approach allows researchers to

understand the nature of the problem better. Moreover, according to Saunders, Lewis, and Thornhill (2016), the inductive approach will enable explanations of what is going on, rather than the rigid methodology that does not allow alternative explanations. Additionally, researchers using an inductive approach is mainly concerned with the context of an event and its surroundings (ibid). In the case of MiFID II and its implications on buy- and sell-side firms it is important to understand the individual differences that buy and sell-side firms are experiencing after MiFID II. Andersen (2008) argues that with induction, regularities can be deduced from single observations and that this, in turn, can form the basis of a theory. In this thesis, the researchers will use qualitative data in the form of interviews with buy-side firms to see how the consumption and usage of research have changed following MiFID II. This will subsequently be the departing point from which the implications for ABG will be analysed and how the firm should respond strategically to the anticipated changes (Chiarella *et al.*, 2017; Griffin and Vaghela, 2017).

This study acknowledges that with an inductive approach, generalizations cannot be made, which will somewhat limit the findings to the involved actors of this study. Nevertheless, it is argued that because of the complexity of the regulation and how it affects the different actors of the industry, generalizations will not provide meaningful explanations. Furthermore, the authors argue that the reality is inherently different from firm to firm, which further underlines the necessity of having an emphatic and open-minded research philosophy and reasoning approach.

In summary, the aim of this study is not to find one true reality, but to identify premises that increase the probability of a conclusion by applying an inductive research approach combined with an interpretivist perspective.

3.2.1 Research design and method

The research design is interlinked with the purpose of the research and deals with how the researchers will answer the overall problem statement (Saunders, Lewis and Thornhill, 2016). According to Saunders, Lewis, and Thornhill (2016), there are three main types of research designs, namely exploratory, descriptive and explanatory. The descriptive research design is often the first tentative approach to a new event or condition (Grimes and Schulz, 2002). It should, therefore, be seen as a mean to the end, and not the end itself (Saunders, Lewis and Thornhill, 2016).

Malhotra, Birks, and Wills (2012) argue that research designs tend to be either conclusive or exploratory. The difference between the two research designs as contended by Malhotra, Birks, and Wills (2012), is that the objective of the exploratory study is to understand, whereas the conclusive

tends to measure. The two research designs offered by Malhotra, Birks, and Willset (2012) are very similar to the exploratory and explanatory research design proposed by Saunders, Lewis, and Thornhill (2016). The two opposites can immediately be related to the different ontological views of subjectivism and objectivism and the related research philosophies. In the case of ABG and its equity offering following MiFID II, the researchers argue that it is essential to understand the problem and as such implement an exploratory design to explore a new research topic where existing research is limited (Malhotra, Birks and Wills, 2012; Saunders, Lewis and Thornhill, 2016).

In this particular case, little knowledge or research exists on how sell-side firms should strategically position their equity research offering following MiFID II. This is primarily because the directive entered into force on January 3rd, 2018. Additionally, it is not possible to investigate these research questions before MiFID II which further underlines the necessity to use an exploratory research design. Therefore, this study will adopt an exploratory design, as the design is flexible and aid in clarifying a problem whose exact nature is unsure (Saunders, Lewis and Thornhill, 2016). The novelty of the directive thus plays a crucial role in determining the best research design. Adams and Schvaneveldt (1991) argue that despite its flexibility, the critical characteristic of exploratory studies are their ability to initially have a broad focus and progressively narrow it down (ibid). Moreover, the exploratory design allows for an exploration of a new research topic, where existing research is limited.

Due to the nature of having an exploratory research design, the limitations of using it are very similar to interpretivism and inductive reasoning. It is thus not possible to generalize, and biases exist due to the interaction with the participants. Overall, the purpose is to identify premises that increase the probability of a conclusion.

3.3 Research strategy

Research strategies encompass the different methods on how to answer the research questions. There are several different research strategies, but the most acknowledged ones are experiments, survey, case study, action research, grounded theory, ethnography and archival research (Saunders, Lewis and Thornhill, 2016). According to Yin (2003), each of the research strategies can be used for the different research designs. However, some of the strategies are inductive or deductive in their approaches (Saunders, Lewis and Thornhill, 2016). Due to the philosophical stance of interpretivism and inductive reasoning this section will briefly discuss the differences between grounded theory, ethnography and case study to establish the best-suited strategy for this study.

Glaser and Strauss originally developed grounded theory in 1967 (Glaser and Strauss, 1967). Grounded theory is concerned with theory building using a combination of deduction and induction (Saunders, Lewis and Thornhill, 2016). When using grounded theory as a research strategy, the researchers initially collect data and subsequently develop a theoretical framework, which in turn lead to predictions based on the collected data which is then tested in further observations and data collections ideally confirming or rejecting the predictions (ibid). With a grounded theory approach, theory is developed during the research process (Strauss and Corbin, 1994). The researchers argue that a grounded theory approach is not optimal for answering the research question at hand (ibid) This is particular concerning the fact that grounded theory is mostly concerned with theory development (ibid). This study is more concerned with investigating how MiFID II will affect ABG's equity research offering for them to remain competitive.

The ethnographic research strategy is naturalistic. This means that the researcher will be researching the phenomenon within its context, not using data collection techniques that will limit the complexities of everyday life. (Saunders, Lewis and Thornhill, 2016). The approach includes extended participant observation and requires the researcher to cope with being a full-time member of the social context and undertake the research (ibid). In the context of this study, the authors have used semi-structured interviews to gain a rich and deep understanding of the situational context surrounding ABG's customers and its equity offering after MiFID II. The researchers have not been a part of the everyday life of the participants. Using an ethnographic research strategy will therefore not enable the researchers to answer the research questions better, as the scope of this study is primarily concerned with how ABG should adjust its equity offering, based on what its customers demand.

According to Robson (2002), a case study is defined as:

> *"a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence"* (Robson, p. 178).

A case study is a particularly good choice if the objective of the research is to gain a deep understanding of the context and problem at hand (Saunders, Lewis and Thornhill, 2016). Case studies are often seen in explanatory or exploratory studies (ibid). Yin (2003) distinguishes between four different case study researches and describe the single case study as one where the researchers can observe a unique phenomenon that few have considered before. In the context of this study, we

argue that ABG's strategy in the context of MiFID II is a unique phenomenon in its nature. Legislation and company strategies will always differ, and it is thus not possible to generalize or draw direct parallels to other directives or companies. Therefore, the research question in this study is well suited for using single case study research strategy due to its uniqueness and situational context. Additionally, this study focuses on how ABG should strategically position its equity offering and therefore the focal point of investigation is ABG.

3.4 Data collection

Data collection is another crucial element of doing research. Data can be either primary or secondary. Primary data is data collected for the specific problems faced by the focal organization (Malhotra, Birks and Wills, 2012), while secondary data is data already available. (Saunders, Lewis and Thornhill, 2016). This study will use both primary and secondary data to answer the research question.

The primary data in this thesis will come in the form of semi-structured interviews with some of the largest institutional investors in the Nordic region alongside interviews with ABG's head of equity research. Additionally, we have collected data from Bloomberg, showing the number of stocks covered per research provider. We have limited our data from Bloomberg to the largest providers of equity research in Denmark. The secondary data will be relevant books, articles and academic journals used to provide a theoretical framework and relevant industry insights. The primary and secondary data will be the main points of departure in our analysis, recommendations, and subsequent discussion.

3.4.1 Interviews and the interview situation

In this thesis, we have chosen to apply semi-structured in-depth interviews to gather rich and insightful data from primary sources. An interview guide has been created to ensure an overall structure and make sure that the interviews would cover the right aspects (Kvale, 2007). The interview guide can be found in Appendix 2.

The use of semi-structured qualitative interviews allows the researchers to pose probing questions, which is an important aspect when having an interpretivist epistemology as it can add significance and depth to the interviews (Malhotra, Birks and Wills, 2012; Saunders, Lewis and Thornhill, 2016). Additionally, this thesis acknowledges that when conducting in-depth interviews it is essential that the participants feel comfortable and relaxed (Malhotra, Birks and Wills, 2012). Therefore, all of our

interviews were held at the offices of the participants. Furthermore, the researchers choose to conduct the interviews in the participant's native language to minimize language barriers, which is considered to the optimal solution (Saunders, Lewis and Thornhill, 2016). All quotes used in this study has been translated into English to ensure consistency.

All of our interviews were recorded to use it for analytical purposes as well as for direct quotes (Saunders, Lewis and Thornhill, 2016). As Healy and Rawlinson (1994) recommends, the researchers asked for permission to record the interviews (Saunders, Lewis and Thornhill, 2016). Due to the high level of details and competition-sensitive information received during the interviews some participants required to be anonymized. The researchers of this study agreed not to disclose the names of the participants who wanted to remain anonymous.

3.4.2 Data reliability and validity

The following section will address the validity and reliability of the primary and secondary data used in this study.

3.4.2.1 Primary data

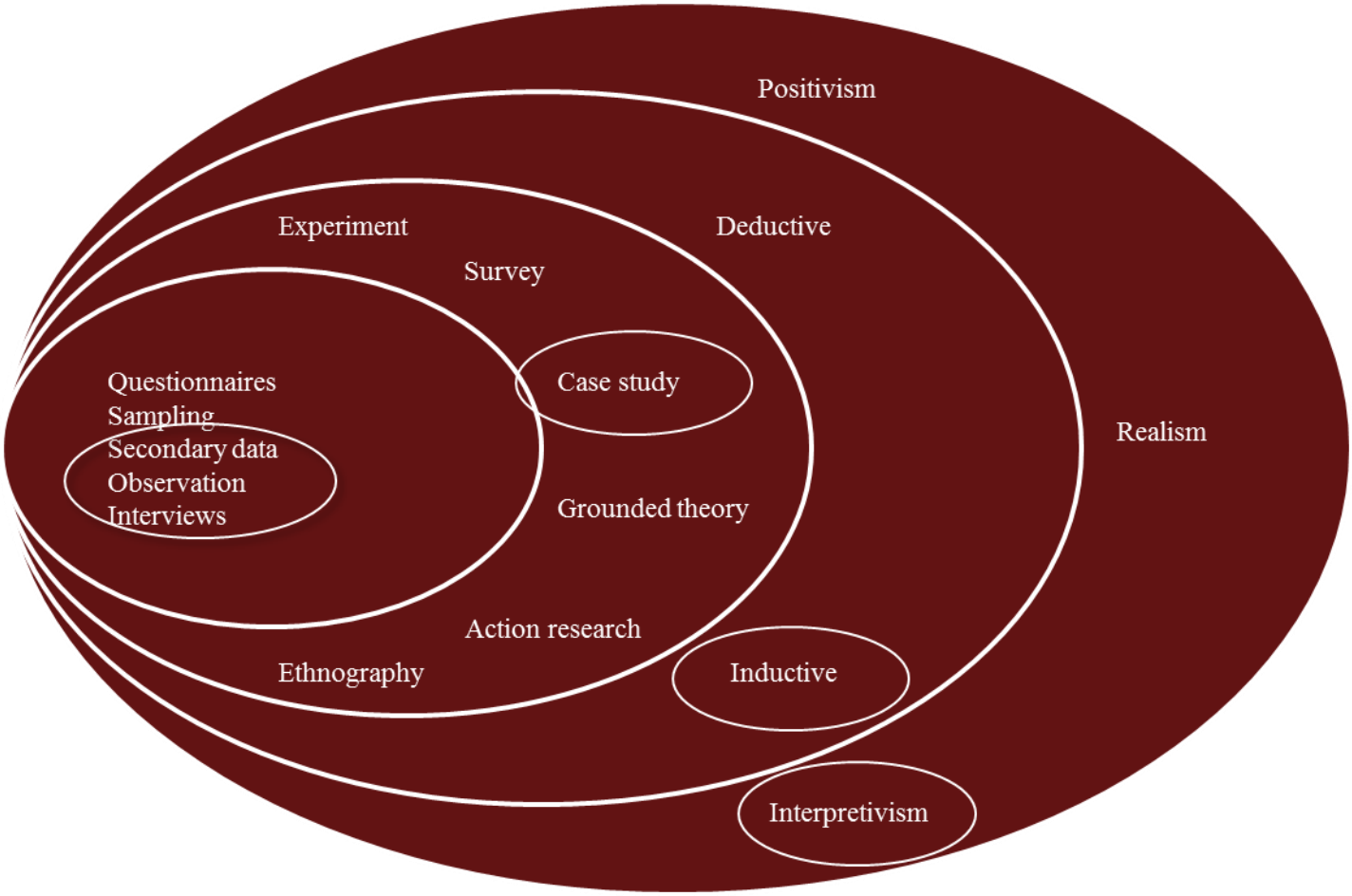
One of the most common concerns of using qualitative data is the lack of standardization and the rhetorical question; if alternative research would uncover similar findings (Easterby-Smith and Thorpe, 2010; Silverman, 2016). However, as the nature of this study is to find particularities and gain a deeper phenomenological understanding of the participants' reality the lack of standardization is a vital asset with an interpretivistic philosophy. Despite the purpose, the researcher did have an interview guide, ensuring that the key points were covered during the interview. Another major concern is interviewer bias, which is the way in which the researchers interpret the responses of the participants or influences the responses of the participants through comments, non-verbal language or own beliefs (Easterby-Smith and Thorpe, 2010). Regarding validity, Saunders, Lewis and Thornhill (2016) argue that in-depth semi-structured interviews are not generally considered to have a validity issue due to the opportunity of asking probing questions and discuss topics in depth vis-à-vis surveys for example.

3.4.2.2 Secondary data

Using secondary data raises the question of the validity of the data. Denscombe (2007) argue that secondary data has initially been obtained for a specific purpose that differs from the problem statement (Saunders, Lewis and Thornhill, 2016). However, Saunders, Lewis, and Thornhill (2016)

acknowledge that secondary data allow researchers to collect and interpret data that would otherwise not have been accessible, due to resource constraints. Therefore, researchers must use secondary data with great caution and ensure that secondary data included in a study is relevant to the focal research questions. Additionally, the researchers must critically assess the secondary data used in their study (Saunders, Lewis and Thornhill, 2016). In this study, the researcher has made critical assessments of the secondary data included to ensure consistency with the purpose of this study (Malhotra, Birks and Wills, 2012)

Figure 5 - Research structure



4. Reasoning of data and theory

The following section will outline the reasoning behind choosing the respective elements in our theoretical framework. Using an inductive reasoning approach, the researchers will explain the formulation of our theoretical framework with departure in our primary data. Specifically, we will use the interviews from top-tier institutional investors (Appendix 4-9) alongside an interview with Michael Vitfell-Rasmussen (Appendix 3) head of equity research at ABG. These interviews will aid to support the theoretical framework.

4.1 Institutional theory

"What happened during 2017 was that Nordea Asset Management went out and publicly announced that they would use this (MiFID red.) as a cost exercise to dispose all the things they do not need and that they did not plan to pass the bill (additional research fees red.) *on to their clients. This changed the entire experience in the industry from sell-side thinking that they would skim the cream to that they anticipated that all of their large customers would demand cost reductions"* (Buy-side respondent 2)

From the quote above we derived that the sell-side of the equity research industry would face different types of pressures, which led us in the direction of neo-institutional theory. Specifically, DiMaggio & Powell's (1983) isomorphic framework has been identified as useful for answering the first research question. The quote above illustrates how Nordea Asset Management's decision to absorb the additional fees, given the size of the company, imposes a normative isomorphic pressure on the rest of the buy-side firms in the industry (Furuseth, 2017). Subsequently, sell-side also faced what DiMaggio and Powell's framework would describe as a normative isomorphic pressure. In particular, sell-side would have to conform to the cost exercise initiated by Nordea Asset Management by reviewing its cost-base and pricing structure (DiMaggio and Powell, 1983).

Another pressure, which unquestionable have affected the equity research industry is the need for sell-side firms to comply with the MiFID II unbundling requirement, as illustrated by the following quote:

"It is a Darwinian moment. Sell-side firms will have to adapt or die."

- Rebecca Healey, head of EMEA market structure and strategy at Liquidnet (Dodds, 2018).

This pressure to conform with the unbundling requirement of MiFID II is a strong example of what DiMaggio and Powell's isomorphic framework would categorize as a coercive isomorphic pressure. The requirement forces sell-side firms to adopt the unbundling requirement to achieve legitimacy and survive (DiMaggio and Powell, 1983).

An alternative application of relevant theory to analyze the first research question could be Savage, Nix, Whitehead, and Blair (1991)'s framework which deals with strategies for assessing and managing organizational stakeholders. By evaluating the potential of each stakeholder to threaten or cooperate with the organization, this framework has been developed as a strategic tool to identify supportive, mixed blessing, non-supportive, and marginal stakeholders (ibid). Thus, this framework might also support us in answering the first research question of this thesis with respect to assessing supportive, mixed blessing, non-supportive, and marginal stakeholders of sell-side firms after MiFID II. However, as this framework takes its point of departure from a specific firm, it is less applicable to assess the general competitive situation in an industry. Thus, we deem DiMaggio and Powell's isomorphic framework (1983) to be superior due to its ability to assess pressures imposed at the industry level.

The application of neo-institutional theory will allow for an analysis of the constraining processes which forces Nordic sell-side firms to resemble others that face the same set of environmental conditions (DiMaggio & Powell, 1983).

4.2 Competitive strategies

During our interviews, we found that most of the interviewees mentioned that the competitive situation has changed following MiFID II entering into force. This was also an apparent theme in the reviewed secondary data. Thus, we propose a framework suitable for analyzing how firms can respond to a changing competitive landscape. Specifically, we want to investigate how ABG can strategically position itself following MiFID II. As one of our respondents said:

> *"I believe that we will see a more segmented market, as competition increases as a result of MiFID II"* (Buy-side respondent 5).

Thus, to analyze the competitive situation following MiFID II, Porter's original concept of competitive strategies seems applicable in our specific context (Porter, 1980). Michael Vitfell-Rasmussen anticipates that competition will increase and fundamentally change the industry:

"We will see a lot more (red. competition) It will be survival of the fittest (Vitfell-Rasmussen, 2018).

This underlines the necessity of having a framework that can assess the strategic possibilities in an increasing competitive market.

For a firm to expropriate economic rent above average, it is necessary to achieve a competitive advantage. The theory of competitive advantage was initially advanced by Michael Porter in his widely acknowledged book from 1980: Competitive Strategy (Porter, 1980). Porter argued that firms should have a generic strategy focused on either low-cost or differentiation (Porter, 1980) to achieve a competitive advantage (ibid). In the case of equity research providers, our interviewees distinguished equity research primarily on two parameters. Those were concentrated around the depth and width of the research. As one of our interviewees said: "*I need depth and not width."* (Buy-side respondent 3). Another of our subjects said: *"I will not pay for equity research if I don't consider it to be quality research"* (Buy-side respondent 5). On the contrary, one of our respondents said:

"Can you add value if you are an analyst without any distinctive opinions, but supply a constant new-flow? Yes, it is possible, if you make sure to have a relevant news-flow" (Buy-side respondent 6).

This quote underlines that in the Nordic equity research market the dominant factors of evaluating equity research is primarily focused around the depth, i.e. quality and width, i.e. quantity. In our interview with Michael Vitfell-Rasmussen from ABG, he stated that ABG considers it very important to have a wide and deep coverage of shares again emphasizing that there are primarily two distinct ways of providing value to customers:

"It is therefore much more important to cover many equities and do it very well. We need to be in the top 3, of all the stocks we cover" (Vitfell-Rasmussen, 2018).

As an alternative framework for analyzing the competitive strategies best suited for ABG following MiFID II, we could have used the typology offered by Miles, Snow, Meyer, Coleman (1978). They offer three types of organizational structures a firm can pursue to overcome competitive and structural challenges. The three strategic types of organizations are defenders, prospectors, and analyzers (ibid). Despite offering an alternative framework for analyzing the organizational strategies of equity research providers, we argue that Porter's generic competitive strategies are more suitable due to the information received from our interviewees. Specifically, we found that the two distinct options of

low-cost and differentiation in Porter's taxonomy is similar to the values of quality and width of coverage. Furthermore, we argue for a dynamic relationship between low-cost and differentiation. This study is specifically concerned with how ABG should strategically position its equity research, and the emphasis of this study is, therefore, more concerned with a competitive analysis rather than an organizational analysis of the focal firm.

4.3 Resources and capabilities

Given that this thesis adopts a case study of ABG as part of the research strategy and includes a research question which pertains to the resources and capabilities of ABG, the resource-based view seems like a natural managerial framework to include as part of the theoretical framework. However, to support the relevance of including the resource-based view, it is essential to compare the applicability of the framework about our primary data.

In the interview with Michael from ABG, it was revealed that the company has an internal view on some of its key differentiators. When asked how the company differentiates itself to make itself relevant to its clients in the wake of MiFID II and the associated increased competitive pressure, Michael replied:

"We put a lot of effort into branding ourselves as the broker with the widest coverage" (Vitfell-Rasmussen, 2018).

This quote underpins the applicability of the resource-based view and subsequently the VRIN/VRIO framework (Barney, 1991), as Michael addresses the width of ABG's coverage as one of the main capabilities of the company. Moreover, a statement head of markets in ABG, Tue Østergaard, pinpoints ABG's ability to cover the small- and midcap segment as a point of differentiation relative to its competitors:

"We're focusing on small- and midcap, whereas the other research houses are concentrating more on the larger stocks." (Økonomisk Ugebrev, 2018b).

By reviewing this statement with the VRIN framework, ABG's ability to occupy this differentiated position might be perceived as a rare resource, as resource rarity means that the resource is rare among a firm's current and potential competition, e.g., if the resource is currently only controlled by a small number of the competing firms (Barney, 1991).

Furthermore, the statement above can also be perceived from the perspective that ABG is exploiting its capability of covering the small- and midcap, which is a market demand from its clients which it is fulfilling. Thus, this capability might be perceived as valuable, when applying the resource-based view, as firm resources are valuable when they can exploit opportunities (e.g., market demands) and neutralize threat(s) in the firm's environment (Barney, 1991).

Another insight which was revealed in our primary data that led the researchers towards the resource-based view was how the interviewees described their preferences in relation to what constitutes a valuable research offering. The opinions were centred around two dimensions for evaluating equity research, namely the width of the research coverage (the number of stocks covered), and the depth of the research coverage (quality of the research). One interviewee emphasized that depth (quality) was more valuable; "*I need depth and not width."* (Buy-side respondent 6). This opinion was supported by another interviewee:

"I will not pay for equity research if I don't consider it to be quality research" (Buy-side respondent 5).

When seeking to investigate how to strategically position ones' equity research offering after MiFID II, it is interesting, both from a competitive strategy- but also from a resource-based view perspective, to see how ABG aims at delivering a deep as well as wide research offering:

"It is therefore much more important to cover many equities and do it very well. We need to in top 3, of all the shares we cover" (Vitfell-Rasmussen, 2018)

The researchers argue that through parring an assessment of ABG's main resources and capabilities with an analysis of the company's relative positioning strategy, we will be able to assess whether there exists a gap between this assessment and the demand of some of its largest clients. Following this, the researchers aim to build some recommendation on how ABG should position its equity research offering after MiFID II.

An alternate theory which would also have been applicable to aid answering the research question about the assessment of ABG's main resources and capabilities, is the activity system perspective, as proposed by Zott & Amit (2010). This perspective examines a company, e.g., ABG, through a conceptualization of its business model as a system of interdependent activities. Moreover, the activity system perspective reviews and discusses each activity based on two parameters, which, potentially, could have provided the researchers with a different analytical lens to assess how ABG's

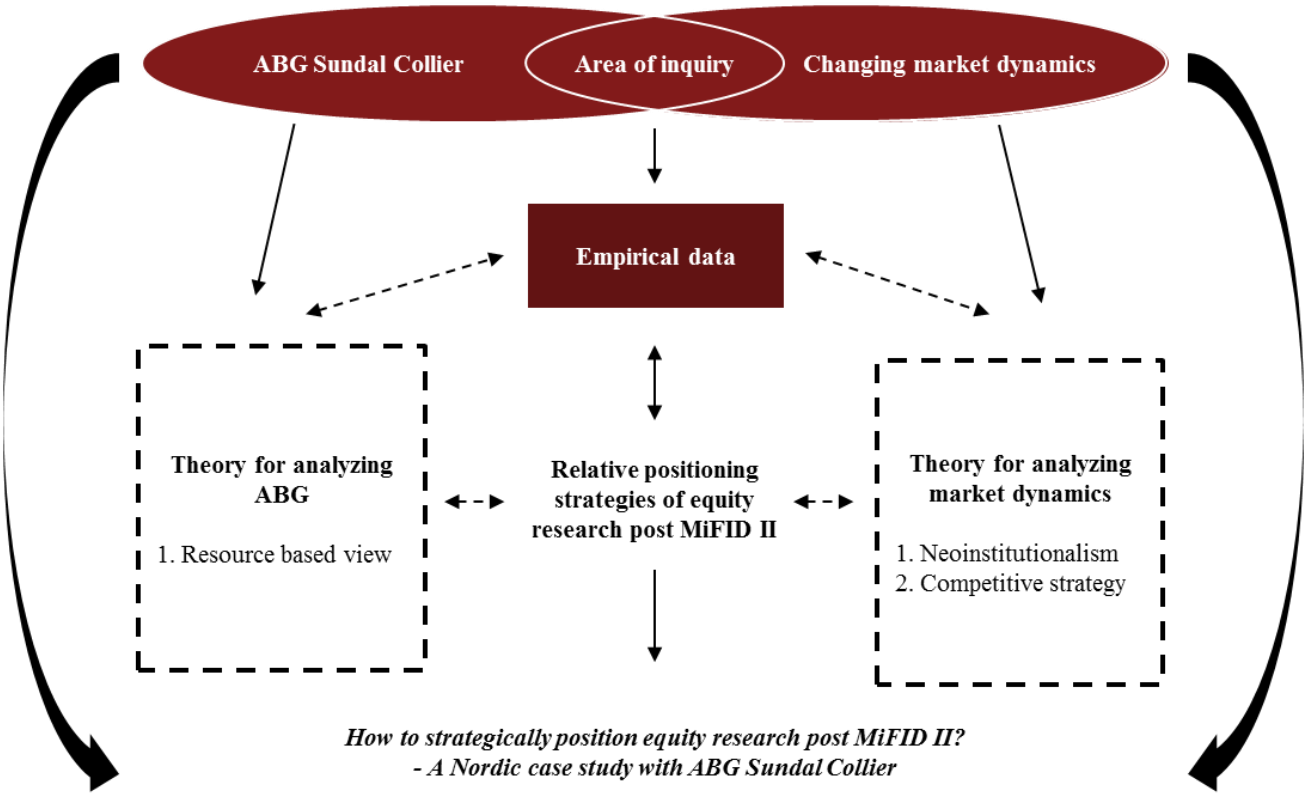
business model, and thereby its resources and capabilities, creates value. However, due to the great fit between the primary data, the resource-based view its interplay with competitive strategies, the resource-based view has been chosen over the activity-based system.

With the activity system perspective it is valuable to note that the concept of a firm's business model is not exclusively firm-centric, but also describes the focal firm's economic exchange with its stakeholders (Demil and Lecocq, 2010; Zott and Amit, 2010). This exchange with the focal firm's stakeholders seems appealing in relation to this study, when seeking to assess how to position ones' equity research offering after MiFID II, as the choice of how to position ones' offering is indeed intended to affect the economic exchange with the focal firm's stakeholders.

The resource-based view, however, does not neglect the importance of analyzing this market exchange. The resource-based view argues that the creation of economic value is defined as the difference between the perceived benefits gained by a firm's customers and the economic cost incurred by the firm (Peteraf and Barney, 2003). Hence, the resource-based view considers the cost of obtaining the customer and how much revenue the firm can then generate from that resource (ibid).

In sum, as the main objective of this study is concerned with how ABG should strategically position its equity research offering. The researchers have chosen to apply the resource-based view, as we find its interplay with our data and the concept of competitive strategies to be more suitable for unveiling insights that can eventually help answer the problem statement.

Figure 6 - Theoretical map



5. Theoretical framework

5.1 Neo-institutionalism

Neo-institutionalism, also known as new institutionalism, is a theory which employs a sociological view of institutions, i.e., the way institutions interact and how they affect society. Neo-institutionalism posits that institutions operate in an open environment known as the organizational field (DiMaggio and Powell, 1983). The primary objective for organizations is to survive and gain legitimacy, which cannot be achieved through succeeding economically alone, as they need to establish legitimacy and become isomorphic with their institutional environment (Meyer and Rowan, 1977; DiMaggio and Powell, 1991).

The emergence of institutional theory can be traced back to the late 19th and early 20th century where social theorists started to systematize the literature covering institutions and their interactions. The most renowned classical institutional theorist considered to be the German economist and social theorist Max Weber (Meyer and Rowan, 1977; Weber, Roth and Wittich, 1978; DiMaggio and Powell, 1983), who gathered his works on institutionalism and many other subjects in the famous sociological treatise 'Economy and Society' which he published in the early 1920's (Weber, Roth and Wittich, 1978).

In 1977, institutionalism experienced a revival with Meyer and Rowan's influential paper 'Institutionalized organizations: Formal structure as myth and ceremony' (Meyer and Rowan, 1977). This paper was a revised formulation of institutionalism and drove a significant shift in how institutional analysis is conducted. Institutional research and theory developed after this paper became known as "new" institutionalism, which throughout the academic literature is referred to as "neo-institutionalism."

In their paper, Meyer and Rowan (1997) stated that:

> *"The formal structures of many organizations in post-industrial society dramatically reflect the myths of their institutional environments instead of the demands of their work activities."*
> (Meyer & Rowan, 1977: 341).

Meyer and Rowan (1977) further argue that formal organizational structures have an inherent symbolic aspect in addition to its functional element. This symbolic aspect is essential when deciding to adopt a structure but also in gaining legitimacy and increasing the survival prospects for an

organization. Organizations whose structure become isomorphic with its institutional environment decrease internal coordination and control to maintain legitimacy, in contrast to organizations that are primarily structured by the demands of technical production and exchange (ibid).

Another paper which has been instrumental for neo-institutional theory as we know it today is DiMaggio and Powell's article from 1983. This paper analyses the institutional processes that force organizations to be isomorphic, i.e., being similar, in theory, and practice, as well as it introduces the concept of the organizational field.

DiMaggio and Powell (1983) acknowledge Weber's concept of rationality (Weber, Roth and Wittich, 1978) as a driver of the formation of organizational structure, and subsequently, revisit it using institutional theory. However, they differentiate from Weber by stating that the organizational structure is not necessarily driven by efficiency. DiMaggio and Powell argue that companies are driven by an aspiration to conform to the several types of pressures in the organizational field. As a result, companies are becoming more homogeneous under comparable societal pressures leading to company methods that are more attentive towards legitimacy than economics (DiMaggio and Powell, 1983).

5.1.2 DiMaggio and Powell's three isomorphic pressures

DiMaggio and Powell's 1983 study presents three isomorphic pressures, namely:

1. Coercive isomorphism
2. Mimetic isomorphism
3. Normative isomorphism

Coercive isomorphism derives from formal and informal pressures enforced on an organization by the government, other public organizations, or the cultural expectations of the environment, e.g., MiFID II (DiMaggio & Powell, 1983).

Mimetic isomorphism occurs when a need for coping with uncertainty arises and organizations seeks legitimacy by imitating organizations regarded as more legitimate or successful. When the objectives of an organization are ambitious, or when the environment develops symbolic uncertainty, organizations may mimic other organizations, specifically those perceived to be successful in the environment (ibid).

Normative isomorphism is an outcome of the shared cognitive base of mutual understanding and definition of norms and validated activities within the professional field (ibid). Professionals occupying comparable positions in different organizations may establish a common understanding about a given action and thus form organizational behavior towards homogeneity. Also, normative pressure can be created via inter-organizational channels, for instance, firm-supplier and firm-customer relationships, since norms are usually not limited to expanding merely within organizations but also through inter-organizational relationships among network members (ibid). Hence, organizations change behavior to show conformity with shared norms (ibid). Finally, Burt and Minor (1983) support the statement that an organization with direct or indirect relationships with members of other organizations having adopted a practice is likely to behave similarly.

Drawing on DiMaggio and Powell's (1983) neo-institutional framework, this paper will apply two of the three institutional isomorphic pressures, specifically coercive pressures, and normative pressures. In analyzing coercive pressure, we examine the observed pattern of MiFID II as a significant external pressure on equity research providers. Likewise, we argue that the increased competition makes it relevant to investigate the normative pressure imposed on sell-side firms. Consequently, the external pressures will be analyzed with these two categories of institutional isomorphic pressures, which force ABG and other sell-side firms to adopt actions to become legitimate within their environment.

5.2 Competitive strategies

The concept of competitive strategy originates back to Porter's pioneering work between 1980 and 1985: Competitive Strategy (1980) and Competitive Advantage (1985). It has since become one of the most widely influential contributions made to the study of strategic behavior in organizations (Miller and Friesen, 1986; Campbell-Hunt, 2000). Porter's original typology is concerned with generic strategies by which firms can develop a competitive advantage and create a strong position in the market (Yamin, Gunasekaran and Mavondo, 1999). Porter (1980) defined competitive advantage as:

> *"Value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what the buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price"* (Porter, 1985 p.3)

To achieve a competitive advantage, firms should employ a viable competitive strategy. According to Porter (1980), these strategies are cost leadership, differentiation and focus. The purpose of competitive strategies is to gain a competitive advantage (Porter,1985).

Despite initially proposing three generic strategies, Porter argues that there are two basic types of competitive advantages. Namely, cost advantage and differentiation. (ibid). His distinction is further emphasized in Hall's study from 1980, where all the sampled firms had achieved either a low-cost position or a differentiated position (Hall, 1980). Karnani (1984) further argue that several elements of the "focus" strategy involve either a low cost or differentiation strategy, implying that those are the two primary ways of obtaining a competitive advantage. This is further underlined by Campell-Hunt (2000), who also argue that firms achieve competitive advantages through either cost or differentiation. Dess and Davis (1984) also highlighted the inability to identify the focus strategy as a generic strategy choice in their sample. According to Porter's original theory, failing to focus on a single generic strategy will ultimately lead to being stuck in the middle (Porter, 1980, 1985) leading to inferior performance (Campbell-Hunt, 2000).

5.2.1 Cost leadership

Having a cost leadership strategy entails that the focal firm aims to become the low-cost producer in its industry (Porter, 1985). Cost leadership can stem from various activities, such as economies of scale, proprietary technology and access to scarce resources, etc. (ibid). A low-cost advantage is often associated with a standardized good or service, aiming at reaping scale or absolute cost advantages from all sources (ibid). The opportunity to have economies of scale means that low-cost leadership is more viable for large firms (Eldring, 2009). Additionally, having a cost leadership position in an industry allows the firm to set average industry prices (ibid). Despite having a cost leadership, the firm is not exempt from competitive forces. Especially that of a differentiator. If the product of the low-cost producer is deemed below average or insufficient by the customers, the firm must lower its prices to gain sales (Porter, 1985). In such a case, the cost leader is negatively affected, and the benefits of having a cost leadership is canceled out (ibid). Lastly, Porter (1980) argues that there can only be one cost leader in an industry, and if the firms pursuing a cost leadership strategy fail to recognize that it is not the cost leader the consequences can be disastrous. Multiple firms seeking a cost leadership position will ultimately lead to fierce rivalry and price wars, which can result in sales prices below production costs. However, Porter argues that several firms can continue to strive for a cost leadership position through radical technological changes, thereby disrupting the industry and changing the norms (ibid).

5.2.2 Differentiation strategy

When a firm is trying to differentiate itself, it seeks to be unique in some dimensions of its offering, which is valued by buyers (Porter, 1980). The idea behind a differentiation strategy is to provide a product or service with unique attributes that buyers perceive as important, thereby enabling the firm to charge a price premium compared to a more standardized, low-cost product (ibid). Contrary to cost-leadership, many firms in an industry can offer differentiated products (Porter, 1985). Additionally, differentiation can come from multiple sources, such as its delivery system, product quality or marketing approach (ibid). If a firm is a successful differentiator, it can charge a price premium that exceeds the cost of differentiating the product or service (ibid). Like the cost-leader strategy, a firm pursuing a differentiator strategy cannot wholly ignore its cost position, and the differentiator thus aim at operating with cost close to its relative competitors. If failing to do so, the premium prices are nullified (Eldring, 2009). Another distinct characterization of a differentiator is that due its relative high production costs, it cannot move from being a differentiator to a low-cost producer (Porter, 1980).

5.2.3 Critique of competitive strategies

Concerning competitive strategies, there are two different streams of literature (Yamin, Gunasekaran and Mavondo, 1999). The first stream is one where firms must devote its resources and commit to one of the proposed competitive strategies (Dess and Davis, 1984). They found that firms pursuing either one of the three generic strategies is more likely to report higher performance, than if they fail to develop a generic strategy. Additionally, they also recognized the importance of not pursuing a competitive strategy if there are clear evidence of many firms pursuing the same strategy, as it will limit the ability of the firms to realize above average performance (Dess and Davis, 1984).

The other stream argues that organizations use a combination of the competitive strategies and view the generic strategies as complementary rather than mutually exclusive (Wright *et al.*, 1990). In 1980, Hall studied the US manufacturing industry and proposed a matrix with relative cost and relative product/service differentiation (Hall, 1980). This matrix similar to the result of Karnani (1984) suggests that there is a substitutability link between cost and differentiation. This infers that firms pursuing a low-cost position, neglecting differentiation is more likely to be unsuccessful. Karnani argues that differentiation is a continuum, and therefore it is not true that firms must choose between low cost or differentiation (Karnani, 1984). Thus, Karnani argues that competitive strengths results from a combination of the two generic strategies and one should view the different strategies as dimensions of competitive strategy rather than generic competitive strategies (ibid).

Despite the conflicting views of commitment to one or several competitive strategies, the notion of competitive strategy is widely acknowledged and used to analyse how firms should strategize to obtain a competitive advantage and the relationship between competitive strategy and other aspects of strategic management including, HR strategy, information technology, manufacturing, logistics and environmental scanning (Campbell-Hunt, 2000).

5.3 Resource-based view

The resource-based view (RBV) is a managerial framework which is applied to determine strategic resources that have the potential to deliver comparative advantage to a firm (Barney, 1991). When reviewing the origins of the resource-based view, Barney's article "Firm Resources and Sustained Competitive Advantage" of 1991, is broadly quoted as a cornerstone in the development of the resource-based view. However, many scholars point out that Barney was greatly influenced by Birger Wernerfelt's work, specifically his 1984 article 'The Resource-based View of the Firm' (Priem and Butler, 2001; Kraaijenbrink, Spender and Groen, 2010). Moreover, while its precise impact is debated, Edith Penrose's 1959 book 'The Theory of the Growth of the Firm' is attributed by many scholars of strategy to state many concepts that would later influence the modern, resource-based theory of the firm (Kor and Mahoney, 2004).

The resource-based view characterizes firm's resources and the bundling of resources as the driver of a firm's sustained competitive advantage (SCA) (Barney, 1991) as well as basis for profitability (Grant, 1991), when encompassing the attributes of being Valuable, Rare, imperfectly Imitable and Non-substitutable/Organized to capture value (VRIN/VRIO criteria) (Barney, 1991, 2002), under the conditions of resource heterogeneity and immobility (Barney, 1991; Grant, 1991; Amit and Schoemaker, 1993; Peteraf, 1993).

Teece *et al.*, (1997) reason that the SCA of a firm resides in its managerial and organizational *processes*, which are shaped by the firm's *positions* and *paths*. Hence, competencies can provide SCA and generate rents only if based on a number of routines, skills, and complementary assets that are difficult to imitate (ibid). The *processes* in a firm are managerial and organizationally embedded and deal with how firm coordinates and integrates management processes and culture, how they apply dynamic learning to increase efficiency, and how they reconfigure their asset structures to assimilate to the changes in the environment (ibid). A firm's *positions* include different categories of its unique combination of assets. Finally, the paths of a firm are defined by its technological and cultural path

dependencies and the immediate technological opportunities, which in turn is a result of a firm's path (ibid).

Another contribution to the resource-based view is the distinction between different types of resources. Barney divides resources into three categories, namely (1) *physical capital resources*, (2) *human capital resources*, and (3) *organizational capital resources* (Barney, 1991). According to Barney, *physical capital resources* are physical technology, plant and equipment, geographic location and access to raw materials. *Human capital resources* cover training, experience, judgment, intelligence, relationships and the insight of managers and workers. Finally, Barney typified *organizational capital resources* as formal reporting structure, formal and informal planning, controlling/coordinating systems, informal relations among groups within a firm and between a firm and its stakeholders (ibid).

5.3.1 The VRIN/VRIO criteria

One of the significant contributions made by Barney is his introduction of the VRIN criteria, where he states that for resources to serve as potential sources of sustainable competitive advantage, they must be Valuable, Rare, imperfectly Imitable and Not substitutable (VRIN) (Barney, 1991).

With the four VRIN criteria, it is the case that two of these, namely valuable and rarity, lead to competitive advantages, whereas when also being imperfectly imitable and non-substitutable, the resource will lead to sustained competitive advantage (Barney, 1991; Teece *et al.*, 1997). For a firm resource to be valuable, it should exploit opportunities or neutralize threat(s) in the firm's environment (Barney, 1991). To be rare, the resource must be rare among a firm's current and potential competition, e.g., if the resource is currently only controlled by a small number of the competing firms (ibid). The notion of a resource to be imperfectly imitable is connected with being dependent on either (1) unique historical conditions, (2) being causally ambiguous or (3) socially complex (ibid). Finally, the non-substitutability criteria entail that there cannot be strategically equivalent substitutes for the resource which is valuable and neither rare or imperfectly imitable (ibid).

In his article "Looking Inside for Competitive Advantage" of 1995, Barney replaced the non-substitutable criterion with a criterion centered around whether the resource or capability is *organizationally* embedded and thus exploited by the organization, hence the VRIO framework (Barney, 1995, 2002; Barney and Hesterly, 2010). Barney and Hesterly (2010) argue that without the right organization, even firms with valuable, rare and costly to imitate resources and capabilities can

suffer a competitive disadvantage. The result of fulfilling the different levels of the four VRIO criteria are illustrated in the table below.

Table 4 - The results of fulfilling the varying level of the VRIO criteria

Valuable?	Rare?	Costly to imitate?	Exploited by the organisation?	Competitive implication
No				Competitive disadvantage
Yes	No			Competitive parity
Yes	Yes	No		Temporary competitive advantage
Yes	Yes	Yes	No	Unexploited competitive advantage
Yes	Yes	Yes	Yes	Sustained competitive advantage

Adopted from Rothaermel (2012, p. 91)

For a resource to meet all the requirements of the VRIO framework, it must be both valuable, rare, costly to imitate and exploited by the organization. In the assessment of each resource or capability, the following four questions, adopted from Barney (1995 p. 50-57), can serve as guidance when seeking to uncover whether the resource or capability in question is valuable, rare, costly to imitate or exploited by the organization:

1. Assessment of value: *"Is the firm able to exploit an opportunity or neutralize an external threat with the resource/capability?"*
2. Assessment of rarity: *"Is control of the resource/capability in the hands of a relative few?"*
3. Assessment of imitability: *"Is it difficult to imitate, and will there be significant cost disadvantage to a firm trying to obtain, develop, or duplicate the resource/capability?"*
4. Assessment of organizational embeddedness: *"Is the firm organized, ready, and able to exploit the resource/capability?"*

5.3.2 Capabilities

An interesting subsequent discrepancy of the resource-based view, relevant to this thesis, is the distinction made by Amit and Schoemaker (1993), who argue that the construct of resources can be split into resources and capabilities. This distinction has later been widely adopted throughout the literature regarding the resource-based view (Conner and Prahalad, 1996; Barney, Wright and Ketchen, 2001; Makadok, 2001). Resources owned or controlled by the firm are stocks of available

factors, and the capacity of a firm to deploy resources are defined as capabilities (Amit and Schoemaker, 1993). Makadok (2001) advanced this distinction by defining capabilities as:

"A special type of resource, specifically an organizationally embedded and non-transferable firm-specific resource whose purpose is to improve the productivity of the other resources possessed by the firm" (Makadok, 2001: 389).

5.3.3 Critique of the resource-based view

Following the development of the resource-based view, an unneglectable amount of criticism has materialized, where to Kraaijenbrink, Spender, and Groen (2010) have provided a literature overview in which they argue that the principal critique evident in the literature can be sorted into eight categories. They conclude that the core message of the resource-based view can endure five of the eight points of critique, especially when the boundaries, variables, and applicability of the resource-based view are explicitly specified (ibid). However, the remaining three points of critique threaten the status of resource-based view as a core theory (ibid). Kraaijenbrink Kraaijenbrink, Spender and Groen (2010) argue that perhaps the way forward is to deal with the resource-based view as a dynamic and subjectivist framework, such as Penrose's application from 1959 (ibid), which argued that optimal growth of the firm contains the balancing of exploiting existing resources and developing new ones (Wernerfelt, 1984).

This thesis will apply the VRIO criteria framework of the resource-based view as a dynamic subjectivist framework. This is done to make an ex-ante assessment of the primary resources and capabilities of ABG in the imminent realities of changing industry circumstances following MiFID II.

6.0 Empirical data analysis

After having outlined the theoretical framework upon which this study will have its theoretical departure from, the following section will describe the empirical data obtained for this study. The empirical data of this study is qualitative, and we have used a semi-structured interview approach to obtain our primary data.

6.1 The interview process

This study has adopted an inductive approach, where data was gathered and subsequently analyzed to find issues to concentrate and focus on (Saunders, Lewis and Thornhill, 2016). During our initial interviews, we found that competition alongside resources and capabilities was a recurring theme. Based upon our initial observations we went forward and did our reasoning of theoretical data and conceptual framework as suggested by Saunders, Lewis, and Thornhill (2016). Furthermore, we discovered that the participants discussed the quality and width of the equity research providers' coverage.

As a direct consequence of our initial data observations, we could infer that our initial problem statement regarding positioning strategies of equity research providers was an important characteristic. Our problem statement initially developed based on the knowledge of MiFID II and its impact on equity research alongside relevant secondary data. Therefore, to better identify how to position equity research after MiFID II, a central part of this thesis aim to discover the main parameters that buy-side firms value when deciding which equity providers to buy research from in an after MiFID II environment. We, therefore, considered it essential to obtain primary data from buy-side actors to assess the main value-drivers from the perspective of buy-side firms.

6.1.1 Preparing data for analysis

Firstly, all our interviews are audio-recorded, with permission from the respondents. However, before the interviews, 6 out of 7 respondents requested to be anonymized due to the sensitivity of the information they would convey during the interviews. Therefore, all names and employer-related information has been omitted from the interview and is known only to the authors of this study.

During the interviews, two interviewers were present with one focusing on interviewing, while the other could ask probing question alongside noting any non-verbal ques and tones in which the answer was given to make sure that our data was not impoverished (Kvale and Brinkmann, 2009). After having transcribed the interviews, the authors double-checked the transcriptions and made sure that

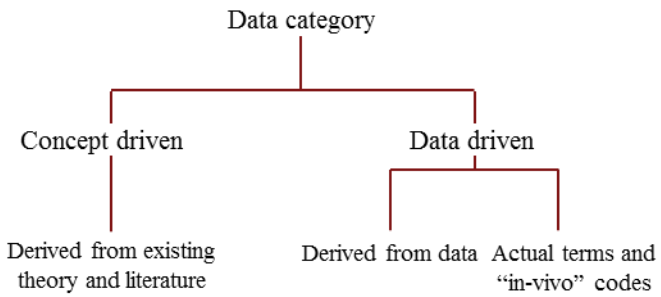
the transcriptions were accurate, also referred to as data cleaning (Saunders, Lewis and Thornhill, 2016).

6.1.2 Analytical approach

6.1.2.1 Categorizing data

According to Strauss and Corbin (2014), there are three main ways of deriving labels and codes for categories. Those can be either concept driven, where codes and labels come from existing literature and theory and data-driven, where it can be based on either data or actual terms from the transcribed interviews.

Figure 7 - Data categorization



(Saunders, Lewis and Thornhill 2016)

To analyze our empirical data we used relevant secondary data to find the most common classifications when dealing with how to position equity research. Thus, as seen in Figure 7, we choose a data-driven approach to categorizing our data. Specifically, our data categories originated from initial observations in our interviews. Identification of categories and codes allowed us to comprehend the complex data better enabling us to develop analytical categories and identify patterns and relationships (Dey, 2003; Robson, 2011).

6.1.3 Inductive analytical approach

As our study is inductive, we have primarily considered the different analytical approaches commonly used with inductive reasoning. Saunders, Lewis, and Thornhill (2016) argue that there are five main inductive approaches to data analysis. Those are grounded theory method, template analysis, analytic induction, narrative analysis and discourse analysis (ibid). Each of the five approaches has their advantages and disadvantages, and some have a very structured and systematic approach, whereas others are more informal and not as structured (ibid).

The analytical induction is an inductive version of Yin (2009) explanation building procedure. The inductive nature of our research question limits our scope regarding generalizability, and the aim of this study is not to find one universal truth, but to increase the probability of deriving at a conclusion. The analytical induction is characterized by fewer formalities and structure (Saunders, Lewis and Thornhill, 2016). Additionally, our objective is to establish how equity research providers should strategically position equity research after MiFID II, and thus we are investigating the causes and explanations of a specific phenomenon in a unique contextual situation. Johnson (2004) defined analytical induction as:

"The intensive examination of a strategically selected number of cases so as to empirically establish the causes of a specific phenomenon" (Saunders, Lewis, and Thornhill, 2016 p. 574).

Initially, we developed our problem statement and research questions based on relevant secondary data, and as we began to gather empirical data and analyze it, we further refined and developed our problem statement.

Using an analytical induction approach also suggests that to answer the problem statement the researchers should collect data until no significant new information is revealed during the data collection process. (Saunders, Lewis and Thornhill, 2016) Thus, we continued to do interviews until we received no significant new information from our respondents.

One of the criticisms of analytical induction is the lack of generalizability, which is also a recurring theme with the subjectivist approach (ibid). However, in the specific case of ABG, the purpose of this study is to find explanations grounded in the context of investigation (ibid).

Thus, the subsequent analysis of the empirical data will be based on an inductive analytical approach. Lastly, this study acknowledges that the analysis is somehow limited in terms of generalizability, but we argue that the focal objective is not to generalize positioning of equity research after MiFID II, but rather identify how ABG should strategically position its equity research, and the context and findings of our empirical data is thus limited to the applicability of ABG.

6.2 Presentation of the interview respondents

As a part of our empirical data collection, we have conducted six semi-structured interviews with relevant buy-side actors and one with the head of research at ABG. All of the respondents were employed at Nordic buy-side firms and have headquarters in Copenhagen, Oslo, and Stockholm. Additionally, all the buy-side respondents belong to what sell-side firms categorize as tier 1

customers, meaning that they are high priority customers with significant trading flow and equity research usage. The authors emphasized the need to interview large buy-side firms as their impact on sell-side firms are bigger. The effect is more significant due to the size of their trading which mean that they have a higher budget for equity research than smaller and more national oriented buy-side actors.

As an example of the magnitude of their research spending one respondent noted:

"*Our annual equity spending was roughly DKK 19 million, whereas 1/6 of the cost relate to trading and execution and 5/6 of the budget relate to equity research costs"* (Buy-side respondent 2).

Additionally, from our empirical data, it became apparent that the largest buy-side firms were the primary driver for changing demand and attitude towards the MiFID II regulation.

""What happened during 2017 was that Nordea Asset Management went out and publicly announced that they would use this (MiFID red.) as a cost exercise to dispose all the things they do not need, and that they did not plan to pass the bill (additional research fees red.) *on to their clients. This changed the entire experience in the industry from sell-side thinking that they would skim the cream to that they anticipated that all of their large customers would demand cost reductions"* (Buy-side respondent 6).

Thus, with the inductive analytical approach, we considered it essential to find the main value drivers of large buy-side firms to observe how to position equity research after MiFID II optimally.

Additionally, we conducted an interview with the head of research at ABG, Michael Vitfell-Rasmussen. The interview was conducted to establish how ABG perceived their equity research offering and obtain information on ABG's view of their relative positioning.

Figure 8 - HQ office of respondents

Our empirical data thus includes interviews with some of the largest institutional investors in the Scandinavian landscape, alongside an interview with the case-company ABG. In our interview process, we continued to search for respondents until we did not receive any significant new information during our interviews. Furthermore, some asset managers were reluctant to participate due to the sensitivity of the requested information. Based on this, the sample does not include a widely dispersed picture of the Nordic asset management industry but depicts the believes and attitudes of the respondents who have participated. Due to the methodological approach of inductive reasoning and interpretivistic philosophy, the authors conform to the fact that our findings cannot be generalized to the entire industry, and that this study will not find one uniform truth. However, the respondents can provide valuable information in relation to providing recommendations on how ABG should strategically position its equity research offering after MiFID II.

6.3 Analysing our empirical data

Our empirical data enabled us to investigate relevant topics in the context of this study. Despite the vast amount of data being primary empirical data, it is crucial to identify, analyze and structure the empirical data. To do so, this study has chosen to make a thematic analysis, which will enable us to examine, pinpoint and discover themes and topics within the empirical data (Braun and Clarke, 2006). The themes and topics will help to structure our empirical data as well as aid in answering our research questions (ibid). The thematic analysis consisted of transcribing the interviews and initial open coding, which is defined as

"participants' responses and other data sources into categories that form similar ideas, concepts, themes or steps or stages in process" (Malhotra, Birks, and Wills, 2012 p. 296).

To limit the epistemological effect of a single person transcribing and coding the interviews, both researchers conducted the coding individually. Upon finishing the coding, a discussion and comparison between the themes were initiated, and the main themes and topics were cooperatively established. Some of the main themes found in our empirical data were 1) quality of research 2) price pressure 3) competition 4) regulatory changes and 5) strategy.

When we conducted our coding of the interviews the themes and topics overlapped, which is attributed to the nature of semi-structured interviews. Thus, a complete disaggregation is constrained by the interview type. Based on the themes and topics, the following section will analyze how the different themes affect the strategic positioning of equity research providers after MiFID II.

6.3.1 Quality of research

When analysing the quality of research, we found that all six of our buy-side respondents mentioned the quality of equity research. Specifically, they considered the quality of equity research to be one of the main parameters of differentiating and value-add from their perspective. Additionally, when talking about the quality of research five out of six respondents followed up by talking about how they evaluated the quality of research. They all said that they used a broker evaluation to determine the quality of equity research they received.

Also, as a part of an interview, we received a confidential broker evaluation from one of our respondents. In the broker evaluation, research providers receive points from 1-3, where one point is minimum and is given if the equity provider is covering the stock. Additional points can be assigned based on an assessment of the quality of research received, both written and oral. Thus, it appears as firms can earn points depending on two criteria. The first criterion is based on whether the equity research provider covers the stock. The second criterion is the depth or quality of the coverage, which, if considered good by the asset managers, can give the research provider additional points in the broker evaluation.

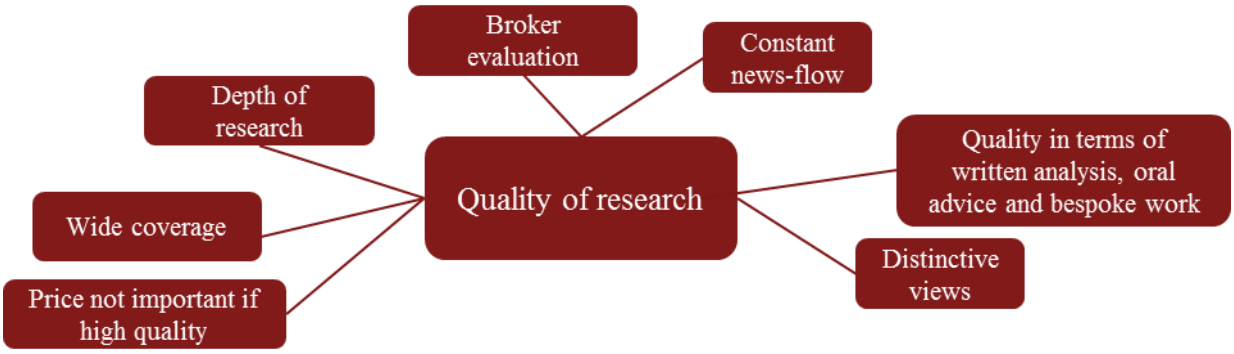
Similar with the broker evaluation our respondents primarily differentiated quality of research based on two parameters; the depth of the analysis and how many stocks the analysts and equity providers covered. The quality and in-depth analysis was highly valued by our respondents, as it would uncover new insights into their investment case. Moreover, our sample of buy-side actors valued a distinctive

view on an investment case and preferred an analyst who had a different opinion than the rest of the market. In relation to the number of stocks being covered by the analysts, we found that buy-side actors believe that value can be delivered if there is a constant relevant news-flow supporting the investment case.

Furthermore, we found that when buy-side actors assessed the quality of research, there were different ways to deliver it. Quality was substantiated through either providing a written analysis, oral advice or bespoke work.

Additionally, we found that if buy-side firms considered the equity research to be value-added, the price was not a critical factor in their decision-making process.

Figure 9 - Quality of research



6.3.2 Strategic resources and capabilities of sell-side firms

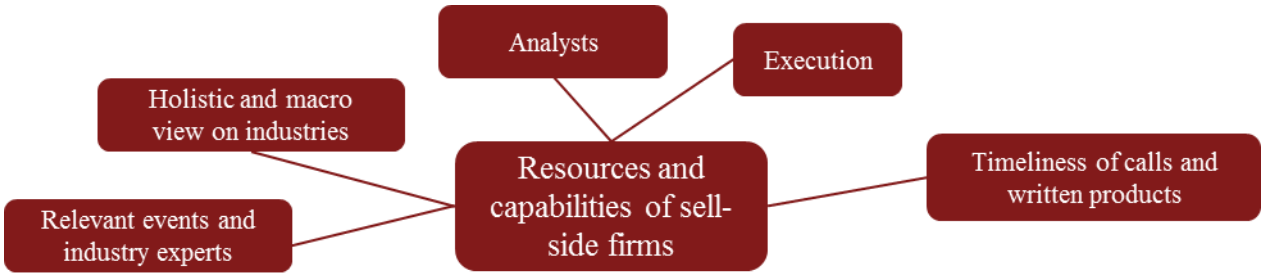
During our analysis of the empirical data, we found that there are some distinct capabilities and resources of sell-side firms. All of our respondents emphasized the individual analysts as the primary resources of equity research providers. When examining our data, we found that it was not the equity research providers, but the analysts who respondents mentioned during the interviews. All of our respondents agreed that analysts had gotten a more significant role to play after MiFID II entering into force. Michael Vitfell-Rasmussen further supported this, when we interviewed him. This is primarily due to unbundling of equity research and the subsequent price discovery of equity research as a stand-alone product.

The interviews further revealed that events, and in particular educating events such as small/mid-cap seminars and industry experts, was another differentiator for equity research providers. Furthermore, the interviewees also emphasized the timeliness of receiving news and analyst calls. The respondents were all concerned about being one of the first customers to receive a call from an analyst when

he/she has produced a new piece of research. The interviews also showed that analysts and research providers who delivered holistic and macro views on industries were valued by buy-side actors.

We also found that buy-side firms considered the general level of service as an essential resource for research providers. However, with the unbundling of equity research, this was not considered a factor for further analysis, as it is now a part of the trading execution.

Figure 10 - Strategic resources and capabilities of sell-side firms



6.3.3 Competition

Our insights from the interviews related to competition amounted to some interesting insights into the competitive situation of the equity research industry. Firstly, we found that the bargaining power has moved from the sell-side to the buy-side actors. According to our data, it was as a direct consequence of MiFID II and the increased transparency.

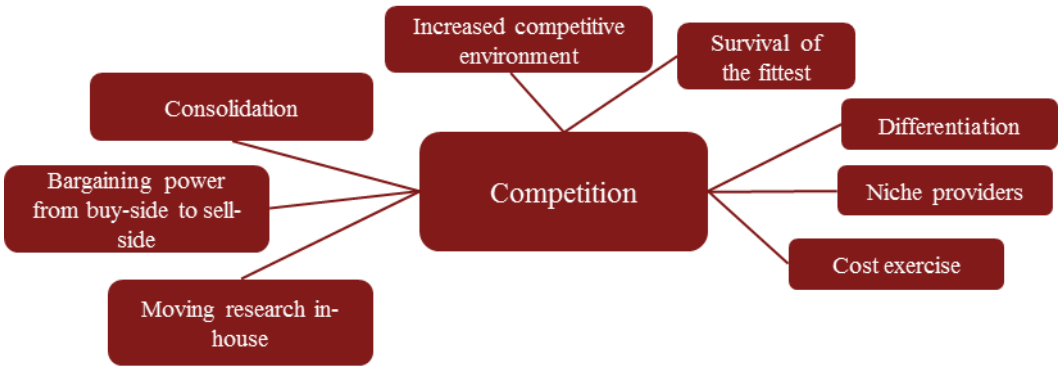
Secondly, a majority of the respondent talked about consolidation of the brokerage industry. Specifically, our interviews revealed that buy-side firms anticipated a further consolidation as a direct result of MiFID II. Among our respondents, some noted that they considered the environment to have become more competitive following MiFID II. Moreover, most of our respondents talked about too many brokers in the industry, which further emphasized their belief in a consolidation market. Going into the extreme, two of our respondents used the term *"survival of the fittest"* when referring to the situation faced by sell-side after MiFID II (Vitfell-Rasmussen, 2018; Buy-side respondent 5).

A third pattern observed was how sell-side firms should differentiate themselves to stay relevant for buy-side actors. This was emphasized by an increased usage of global research providers and niche actors who can deliver macro equity research and a niche focus, respectively. One of our respondents said that he believed that the new competitive situation could result in more niche research houses compared to the current environment.

Additionally, we also observed that MiFID II has been a cost exercise for buy-side actors. Most buy-side firms decided to take the research expenditure on their P&Ls instead of passing on the additional

fees to their customers. This meant that they demanded lower prices in a after MiFID II environment. However, as we observed a change in the bargaining power, the cost-exercise from buy-side firms was directly passed on to sell-side firms, which resulted in an industry-wide cost exercise, on behalf of sell-sides margin and revenue. Furthermore, we also noted that some of our respondents had moved a larger part of their analysis in-house following MiFID II.

Figure 11 - Competition



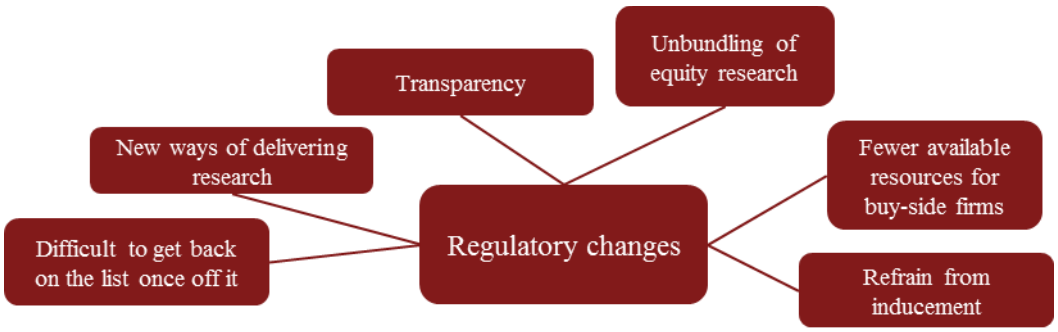
6.3.4 Regulatory changes

When we coded the interviews in terms of regulatory changes, we found that all of our respondents mentioned the overall purpose with MiFID II, transparency and they all welcomed it, as they considered a more transparent environment as value-added for both buy-side and its customers.

Naturally, all of our respondents also mentioned the unbundling of equity research, which has the most significant effect for our respondents. Specifically, we found that MiFID II changes the way that the buy-side chooses equity research providers. Before MiFID II, one respondent compared equity research with a basket of groceries where buy-side actors could select between all available baskets. In an after MiFID environment, they will have to choose individual providers and thereby not choosing between all the available resources that sell-side firms have to offer.

Furthermore, we found that most of our respondents talked about how the regulation also means having to refrain from inducement and having had to develop internal rules for when they receive investment advice. Additionally, we found that sell-side firms have tried to circumvent the regulation of investment advice by what one respondent called voice blasting a news comment as a written product, instead of oral advice. Furthermore, the regulation means that when sell-side firms have not been chosen as a preferred equity research provider, it can be challenging to get back on the list.

Figure 12 - Regulatory changes



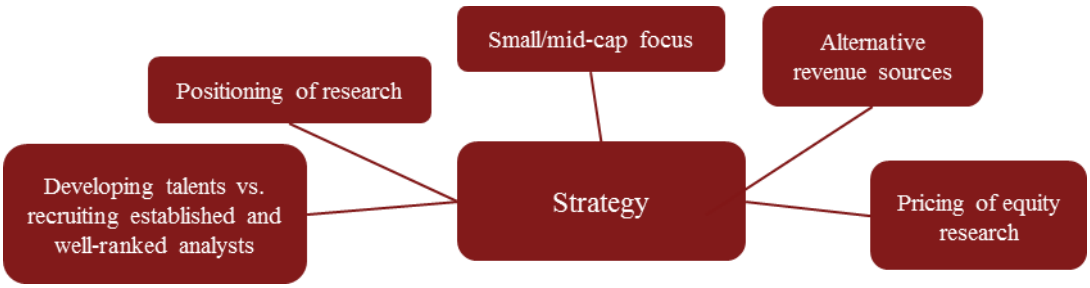
6.3.5 Strategy

Our insights related to sell-side strategy revealed that equity research providers face a critical decision regarding which analysts to hire. Three of our respondents said that sell-side firms could choose between recruiting established and well-ranked analysts from competing firms or develop own talents, which according to our respondents can take a couple of years.

Furthermore, we found that sell-side firms should think about its strategic positioning of equity research. Especially our respondents emphasized the diverse requirements of buy-side firms as a potential opportunity for sell-side firms to survive in an increasingly competitive environment. Additionally, a majority of our respondents talked about differentiation regarding the analysis of small/mid-cap companies. This was emphasized by our interview with Michael Vitfell-Rasmussen who explained that ABG has chosen to focus on the small/mid-cap segment to provide a differentiated equity research offering. ABG's focus was also acknowledged by two of our respondents who said that what ABG has done to position itself has been successful. They both hoped that a potential consolidation would not cause companies like ABG to become obsolete.

We also found that sell-side firms increasingly focus on finding alternative revenue sources because MiFID II is expected to reduce the overall pool for research spending (Chiarella et al., 2017; Griffin and Vaghela, 2017). Among the new initiatives, some respondents mentioned sponsored research. Our respondents also suggested that sell-side firms had packaged their research into different bundles and offerings, which also creates a new layer of pricing strategy.

Figure 13 - Strategic considerations for sell-side firms



6.4 – Key themes in semi-structured interviews

Based on our empirical data coming from seven semi-structured interviews, we have found that buy-side firms distinguish equity research regarding quality and width. Especially in-depth analysis and wide coverage are essential determinants of what buy-side perceive as value added parameters. Furthermore, we found that all buy-side firms use a broker evaluation with the in-depth quality and number of shares as the main determinants of where to buy research.

In terms of resources and capabilities of research providers, we found that analysts are the primary resource for sell-side firms. Additionally, we found that the ability to cover many stocks as well as being capable of covering small/mid-cap stocks were also a resource. Complimentary resources and capabilities of sell-side firms such as execution, timeliness of calls, relevant events and macro view were also considered important for buy-side actors.

Moreover, we found that the industry for equity research providers is becoming increasingly competitive. This was an evident theme in our semi-structured interviews where our respondents talked about survival of the fittest and consolidation of the industry following MiFID II. We also found that the competitive environment encouraged an increasingly differentiated approach to equity research. MiFID II's overarching goal of transparency has also fostered an environment where niche providers can add substantial value for buy-side firms. This was not the case before MiFID II as equity research was bundled with trading execution and limited niche providers in entering the market.

The regulatory changes followed by MiFID II is connected to an increasingly competitive environment. In our analysis, we found that sell-side firms are trying to find new ways of delivering research. One respondent noted that an equity provider had begun to send voice blasts, which was something the industry had not seen before. Naturally, our respondents also emphasized the increased transparency following MiFID II together with the requirement to refrain from inducement.

Furthermore, we found that buy-side firms mentioned the diminished possibility for sell-side firms to win back buy-side firms, who had initially chosen not to buy research from specific sell-side firms.

Lastly, regarding strategy, from the perspective of sell-side firms, we found that differentiation was a consideration. Furthermore, both sell-side and buy-side actors acknowledged that sell-side firms need to find alternative revenue sources, and deliberately position their equity research offering regarding coverage and price to remain competitive. Another aspect that both sell-side and buy-side firms mentioned is the ability to attract or develop new analysts, which is considered the most critical resource. Specifically, our analysis revealed that sell-side firms can either hire experienced analysts and obtain a better collective broker evaluation, as the individual analysts are ranked, or they can choose to hire young talents and develop them into well-ranked analysts. The choices depend on the specific needs of sell-side firms, and if one research provider loses a highly ranked analyst, they can potentially lose revenue as buy-side firms will no longer want to pay the same price for another analyst. This puts pressure on sell-side firms to make sure that its analyst team ranks well. As one of our respondents noted, it can take several years to learn and develop a young talent into a highly ranked analyst, and due to the transparency caused by MiFID II, some sell-side firms are forced to attract experienced analyst from competitors to retain its revenue base. There is thus a strategic choice between hiring new talents and attract experienced hires, dependent on the sell-side firms ranking.

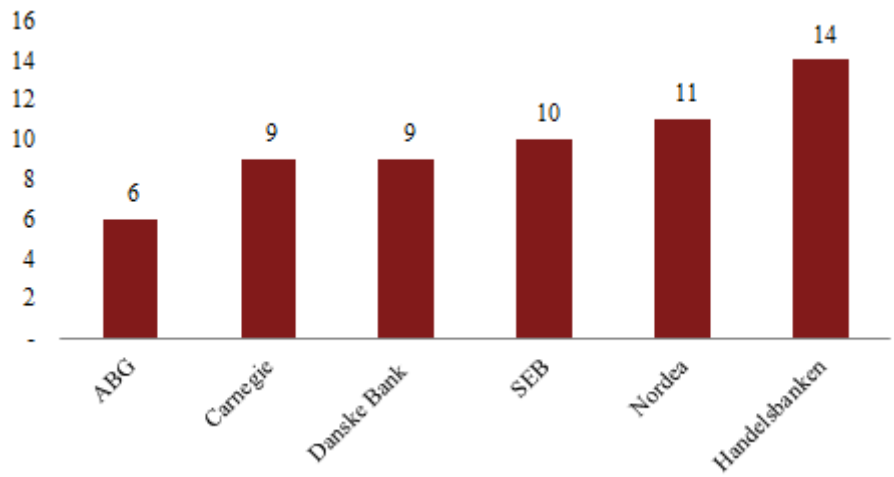
Figure 14 - Thematic map

6.5 – Sell-side coverage

Upon coding our interviews, we found that all our respondents mentioned the individual analysts and the number of stocks that each analyst covers. Therefore, we gathered additional primary data on the coverage of Danish stocks by primary Nordic research providers. The data was collected from Bloomberg and consist of the number of Danish shares covered by each analyst in the Danish market. The data was collected in March 2018.

Regarding analysts employed, our initial analysis revealed that Handelsbanken has the highest number of analysts employed to cover Danish stocks. Handelsbanken has fourteen analysts employed. Nordea is the runner-up with eleven analysts employed. With six, ABG has the lowest number of analysts employed, as of March 2018.

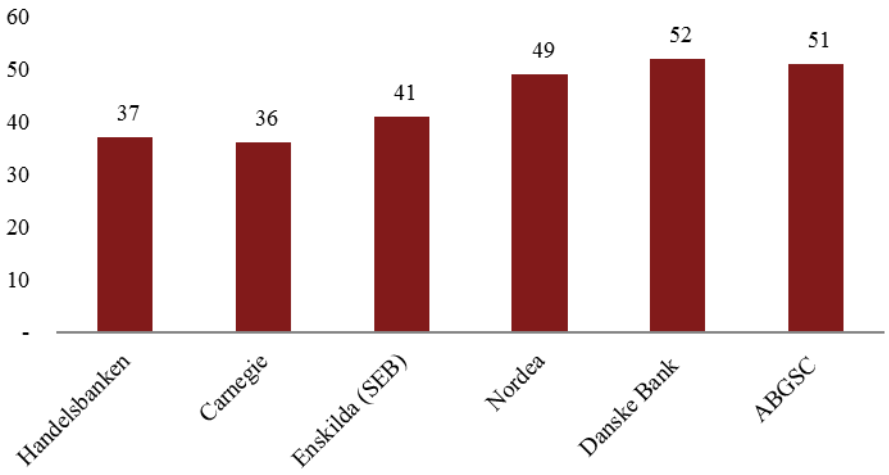
Figure 15 - Number of analysts employed



(Bloomberg, 2018)

Additionally, we wanted to analyze how many stocks each of the research providers covered to see the number of shares covered per analyst. Based on the numbers of analysts employed, one would expect that Handelsbanken covers the most stocks due to a higher number of analysts employed. However, as it can be seen in the figure below, this is not the case. Handelsbanken is the equity research provider, which covers the second-lowest number of stocks. The firm covers 37 stocks. Furthermore, it is interesting to observe that ABG is the company, who has the lowest number of analysts employed, but cover 51 stocks, just one short of Danske Bank, which in comparison has nine analysts employed.

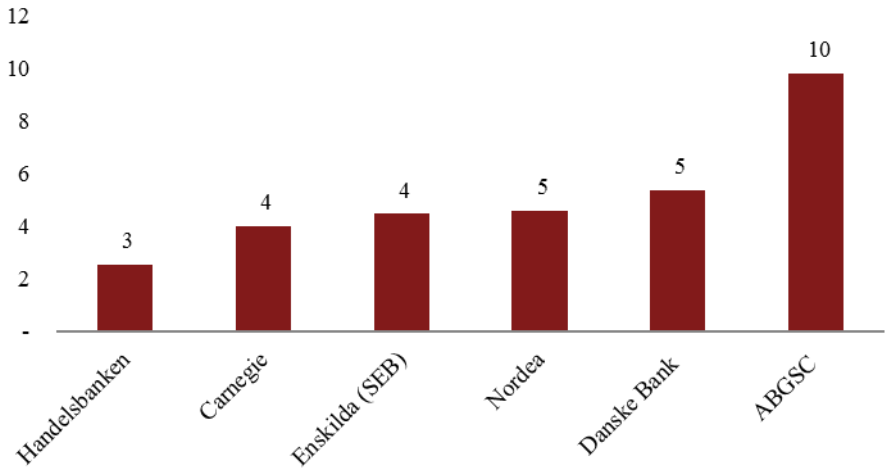
Figure 16 - Number of stocks covered per firm



(Bloomberg, 2018)

To synthesize the data, we wanted to analyze the number of shares covered per analyst in each of the six firms. The figure below shows the outcome.

Figure 17 - Number of stocks covered per analyst



(Bloomberg, 2018)

As our data reveals that ABG is the company, which covers the highest amount of shares per analyst, twice as many as number two. Furthermore, from our data, we know that Handelsbanken has the lowest amount of stocks covered per analyst. Carnegie, SEB, Nordea, and Danske Bank are all in the mid-range covering between four to five stocks per analyst, which in our limited sample, is the average in the equity research industry we have analyzed.

7. How is competition in the equity research market affected by MiFID II?

MiFID II enforces strict disclosure and transparency rules concerning costs for investment products and funds (ESMA, 2018). As earlier noted, most asset managers have therefore opted for the solution where they pay for research directly out of the corporate P&L. This will have a direct effect on sell-side firms, as buy-side actors will try to spend less money on equity research.

A report by Greenwich Associates, reveals that European-based buy-side managers have downsized their 2018 research budgets with 20% year-over-year, or near $300 million (Llamas, 2018). The report also found that firms in Continental Europe have made more severe cuts, cutting equity research budgets by 32%.

Alexander Opstad, head of equities at DNB Markets, has further stated that MiFID II represents "an existential threat" which is forcing investment banks to reconsider how they operate (Schwartzkopff, 2018). The anticipated decrease in revenue is a result of an increased focus on reducing spending on research. This was further supported by our primary data, where we found that Nordea used MiFID II as a cost exercise (Buy-side respondent 6). The shift in bargaining power from sell-side to buy-side, as highlighted in our data analysis, creates a substantial pressure on sell-side firms.

The following sections analyze relevant isomorphic pressures imposed on sell-side firms which the authors have identified by applying the isomorphic framework developed by DiMaggio and Powell OBJ OBJ

7.1. Coercive isomorphic pressure from MiFID II forces sell-side firms to conform

As introduced in the theoretical framework section, coercive isomorphism pressures are imposed by governments or influential organizations (DiMaggio and Powell, 1983). Organizational changes in structure and practices are ways of conforming to these pressures to become legitimate (ibid). Deng (2009) finds that governmental policies and actions have persistently been acknowledged to play a vital role in initiating the structural transformation of organizations.

As earlier introduced, MiFID II is aimed at making European markets safer, more transparent and efficient through increasing transparency and competition in the European financial service industry (Stafford, 2017). This coercive diffusion on the industry level creates an isomorphic pressure on the equity research industry as illustrated in Figure 18. Sell-side firms are motivated to adopt practices and structures that are defined and recognized as legitimate by government agencies (Frumkin and

Galaskiewicz, 2004). Only by conforming to the directive will sell-side firms in the equity research industry be able to survive through legitimacy.

Figure 18 - Coercive isomorphic pressure

The pressure to conform to the new rules regarding unbundling of equity research and trading commission is a strong example of a coercive isomorphic pressure imposed on the sell-side firms. Sell-side firms are pressured to adopt organizational practices and structures that are defined and recognized as legitimate by government agencies, in the case of MiFID II, the EU (DiMaggio and Powell, 1983). The following quote illustrates this severe need for sell-side firms to comply with the MiFID II unbundling requirement:

"It is a Darwinian moment. Sell-side firms will have to adapt or die."

- Rebecca Healey, head of EMEA market structure and strategy at Liquidnet (Dodds, 2018).

One of the rules introduced with MiFID II states that buy-side firms are not allowed to receive free research. It is important to notice that in this respect, research comprise both written analysis, oral advice, bespoke words and other communication between buy and sell-side actors which constitute investment advice. This change has imposed a coercive isomorphic pressure on both buy-side and sell-side firms, as illustrated by the following statement made by one of our respondents:

"If you are at public event, e.g., a capital markets day at Maersk, where you, in a break, talk with an equity analysts, which you have known in many years, then you cannot avoid talking about the company (...). Does this qualify as an inducement? (Buy-side respondent 3).

The same subject provided intel on the level of importance by which this specific MiFID II requirement is dealt with:

"It is my impression that besides from it being [the company]'s policy, we are taking no chances. Therefore, you get the feeling that compliance is constantly overseeing your every move" (Buy-side respondent 3).

Not only does this example demonstrate that both sell-side and buy-side firms have had to change their practices to conform with this coercive isomorphic pressure, it also has important implications for the competition among sell-side firms. If a research provider is no longer a preferred supplier of equity research for a buy-side actor, it can be difficult to reverse. Since buy-side firms are not allowed to receive equity research not paid for, it is difficult to convince a buy-side firm to pay for equity research once they have made a decision regarding that provider. Another subject supported that view and said:

"Sell-side have had to consider what product that they want to offer the market, to a much higher degree than previously. (...) If you get off the list, it is difficult to get back on it. Then what you can do is that you can buy 2-3 top-ranked analysts and then you are forced to get back on the list that way" (Buy-side respondent 5).

The quote above also insinuates that the analysts will be their weight worth in gold with the changing industry dynamics following MiFID II. He elaborates on the significant role that each analyst will have:

"It is going to be very dependent on the specific analyst. It is the quality of each analyst, and that is also one of the things, which at least will for the sell-side, will change their focus. In reality, there will be a price-tag on the analysts" (Buy-side respondent 5).

The same subject noted that sell-side firms are experiencing fiercer competition after MiFID II, and if a buy-side firm decides to deselect an equity research provider it can have serious consequences:

"It is clear that survival of the fittest is an option. I certainly believe that it is going to be a more segmented market, as competition has intensified because of MiFID" (Buy-side respondent 5).

Another change in the competitive environment following MiFID is the change of bargaining power between sell-side and buy-side. When one of our buy-side subjects was asked about whether the sell-side had been accommodating regarding price negotiations, he noted:

"I would call it price flexibility from the sell-side (...), and this is because you (MiFID red.) *move the bargaining power from the sell-side to us (the buy-side red.)"* (Buy-side respondent 5).

This change in bargaining power can likewise be viewed as a consequence of the coercive isomorphic pressure faced by research providers. With equity research unbundled from trading services, the market for equity research has become more transparent and efficient, implying that sell-side firms

now must work hard for every cent. Sell-side firms must conform to this new reality by changing their practices to achieve legitimacy among the buy-side firms (DiMaggio and Powell, 1983). This specific situation can be exemplified by the following statement made by one of our subjects when we asked him to comment on the fact that he has chosen to pay research providers based on his team's ranking of the analysts without room for negotiation:

"We tell them how we rank them. If they then say that they do not want to offer us all of their research, then that changes their ranking. Then they steer themselves down toward zero kroner in revenue. (...) We have [...] billion worth of stocks, so they have to carefully consider if they want to opt out from us" (Buy-side respondent 5).

7.2 Normative isomorphic pressure from buy-side firms forces sell-side firms to adapt

As the theoretical framework section demonstrated, normative pressure stems from the shared cognitive base of norms, mutual understanding and validated actions within the professional field (DiMaggio and Powell, 1983).

"What happened during 2017 was that Nordea Asset Management went out and publicly announced that they would use this (MiFID red.) *as a cost exercise to dispose all the things* (sell-side providers red.) *they didn't need and that they did not plan to pass the bill on to their clients. This changed the entire experience in the industry from sell-side thinking that they would skim the cream to that they knew that all their large customers would demand cost reductions"* (Buy-side respondent 6).

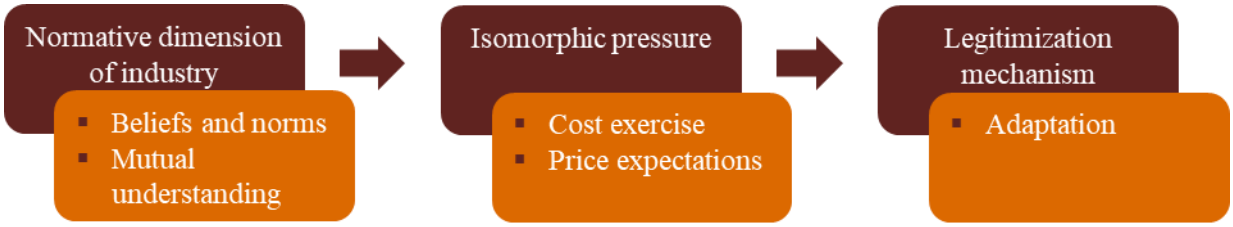
As described in the reasoning of data section, this quote demonstrates how Nordea Asset Management imposed a normative isomorphic pressure on the rest of the buy-side (Furuseth, 2017). This pressure was subsequently imposed on sell-side as bargaining power had shifted. Therefore, because of MiFID II, sell-side firms must adapt their offering and operational practices to this cost exercise initiated by Nordea to stay legitimate and survive in a post-MiFID II era (DiMaggio and Powell, 1983).

The fact that this cost-exercise is a normative pressure which results from a shared cognitive base of norms and a mutual understanding in the industry within the organizational field of the sell-side firms is supported by the following statement:

"We have taken a dialog during the spring with sell-side and communicated that our commission pool will shrink going forward. And since the sell-side have received this pressure from all customers, they have accepted it - no questions asked" (Buy-side respondent 6).

Thus, to stay legitimate among its customers, sell-side must adhere to the demands of the buy-side and adapt its offering to the changing industry dynamics. As illustrated graphically in Figure 19 below, sell-side firms can only achieve legitimacy and credibility among the organizations, the buy-side firms, in its organizational field by adapting its services and product offering to the normative pressure imposed by these buy-side firms.

Figure 19 - Normative isomorphic pressure in the equity research industry



(DiMaggio and Powell 1983)

The change in bargaining power from sell-side to buy-side resulting from the unbundling provision of MiFID II imposes a coercive pressure on the buy-side and subsequently the sell-side as demonstrated in the preceding sections. Previously, the buy-side paid for equity research and trading through a joint fee, but now payment has been split.

Consequently, facilitating a normative pressure on the sell-side, as exemplified by the following anecdote made by one of our subjects:

"We have been used to having access to a table where there would be ten large baskets with the most delicious goods; olive oil, balsamico, cheese – you know all the good stuff. Then we could pick our favorite olive oil, our favorite marmalade, and cheese, etc., and then we paid through something made outside in the back - no one was the best on all parameters" (Buy-side respondent 2).

In the anecdote above the subject refers to the situation before MiFID II, where equity research was bundled with trading services and thus paid together through the trading commission. Hence, buy-side paid for equity research indirectly through the trading fees and not directly for a having access to equity research from a given sell-side firm. Buy-side had unlimited access to equity research from

all the sell-side firms they wanted and could then consume what they found to be value-adding from each sell-side firm, with payment of both research and trading facilitated through commission payment on the execution of trading. As mentioned above, they would choose a mix of equity research providers, as no one was best on all parameters.

Now, however, with equity research and trading services unbundled, buy-side needs to pay directly for the equity research they consume, which has increased price transparency and competition in the industry (Buy-side respondent 2). The sell-side now must prove that its research is valuable and generate revenue directly from its equity research services. With the bargaining power having changed from buy-side to sell-side, the sell-side firms found themselves in a situation where they would have to adapt to the needs and requirements of buy-side, which had chosen to use MiFID II as a cost-exercise. The same subject continued the anecdote and illustrated the new reality faced by sell-side firms:

"Now we are suddenly in a world where they (the sell-side red.) *are all saying: "our basket costs 1 million euro". But we* (the buy-side red.) *only want the olive oil. The sell-side then says "it costs 1 million euro". But we* (the buy-side red.) *do not want to pay 10 million euro to get our ten goods – we only want to pay for what we use"* (Buy-side respondent 2).

The anecdote pinpoints the normative pressure imposed on the sell-side and the need for sell-side to adapt its service offering to remain relevant and legitimate amongst the buy-side firms. Simultaneously, this normative pressure implicates a competitive pressure amongst the sell-side firms:

"They have to earn every euro. They have to be focussed and only offer research which they know they deliver value" (Buy-side respondent 2).

This competitive pressure among sell-side firms indicates that the intentions to increase the competition and price transparency in the equity research market has indeed been met to a degree. Unbundling of equity research and trading commission has indirectly facilitated a normative pressure from buy-side, which sell-side have had to adapt to. Moreover, one of our other respondents specifically referred to ABG's situation where it as a sell-side firm has had to adjust its organizational setup to these new industry dynamics:

"They are being pressured on their earnings, and there is certainly no doubt that Tue (Head of Markets, ABG red.) *is cutting cost to match this new reality"* (Buy-side respondent 5).

The cost aspect is one element of the normative pressure; however, our empirical data indicates that the need for adapting ones' equity research offering in a way, which delivers value to the buy-side, should be the overreaching objective:

"*They have to be focussed and only offer research they know they deliver value"* (Buy-side respondent 2).

Another subject also indicated that value comes before price:

"For me, it is all about receiving the highest possible performance contribution for my money. I do not have an interest in forcing them further down in price. I do not want to pay for something which I do not get." (Buy-side respondent 5).

The same subject further elaborated on his willingness to pay for value-adding research:

"I have an interest in paying what it costs to get what I need. (...) If I can get a quality offering from a research provider, e.g., ABG, which contributes positively to my performance, then I am happy to pay for that" (Buy-side respondent 5).

Finally, another respondent stressed the importance of the value dimension over the price dimension:

"We rate "good" research, which can be a well-written product, it can be a value-adding conversation with an analyst, or a great event, where we, for instance, have had an expert from the container shipping industry (...) – we are happy to pay for that." (Buy-side respondent 1).

Thus, our empirical findings, unequivocally, indicate that sell-side firms will be competing on delivering value-adding research, whether this is in the form of a well-written analysis, bespoke words, a great event or a macro analysis.

7.3 Interim conclusion

This first part of the analysis has sought to unveil how MiFID II has affected competition in the equity research industry. To achieve this, we applied neoinstitutional theory and more specifically the isomorphic framework developed by DiMaggio and Powell. Firstly, from analyzing potential isomorphic pressures, we found that the unbundling of equity research provision of MiFID II imposed a coercive isomorphic pressure on sell-side firms to conform and stay legitimate, both in relations to the EU directive and the buy-side firms in their imminent organizational field. This coercive pressure

has also had competitive implications for the dynamics in the equity research industry, as the bargaining power has moved from sell-side to buy-side as a consequence of MiFID II.

Secondly, we found that buy-side firms have enforced a normative isomorphic pressure on sell-side firms. This normative pressure has in part been facilitated by the change in bargaining power and in part by the increased price transparency and competition enabled by the unbundling of equity research and trading. Furthermore, we found that to survive, sell-side firms need to stay legitimate by adapting their practices and offering to meet the demand of the buy-side. Finally, we found that the sell-side can only achieve this by focussing on delivering value-adding research, which can take many forms, e.g., a well-written analysis, bespoken words, great events or a macro analysis.

8. What do buy-side firms value when deciding which equity research providers to buy research from after MiFID II?

When analyzing what is valued by buy-side firms regarding equity research, this section aims to unveil the major themes to better identify the different types of competitive strategies that an equity research provider can implement to achieve a competitive advantage. The idea behind trying to reveal favorable positioning strategies through interviewing buy-side actors stems from the fact that MiFID II has moved bargaining power from sell-side to the buy-side (Buy-side respondent 5). This shift means that it is the buy-side that dictates the success of sell-side, as buy-side will only pay for research, if they consider it value-added (Buy-side respondent 5 and 6). Therefore, to survive in a regulated and increasingly competitive market, sell-side firms must acknowledge what buy-side firms value and strategically respond hereto. The purpose of our second research question is thus to gain a deeper understanding of how our respondents, i.e., the buy-side, perceive and characterize value-added research to establish the most critical value drivers for buy-side firms when allocating their research spending.

From a sell-side perspective, it has become increasingly important to be among the top three ranked firms after MiFID II. During our interview with the head of research for ABG, Michael Vitfell-Rasmussen he said the following:

"It is therefore even more important now (after MiFID II red.) *to cover a lot of shares and cover them well – being top 3 ranked"* (Vitfell-Rasmussen, 2018).

To become a top-ranked equity research provider, sell-side firms must deliver substantial value to their customers, i.e. buy-side firms. However, the perceived value-add must be understood from the perspective of buy-side firms to enable a discussion on how ABG should position its equity research after MiFID II. By applying Porters (1980) typology of generic strategies when analyzing value-enhancing research from a customer's point of view, this study seeks to characterize the parameters which sell-side firms can strategically respond to, in the changed competitive environment resulting from MiFID II.

8.1 Types of differentiation in the equity research industry

8.1.1 Depth is highly valued by buy-side

Porter defines a differentiation strategy as an offering, unique in its nature, valued by customers and thereby enabling the focal firm to charge premium prices (Porter, 1980). Furthermore, many firms in

an industry can offer differentiated products, thus allowing multiple differentiators to exist within a single industry (Porter, 1985).

From our empirical data, we find that buy-side firms value distinctive research. It is crucial that the research is novel and can add relevant insights to the respective investment case.

"For me, it is essential to have a continuous dialogue with the analysts. They know these companies and sectors very well. Therefore, it adds value for me to receive a 20-30 page well-written analysis on one particular subject instead of many one-pagers with a reaction to a news-comment" (Buy-side respondent 1).

The same respondent noted that one major Nordic bank has started an initiative called "deep-dives". The deep-dives consist of a thorough and deep analysis of a stock chosen by the sell-side firm. The deep-dive initiative is a direct result of buy-side firms requesting a more novel approach to equity research (Buy-side respondent 1). In relation to Porter's typology of differentiation, equity research providers can add value and differentiate by delivering unique and contextual research. Additionally, the same respondent values a certain depth in the analysis and considers it a vital point in their quality assessment. *"Depth is the most important theme for me"* (Buy-side respondent 1). The depth was a recurring theme in our interviews, and another respondent said, "*This is a quality business, not a quantity business"* (Buy-side respondent 3).

The emphasis on quality research seems to be of equal importance to ABG. When speaking with Michael, he said: *"We have always focused on delivering as much quality research as possible"* (Vitfell-Rasmussen, 2018). Nevertheless, he also points to the fact that due to a changing competitive landscape, it is no longer possible to deliver as much quality as it previously was.

"The industry has changed. Analysts now cover more shares which, holding everything else constant, means that it is more difficult to produce the same amount of quality equity research as previously" (Vitfell-Rasmussen, 2018).

This observation is in congruence with the respondents from buy-side:

"It can be a while between you receiving something (equity research red.) *and say – aha, this was something that makes a difference for me"* (Buy-side respondent 3).

Although quality is a key parameter with respect to value for buy-side firms, our respondents recognized that quality and depth is a subjective matter:

"We have set up as many objective criteria as possible, but on the bottom line, quality is 100% subjective" (Buy-side respondent 1).

And *"In the end, it is a subjective evaluation* (of equity research red.)" (Buy-side respondent 6). It appears as quality and depth are highly valued, but also a strongly subjective matter. Furthermore, one of our respondents noted that he is experiencing a lower degree of in-depth research.

"Yes. I think so. Over a period, it has been decreasing (quality of research red.)*"* (Buy-side respondent 3).

Our analysis of depth revealed that although quality is a key parameter for becoming top-ranked, the amount of quality research is diminishing due a focus on covering more stocks.

8.1.2 Wide coverage is a parameter of differentiation

Another aspect of equity research is reacting to relevant company news. Despite the increased focus on delivering in-depth research of the buy-side, it is still possible to add value through having a light coverage, meanwhile having a constant and relevant news-flow.

"We still want the fast comments. Can you add value if you are an opinionless analyst? – Yes, you can, if you have a news-flow that is relevant" (Buy-side respondent 6).

Additionally, one of our respondents noted:

"Most research providers sometimes produce larger pieces of in-depth research, but not all. Some are more one-pages, but this also has its place in the market. There are different products for different customers" (Buy-side respondent 1).

According to Tue Østergaard, Head of markets at ABG, equity research providers increasingly need to focus on the width of their offering (Økonomisk Ugebrev, 2018b). This fall very much in line with the arguments of our respondents, who described a wide but light coverage of many shares as value-added. As a direct result of the intensified competition after MiFID II, ABG has increasingly focused on covering the small- and mid-cap segment, whereas other brokers have chosen to focus more on the large-cap segment (ibid).

Thus, it appears as having a light coverage, and a constant news-flow can also add value for buy-side firms. Furthermore, it serves as a point of differentiation, as buy-side firms value a constant news-flow to stay on top of what going on with their investments.

8.1.3 Global scale and macro research perceived as value adding

During our interviews, we also found that buy-side firms value a holistic view of the company and its industry. One of the interviewees noted:

"The global research providers have a team who cover global beverage and alcohol, which most Nordic research providers do not have. When I talk to them, I also get the sector view – which you do not get from local players" (Buy-side respondent 6).

According to another of our interviewees, global research providers provide valuable inputs to his investment decisions:

"I believe that if you're trading Danish and Nordic stocks and you only have research from Danish and Nordic research providers you are missing a critical input (...) The global research providers have a more bottom-up approach, and their macro approach provide significant value" (Buy-side respondent 3).

The imminent need for global research providers is evident in the latest broker evaluation from Økonomisk Ugebrev, which was made after MiFID II entered into force. The survey includes 25 responses from portfolio managers alongside 24 responses from investor-relation managers. The evaluation is based on the average score the respective equity research providers received on a scale from 0-5.

Table 5 - Broker evaluation

	Rating			
Broker	**2018**	**2017**	**2016**	**2015**
Danske Bank	4.3	4.0	4.3	4.0
Nordea Bank	4.1	4.1	4.4	4.1
ABG Sundal Collier	3.9	3.5	3.6	3.6
SEB Equities	3.8	3.4	3.3	3.7
Carnegie	3.6	3.7	3.5	3.4
UBS	3.5	-	-	-
Credit Suisse	3.3	-	-	-
Goldman Sachs	3.3	-	-	-
Jyske Bank	2.7	3.0	2.9	2.6
Sydbank	2.7	-	3.2	-
Nykredit	2.5	2.8	2.8	3.1
Handelsbanken	2.5	-	2.8	2.7

(Økonomisk Ugebrev, 2018b)

The significant part of the broker evaluation is the fact that UBS, Credit Suisse, and Goldman Sachs are included. This has only happened very few times in the 25 years long history of broker evaluation (Økonomisk Ugebrev, 2018b).

Hence, it appears as the global research providers are leveraging their global reach. The fact that Nordic buy-side firms regard their competencies as value-adding means that Nordic sell-side firms can deliver additional value through having a more macro and holistic approach to their research.

8.1.4 Educating events support value-adding research

A fourth parameter adding value for buy-side firms is corporate access and events facilitated by the equity research provider, as stressed by one of our respondents:

"I believe that events are very important. It can be in the form of meetings with customers, competitors, consultant or other stakeholders of the company" (Buy-side respondent 1).

The same respondent elaborated:

"Good research can, for example, be a good event, for example with an expert within the shipping business – that I would pay for" (Buy-side respondent 1).

However, not all events are considered to be value added:

"*Thus, one option for us is to say: We will participate in events that are educational in their nature, but not one-on-one's as we have hired our own secretary to set those up"* (Buy-side respondent 6).

The idea of being able to set up one-on-one meetings internally is concerned firms of a certain size and smaller buy-side firms, who do not have that advantage, cannot disregard one-on-one events as a potential value-adding service. Additionally, the quotes underline that even though that some buy-side firms have corporate access themselves, they still value educational seminars and events. In our sample, we can infer that sell-side firms can add value by having broad corporate access and differentiated events with relevant stakeholders and experts.

Our analysis of the interviews we conducted with buy-side firms resulted in the identification of four value-adding factors, namely (1) depth, (2) width, (3) global scale and (4) educating events. Thus, for equity research providers it would be advantageous to provide some, a combination or all of these four differentiating factors. The more and the better equity research providers are to deliver on these

parameters, the better broker rankings will they receive which in the end will result in higher revenues and profits.

8.2 Cost leadership

Pursuing a cost leadership strategy imply a focus on providing services or products at the lowest possible cost (Porter, 1985). Cost leadership can be a result of various exogenous and endogenous activities such as proprietary technology, economies of scale and access to scarce resources (ibid).

In the case of equity research after MiFID II, we found a general trend of price pressure, as exemplified by the quote below:

"What happened during 2017 was that Nordea Asset Management went out and publically announced that they would use this (MiFID red.) *as a cost exercise (...). This changed the entire experience in the industry from sell-side thinking that they would skim the cream to that they knew that all their large customers would demand cost reductions*" (Buy-side respondent 6).

Despite some of our respondents talking about cost reductions and price pressure from the buy-side, we did not find any indications that low-cost providers have an advantage vis-à-vis differentiators.

"Now when we have different services at different prices we will have to evaluate to see if prices reflect the quality we receive" (Buy-side respondent 3).

The focal point in the assessment of equity research thus does not seem to be the price, but rather that quality should match the price. Furthermore, one respondent said: *"equity research is a quality question"* (Buy-side respondent 3) further underlying that quality, and thus differentiation strategies, are the primary premises on which competition takes place. Another of our respondents said: *"I'm not interested in squeezing the price too much"* (Buy-side respondent 5). This shows that price is not the discriminating factor when valuing equity research and that buy-side firms do not choose equity research providers based on their prices exclusively.

To further support that pursuing a low-cost strategy is not valued by buy-side firms, a survey conducted by Økonomisk Ugebrev showed that price was the least important factor when evaluating equity research providers (Kristensen, 2018). Thus, the primary focus for equity research providers should be on the differentiating factors highlighted previously.

8.3 Interim conclusion

By applying Porters (1980) typology of generic strategies, this part of the analysis has been aimed at examining what buy-side firms value when deciding which equity research providers to buy research from after MiFID II. Building upon the primary data analysis of our interviews with large institutional buy-side firms, we found that the main dimensions of differentiation in the equity research industry are (1) depth, i.e., the quality, of the research published and (2) width regarding number of stocks covered. We further found that both in isolation or in combination, a deep and wide coverage is highly valued by buy-side firms and serve as essential parameters of differentiation.

Secondly, we found that global scale and macro research is further perceived as value adding, although regarded as secondary to the main parameters of having a deep and wide coverage. Likewise, we found that differentiated and educating events and seminars with relevant stakeholders and experts and broad corporate access can add value. Thus, by meeting the demands of buy-side firms through delivering on all or a combination of these four parameters, sell-side firms can achieve better broker evaluations which will ultimately result in higher revenues and profits.

9. What are the main resources and capabilities of ABG?

In an increasingly competitive and price-transparent industry, with the bargaining power having shifted from sell- to the buy-side, it is now more important than ever for ABG to assess the competitive potential of its main resources and capabilities. Therefore, this section will first identify the main resources and capabilities of ABG. Secondly, the competitive potential of the identified resources and capabilities will be assessed applying Barney's VRIO framework.

To identify the main resources and capabilities of ABG, we have analyzed both primary and secondary data. The main primary data source, which we have deemed especially useful in this context, is the interview conducted with Michael Vitfell-Rasmussen, head of research for ABG. Secondary data, which we have assessed to be valuable, includes LinkedIn blog posts and public statements made by Tue Østergaard, Managing Partner and head of markets at ABG Copenhagen.

Following the identification of the main resources and capabilities of ABG, the four questions, which have been adopted from Barney (1995) and introduced in the theoretical framework section, will be applied to assess whether the identified main resources and capabilities are valuable, rare, costly to imitate and organizationally embedded. To answer these questions, we have used the collected primary data presented in section 6. Moreover, the secondary data which has been considered relevant and valuable include the 2018 rating of Danish analyst and analyst teams published by Økonomisk ugebrev (Økonomisk Ugebrev, 2018a, 2018b). The 2017 ranking of Danish equity research providers published by Prospera (Prospera, 2017), and the event presentations of a MiFID II implementation seminar hosted by Thomson Reuters on 22nd November 2017 (Thomson Reuters, 2017).

9.1 Equity research analysts – a valuable, rare, inimitable and organizationally embedded resource (sustained competitive advantage)

Equity research providers have always been dependent on the quality of their analyst teams, as the quality of the analysts is directly related to the quality of the research produced. As one of our subjects said plain and simple:

"*The quality of the research you get depends on the people who conduct it*" (Buy-side respondent 1).

Furthermore, as highlighted in section 7, the equity research providers are increasingly dependent on their analyst teams after MiFID II, as highlighted by the quote below:

"It is going to be very dependent on the specific analysts. It is the quality of each analyst, and that is also one of the things, which at least for the sell-side, will change their focus. In reality, there will be a price-tag on the analysts" (Buy-side respondent 5).

Moreover, the rating of the best analysts each year emphasizes the dependency and focus on the analysts within the sell-side industry. These ratings are based on parameters which also assembles the parameters which the buy-side evaluates the sell-side upon (Økonomisk Ugebrev, 2018a). Hence, we argue from the above quotes that ABG's analysts should be regarded as a main resource of ABG. Additionally, from applying Barney's categorizations of resources, we argue that ABG's analyst should be categorized as a human capital resource, as this resource involves the experience, intelligence, and insight of managers and workers of ABG (Barney, 1991).

9.1.1 ABG's analysts are a valuable resource

The first question which needs to be answered when applying the VRIO framework is the question of value:

"Is the firm able to exploit an opportunity or neutralize an external threat with the resource/capability?" (Barney, 1995 p. 50).

In terms of exploiting an opportunity with this resource, we define an opportunity as the ability to generate revenue from the conducted research. As described earlier, the ability of a sell-firm to generate revenue relates to how its analysts and research offering are evaluated by the by-side firms in the broker evaluations. One of our subjects described this setup by emphasizing the importance of scoring many points in the broker evaluations:

"This is a question about signing popular analysts, which can bring home some points in their customers' (the buy-side red.) *broker evaluations"* (Buy-side respondent 6).

From Økonomisk Ugebrev's ranking of the best analysts and analyst teams shown in the introduction section, it was evident that ABG occupies a challenger position being ranked as the fifth best analyst team in Denmark. This was further supported by ABG having six analysts among the top 26 analysts in Denmark (Økonomisk Ugebrev, 2018b, 2018a). Moreover, from looking at Prospera's 2017 ranking, we saw that ABG is ranked as number two within the small-cap segment, and that ABG received the best rating within the "small firm" segment in Økonomisk Ugebrev's survey among the top 25 portfolio managers with responsibility for Danish stocks (Prospera, 2017; Kristensen, 2018).

From the general ratings of ABG and its analyst team and specific ratings for its analysts, we argue that ABG's analysts meet a demand from the buy-side since they rank high on the various ratings which resemble how the buy-side evaluates the research that they consume. Thus, we further argue that ABG's analysts, as a human capital resource, qualifies as a valuable resource as they can exploit an opportunity, namely meeting the demand of the buy-side with its research offering.

9.1.2 ABG's analysts are a rare resource

The second question proposed by the VRIO framework is the question of rarity: *"Is control of the resource/capability in the hands of a relative few?"* (Barney, 1995 p. 52). Michael Vitfell-Rasmussen from ABG informed us that compared to Norway, the Danish market is rather consolidated when counting the number of brokers covering national stocks:

> *"If you compare Norway with Denmark; I cannot remember the exact number, but there are around 18 brokers in Norway, and in Denmark, there are six. So a consolidation has already taken place"* (Vitfell-Rasmusen, 2018).

Thus, by having six analysts in the top 26 of those covering Danish stocks, one could argue that ABG's analysts are a rare resource, as this resource is controlled by relatively few. Moreover, this is further supported by the fact that ABG's analyst team is ranked first within the "small firm" segment in the Prospera ranking and second within the small-cap segment in the Økonomisk Ugebrev's ranking, as there are only a few competing firms which control similar analyst teams. Hence, we also find ABG's analysts to qualify as a rare resource.

9.1.3 ABG's analysts are an inimitable resource

The third question to answer in the VRIO-framework is the question of imitability:

> *"Is it difficult to imitate, and will there be significant cost disadvantage to a firm trying to obtain, develop, or duplicate the resource/capability?"* (Barney, 1995 p. 53).

Given that the resource in question is a human capital resource, it leaves out the scenario where another firm would be able to duplicate the resource one to one. However, from our interviews, we found several indications that analysts can be either developed or obtained through headhunting, and thus imitated, although at a cost disadvantage. One of our subjects demonstrated this in an example including different strategies employed by ABG, Carnegie, Danske Bank, and Nordea to obtain what we have already found to be, at least in the case of ABG, valuable and rare resources:

"There has been some stealing (headhunting red.) *from ABG, who have then chosen to recruit a new analyst with a lower rating. Thus, they have chosen not to make the investment, whereas Danske Bank and Nordea have been the ones stealing, since they have lost some people, and in their case, they have chosen to recruit some people with points to their name* (i.e. headhunt red.), *instead of spending five years to develop them"* (Buy-side respondent 6).

As alluded to above, both strategies can be used to obtain and thus imitate the resource (analysts), however not without significant costs. Another of our subjects also referred to the fact that obtaining these resources, i.e., analysts, will impose a cost disadvantage to the firm trying to obtain the resource:

"*(...) If you get off the list, it is difficult to get back on it. Then what you can do is that you can buy 2-3 top-ranked analysts and then you are forced to get back on the list that way"* (Buy-side respondent 5).

It is especially the choice of the word "force" which we consider important as it demonstrates that the choice to "buy" new analysts is not something which the sell-side firms do without considering their options thoroughly. Hence, we see different strategies employed by sell-side firms.

From this, we argue that ABG's analysts as a resource is inimitable to the extent that it will impose a significant cost disadvantage to the firm trying to obtain this resource, although it is not entirely inimitable. As demonstrated by the first quote above, our subject refers to a situation where a competing firm had headhunted an analyst from ABG and thereby imitated it. Still, the resource is inimitable, but only to the extent that it will impose a significant cost disadvantage to the firm trying to obtain this resource, as competing firms *can* obtain the resource (Barney and Hesterly, 2010).

9.1.4 ABG's analysts are an organizationally embedded resource

The fourth and final question to answer within the VRIO framework is the question of organization: *"Is the firm organized, ready, and able to exploit the resource/capability?"* (Barney, 1995 p. 56).

In the preceding sections, we have argued that ABG's analyst is a valuable, rare and inimitable resource and thus this resource can be categorized as an unexploited competitive advantage, as evident in Table 4. However, for ABG to realize the potential of a resource with these characteristics, ABG must be organisationally capable of exploiting this resource. Not until it is organized to do so, will it be able to exploit the full potential of this resource and obtain a sustained competitive advantage (Barney, 1995).

As described earlier, we found that the value and rarity parameters of ABG's analysts stem from their ability to score many points on broker evaluations through their research capabilities, especially within the small firm and small- and midcap segments. As we have likewise demonstrated earlier, this focus on these specific segments is an inherent part of the ABG's organization. In our interview with Michael Vitfell-Rasmussen, he described how ABG, as an organization, is aware of this and that they are concentrating on exploiting this opportunity in the market for equity research:

"We put a lot of effort into branding ourselves as the broker with the widest offering in Denmark" (Vitfell-Rasmussen, 2018).

In an interview with Økonomisk Ugebrev, Tue Østergaard, head of ABG Denmark, further emphasized this focus and that ABG use this as a way to differentiate themselves in the market, i.e., as a way of capturing value:

"We're focusing on small- and midcap, whereas the other research houses are concentrating more on the larger stocks" (Økonomisk Ugebrev, 2018b).

Hence, we argue that ABG is organized to exploit the potential of its analysts, since the analysts and their capabilities in general, and especially within the small- and midcap segment, are organizationally embedded to exploit opportunities in the market and thus capture value (Barney, 1995; Barney and Hesterly, 2010).

From the analysis of ABG's analyst, we can conclude that ABG's analysts are a valuable, rare, inimitable and organizationally embedded resource, and therefore also constitute a sustained competitive advantage (Barney, 1995). To sum up, we have mapped the results of the VRIO analysis in Table 6 below, highlighting the status of ABG's analysts as a sustained competitive advantage.

Table 6 - VRIO analysis of ABG's analysts

Valuable?	Rare?	Costly to imitate?	Exploited by the organisation?	Competitive implication
No				Competitive disadvantage
Yes	No			Competitive parity
Yes	Yes	No		Temporary competitive advantage
Yes	Yes	Yes	No	Unexploited competitive advantage
Yes	Yes	Yes	Yes	Sustained competitive advantage

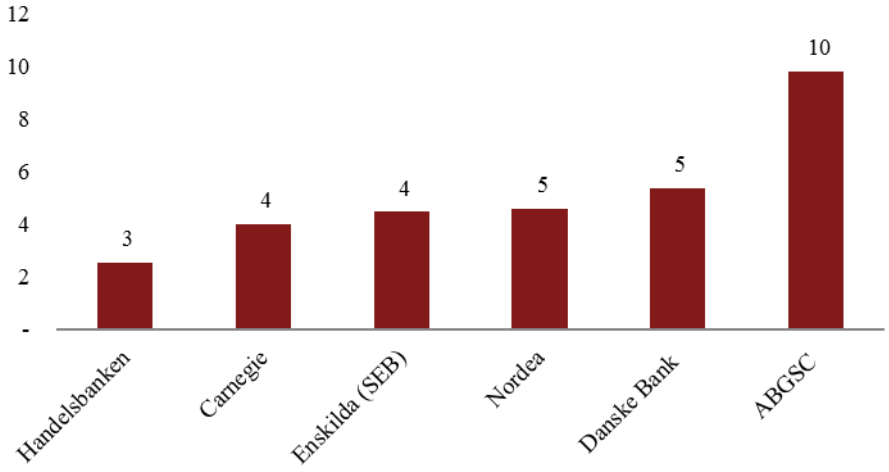
9.2 Capability to cover many stocks per analyst – a complementary organizational capability reinforcing the value of ABG's analysts

As we have outlined on several occasions, ABG focuses on offering and branding themselves as having the widest coverage of small- and mid-cap companies:

"We put a lot of effort into branding ourselves as the broker with the widest offering in Denmark" (Vitfell-Rasmussen, 2018).

This focus and strategic positioning of the firm's equity research offering is arguably enabled by the ability of ABG's research team to cover many stocks per analysts, as shown in the table below, and in section 6.2.

Figure 20 – Number of stocks covered per analysts



(Bloomberg, 2018)

The table above shows that ABG's analyst team covers significantly more stocks per analyst, on average, than its competitors. Given ABG's focus on small- and midcap companies, it is natural that ABG's research team covers more stocks per analyst than its competitors. However, there seems to be a substantial magnitude of difference with ABG covering twice the number of stocks per analysts that number two covers and almost four times as many stocks per analyst as Handelsbanken, in rounded numbers.

Simultaneously with covering many stocks per analyst, ABG's analyst team can maintain a high broker ranking, as accounted for in section 9.1, emphasizing the value of this capability. High ratings are closely connected with the ability to capture value, as high ratings from the buy-side is a result of

the buy-side finding your research valuable. This, in turn, means that the buy-side will continue to buy research from you.

The arguments above points us in the direction of identifying the capability of ABG's analyst team to cover many stocks per analyst, relative to its competitors, as one of ABG's main capabilities. As highlighted in section 8, buy-side firms value a wide coverage – a demand which ABG can meet because of its analyst team's capability to cover many stocks per analyst.

Moreover, we argue that the capability of covering many stocks per analyst is thereby enabling ABG to realize the potential of its analysts, i.e., its sustained competitive advantages as concluded in section 9.1 (Barney, 1995). In line with this, we find that this capability is a complementary organizational capability which complements ABG's analysts (ibid). One of the characteristics that underline its status as a complementary organizational capability is its limited ability to generate a competitive advantage in isolation from ABG's analysts (ibid). Naturally, any complementary organizational resource is part of a firm's overall resource and capability base, and therefore the competitive implications of this capability could be evaluated by applying the VRIO framework. However, the question of organization is already included to emphasize the importance of the complementary organizational capability in enabling ABG to fully exploit its competitive advantage potential through its analysts (ibid).

In sum, we find that the capability of ABG's analysts to cover many stocks per analyst relative to its competitors is one of ABG's main capabilities and that it is an organizationally complementary capability enabling ABG to realize the potential of its sustained competitive advantage, namely its analysts.

9.3 Capability to cover the small- and midcap segment – a complementary organizational capability enforcing the value of ABG's analysts

As highlighted in previous sections, ABG has a clear focus on branding itself as an equity research provider with expertise within the small- and midcap segment. Michael Vitfell-Rasmussen described this as a niche focus, *"We look at ourselves as a sort of niche player"* (Vitfell-Rasmussen, 2018).

Likewise, Tue Østergaard describes the focus as a point of differentiation relative to its sell-side competitors which focus more on larger stocks. He further states his opinion on how to compete going forward as a local Danish and Nordic equity research provider:

"We're focusing on small- and midcap, whereas the other research houses are concentrating more on the larger stocks. (...) my view is that Danish and Nordic brokers have a role to play through a broad and deep coverage" (Økonomisk Ugebrev, 2018b).

Moreover, as demonstrated in section 9.1, ABG is rather successful when it comes to covering the small- and midcap segment. In Prospera rankings from 2017 ABG ranked second within the small-cap segment and number one within the "small firm" segment in Økonomisk Ugebrev's ranking (Prospera, 2017; Kristensen, 2018). Based on the aforementioned rankings alongside its focus towards the small- and midcap segment, we have identified the capability of ABG's analyst team to cover the small- and midcap segment as one of the main capabilities of ABG.

Additionally, as it was the case with ABG's ability to cover many stocks per analyst, we argue that ABG's capability of successfully covering the small- and midcap segment, should be classified as a complementary organizational capability (Barney, 1995). From Michael Vitfell-Rasmussen and Tue Østergaard's statements above, we derive that this capability is an inherent part of the organization, as they refer directly to it as a declared focus. We further argue that ABG's capabilities within covering the small- and midcap segment are complementing what we identified as ABG's source of sustained competitive advantage, namely its analysts. As the buy-side, amongst other things, is evaluating ABG's research based on the value that its small- and midcap coverage provides, we argue that it complements the value of ABG's analysts. ABG's distinctive approach to the small- and midcap segment is further supported by a strong managerial and organisationally embedded focus on covering the small- and midcap segment. Moreover, Amit and Schoemaker (1993) argue that in a setup, like the one described above, with complementary resource and capabilities, the value of each resource/capability may increase with an increase in the relative magnitude of the other complementary resources/capabilities, also known as positive externalities.

Thus, like ABG's analysts being able to cover many stocks per analyst relative to its competitors, we find that the capability to cover the small- and midcap segment well is one of ABG's main capabilities and that it is an organizationally complementary capability that enables ABG to maximize the potential of its sustained competitive advantage, i.e., its analysts.

9.4 Interim conclusion

From the analysis of ABG's resources and capabilities, we found that ABG possesses three main resources/capabilities. Those were identified as its analysts (resource), its ability to cover many stocks per analysts (capability) and its ability to cover the small- and midcap segment well (capability).

When analyzing the competitive potential of the three resources and capabilities through applying the VRIO framework, we concluded that ABG's analysts are a valuable, rare, inimitable and organizationally embedded resource, and thus serves as a sustained competitive advantage for ABG. Furthermore, we found that the ability of ABG's analysts to cover many stocks per analyst relative to its competitors is an organizationally complementary capability that enables ABG to realize the potential of its analysts. Likewise, our analysis concluded that the ability to cover the small- and midcap segment well, is an organizationally complementary capability which also supports ABG in realizing the potential of its analysts. To provide an overview of the results of the preceding analysis, the three resources and capabilities and their strategic value are mapped in the table below:

Table 7 - ABG's main resources and capabilities and their strategic value

No.	Description	Type	Strategic value
1	ABG's analysts	Ressource	Sustained competitive advantage
2	Ability to cover many stocks per analyst	Capability	Organisationally complementary capability supporting ABG's sustained competitive advantage
3	Ability to cover small- and midcap segment well	Capability	Organisationally complementary capability supporting ABG's sustained competitive advantage

10. How to strategically position equity research after MiFID II

Based on our primary empirical data, supported by relevant secondary data, we have found that buy-side firms value differentiating factors such as depth of research, width in terms of number of shares covered, global presence and educating events. Another noticeable finding was that price is not considered a crucial determinant when choosing research providers. Our interviews revealed that price should match the quality of the research produced. Additionally, several respondents noted that it is extremely difficult to put a price on equity research and that they did not regard price when determining which research providers to buy services from. Secondary data supported our initial findings about price. In a survey from Økonomisk Ugebrev (Kristensen, 2018) it was also shown that price was the least important factor for buy-side firms when valuing equity research.

In relation to Porters generic strategic and relative positioning in the industry, we thus acknowledge that our data lean towards a model of relative differentiation based on primarily two factors – namely depth and width of equity research. Throughout the interviews, the primary parameters of differentiation were the quality (depth) and quantity (width) of research. The quality aspect refers to in-depth research pieces published, and the ability of research providers to provide distinctive and differentiated research. The quantity of research refers to the ability to provide a light coverage and deliver a constant and relevant news-flow for the investment case.

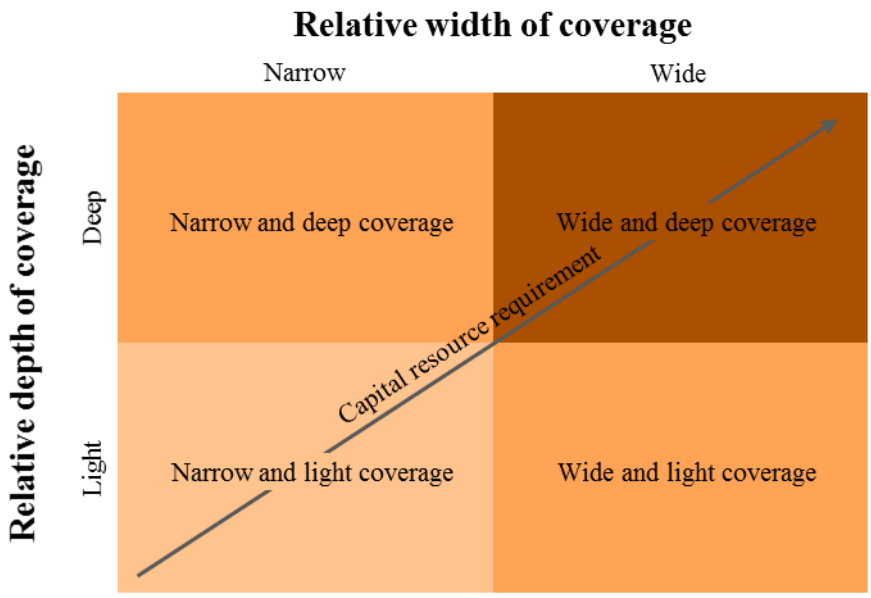
Additionally, several of our interviewees expect that MiFID II will create a higher level of differentiation between the research providers (buy-side respondent 5 and 6). Sell-side firms also expect that MiFID II will create a more differentiated market and that equity research providers must choose a distinctive approach to deliver value (Økonomisk Ugebrev, 2018b).

Turning to Porter's theory of competitive strategies, we have established several, non-mutually exclusive, critical differentiating factors, with the potential to create a competitive advantage. The idea behind a relative differentiating positioning was further supported by the broker evaluations where points are given based on whether the stock is covered or not, and how buy-side subjectively value the quality of the coverage. In Hall's study from 1980, he also emphasized the relative positioning of firms in the US manufacturing business based on differentiating and delivered cost (Hall, 1980).

In the case of equity research, we found no particular value-add from supplying low-cost equity research as the majority of our respondents noted that they are willing to pay if quality matches costs.

It thus appears as the buy-side actors we interviewed all agree that price is not a key parameter of differentiation. The novelty and uniqueness of equity research limits the ability to compete on price as buy-side value different aspects and investment angles, reducing the traditional price versus quality trade-off. Thus, we argue that in the context of equity research, the analysis should be focused around the key parameters that are valued by buy-side firms. From our empirical findings, it was evident that the main dimensions of relative positioning are the depth and width of the research. Based on this, we propose the following framework for analyzing strategic positioning among Nordic equity research providers:

Model 1 - Strategic positioning of equity research providers



The framework has its origin in Porter's generic strategies (Porter, 1980, 1985), but has been modified to account for our empirical findings. We acknowledge that our empirical findings are limited to the actors who have been involved, and as such, our model is limited to the subjective reality of the respondents and the authors.

Nevertheless, we argue that the relative positioning, as highlighted by Hall (1980), enable us to better assess how ABG should strategically position its equity research offering following MiFID II. Specifically, this framework is centered around two primary aspects of value-adding parameters when evaluating research, namely relative width- and depth of the coverage. In terms of relative width, an increasingly wide coverage, i.e., covering many stocks, is preferred over a narrow focus.

Similarly, an increasingly deep coverage is preferred over a light coverage of stocks. Additionally, the depth dimension also includes a sector view of the companies, and firms that want to pursue a deep coverage can do so by supplying research that puts the investment case into a global context. However, the model assumes a simplistic view on equity research positioning strategies, and as such delivering a sector view and providing a global context for the investment case is not directly encompassed in the model above, but should be considered as a supplementary part of positioning equity research.

Moreover, the framework includes a diagonal arrow pointing from the lower left corner toward the upper right corner. The arrow represents the resource requirement of occupying different relative positioning strategies. We have derived the arrow from the two main axis of the framework, i.e., the relative depth- and width of the coverage. We argue that both an increasingly wide coverage as well as an increasingly deep coverage will have a higher resource requirement compared to a narrow and light coverage. A deep coverage takes more time and thus requires more resources. Covering more stocks likewise takes more time and thus requires more resources, ceteris paribus. Hence the direction of the arrow, which indicates that a relative positioning strategy in the upper right quadrant with a deep and wide coverage requires the most resources. This is followed by a positioning strategy in either the lower right or upper left quadrants requiring second most resources. Finally, the lower left quadrant requires the lowest amount of resources. With the upper right quadrant fulfilling both of the two primary demands of the buy-side, namely a wide and deep coverage, the resource requirement dimension of the framework implies that only sell-side firms with a relatively high amount of resources will be able to apply a relative positioning strategy in the upper right quadrant of the framework.

As argued by Wright et al., (1990) and Hall (1980) there exists a substitutability link between the different axes of competitive strategies. Additionally, competitive strength can result from a combination of the generic strategies (Karnani, 1984). Adhering to Karnani's (1984) view, our framework assumes that a firm can both deploy a relative positioning strategy with both a wide and deep coverage, which we consider plausible given the fact that firms with the necessary amount of resources can adopt both a wide and deep equity research coverage.

The model assumes a simplistic view of value-adding research, and we acknowledge that this simplistic model has its limitations. Specifically, it does not account for all parameters valued by buy-side firms. Our primary data showed that buy-side firms also value educating events and macro

presence and holistic sector views. Our proposed theoretical model, using Porter's generic strategies as a point of departure, does not encompass educating events and macro. Instead, one should view it as complementarities supporting a given positioning strategy. The overall aim with our modified version of generic strategies is to determine the main relative positioning strategies that a research provider can pursue in an after MiFID II environment. Educating events and macro acts as supporting capabilities and should be treated accordingly. Lastly, price is not a discriminating factor. Specifically, buy-side actors have different preferences for research and the novelty of equity research underpin the lack of price as a key parameter of differentiation.

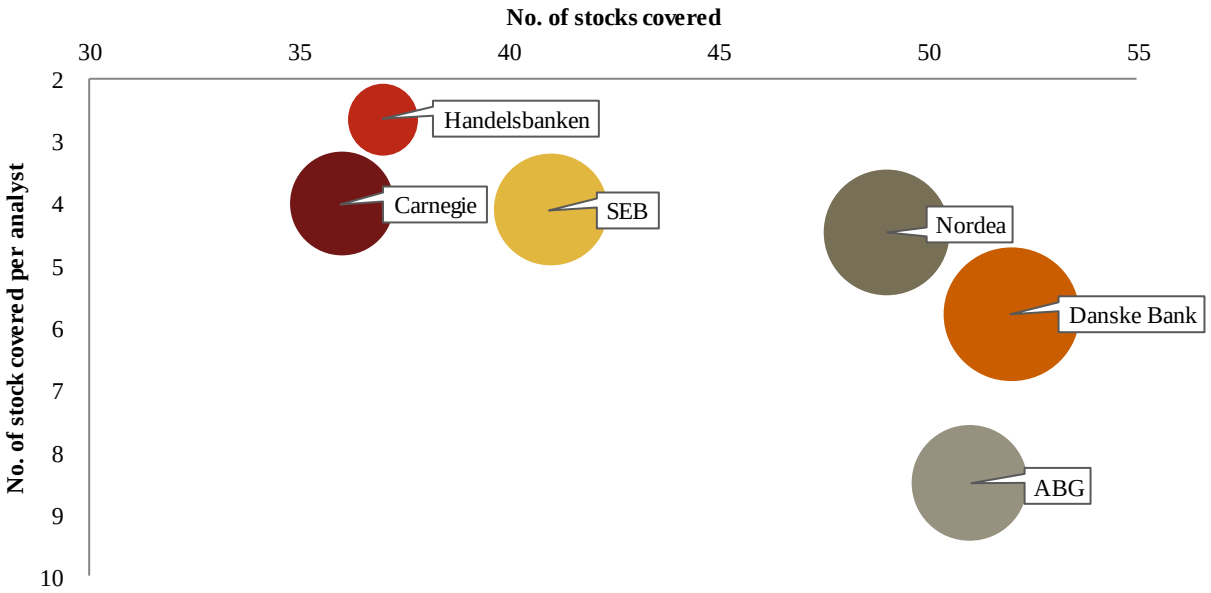
10.1 How has ABG strategically positioned its equity research offering?

In the discussion of how ABG has positioned its equity research we try to apply our model in the attempt to assess the relative positioning strategy of ABG's equity research offering. The purpose of assessing the various research providers' relative positioning is to establish how ABG has positioned its equity research offering relative to its competitors. Subsequently, we will try to determine if ABG has utilized its resources and capabilities optimally considering its relative positioning strategy.

As far as the strategic positioning of ABG, we have established that the primary dimensions of competition in the equity research industry are the depth, i.e., the quality, of the research published and the width in terms of number of stocks covered using a modified version of Porter's generic strategies (Porter, 1980). Furthermore, we have identified that the main resources and capabilities of ABG are its analysts, its wide coverage of stocks alongside its capability to provide equity research in the small/mid-cap segment.

To assess the relative positioning strategies of the main equity research providers covering Danish stocks, we gathered data on the number of shares covered and the number of analysts employed for each of the main research providers covering Danish stocks. Additionally, we have used broker evaluations to define the extent to which buy-side firms value the research from each of the main equity research providers. Thus, the broker evaluation serves as an approximation of the successfulness of each providers' relative positioning strategy. The outcome is depicted below.

Model 2 - Width and depth of equity research providers



The model shows the number of stocks covered on the horizontal axis and the number of stocks covered per analyst on the vertical axis. The size of the bubbles indicates the relative rating that the respective equity research providers have received from the 25 buy-side firms in Økonomisk Ugebrev's broker evaluation survey (Økonomisk Ugebrev, 2018b).

To identify research providers with a wide coverage, we argue that the number of stocks covered serves as an approximation of the relative width of coverage. An equity research provider can initiate coverage on new stocks to widen the spectrum of its equity research coverage. Covering more stocks will, ceteris paribus, increase the absolute number of pieces of investment advice that a research provider can convey to its buy-side clients. An important notion is the relativity dimension of having a wide coverage. In the specific case of Nordic research providers and Danish equities, Danske Bank has the widest coverage. However, having a wide coverage must be determined from the perspective of a single market. On a global scale, Danske Bank might not have the widest coverage, but when limiting the scope of investment advice to a single market, the relative width shows, which firm has the widest coverage.

The focal point of interest in this thesis is to investigate how ABG has positioned its equity research relative to its competitors after MiFID II. Therefore, a relative characterization of width based on ABG's equity research offering in Denmark seems appropriate. One could argue that a wide coverage is not limited to the number of stocks covered but also include derivatives, currencies, alternative investment, etc. However, our primary data supported that a key parameter for width was the number

of stocks covered. Furthermore, our scope is to determine how equity research should be positioned after MiFID II. The methodological approach of this study conforms to the fact that our findings cannot be generalized on to a wider population, but merely show the individual interpretations of a reality, which is multiple. Therefore, in the specific case of ABG's relative positioning of its equity research, we deem the number of stocks covered as a useful representation of the relative width of its coverage.

In terms of relative depth, we have used data which shows the number of stocks covered per analyst. The reasoning behind using stocks covered per analyst lies in the time constraint of analysts. An analyst has a limited amount of time to provide valuable pieces of investment advice and analysis of the associated stocks. Therefore, it will be easier for an analyst who cover fewer stocks to deliver more thorough and, ceteris paribus, deeper coverage. Similarly, an analyst, who covers many stocks, will have less time to engage in a relatively deeper and more thorough analysis of all the stocks.

Furthermore, equity research involves a certain attention to details and require an in-depth knowledge of both the company and its industry. By covering relatively fewer stocks, an analyst will have more time to understand and learn about the underlying market dynamics. Our primary data further supported that buy-side actors value distinctive and novel research (buy-side respondent 1 and 3), which requires more time than a simple market update or a news comment. Therefore, an analyst who covers fewer stocks will have more time to produce novel pieces of research. Hence, we define relative depth as the number of stocks covered per analyst.

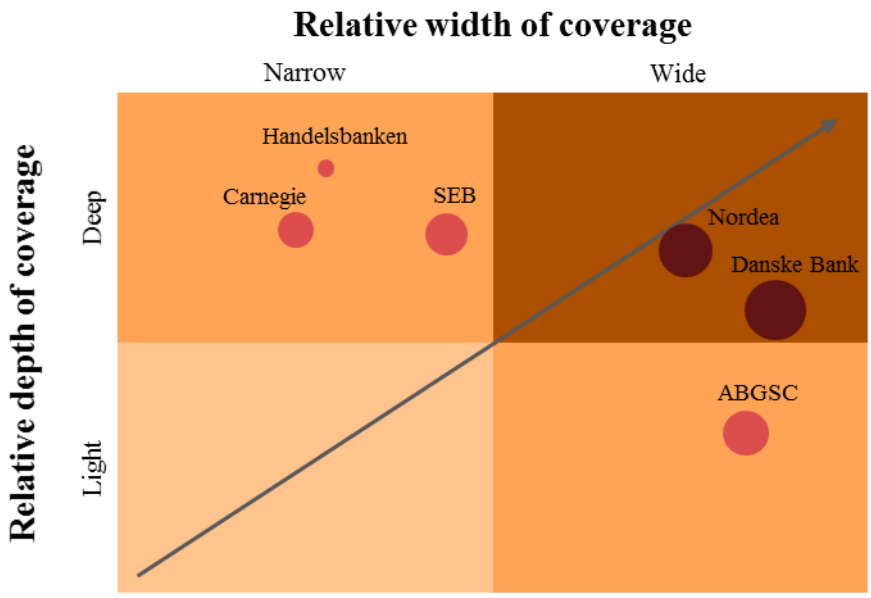
Lastly, our model includes a parameter measuring the success of the different strategies employed by the research providers. As explained in section 6.3.1 all of our respondents noted that the broker evaluation serves as a universal tool to determine the quality of the research provided. The broker evaluations both encompass the relative width and relative depth of the research and thus aided in determining the success of the different strategies. As shown in the Model 2, the size of the bubbles indicates how well buy-side actors value the relative positioning strategy of the respective research providers.

As seen in Model 2, ABG is the provider who covers the most stocks per analyst. On average ABG's analysts cover almost ten stocks per analysts in rounded numbers, which none of its competitors can match. With a high amount of stocks covered per analyst, our theoretical model would suggest that ABG has chosen to cover a wide number of shares to differentiate itself from its competitors by providing a wide coverage. Furthermore, by having many stocks covered per analysts, ABG would

theoretically also have a lighter coverage of its shares, due to the time constraints of its most valuable resource – its analysts.

To determine the different relative positioning strategies in light of the theoretical model advanced in section 10, we have mapped the relative position of the main research providers in Model 3 below.

Model 3 - Relative positioning of Nordic equity research providers



In Model 3 above, it is evident that ABG has strategically positioned itself with a wide but light coverage in the lower right quadrant. It is noticeable that ABG is the only research providers occupying this relative positioning strategy. In terms of relative positioning, its closest competitor is Danske Bank, but as can be seen in the Model 3, Danske Bank is positioned in the lower part of the top right quadrant, implying a wide *and* deep coverage. Interestingly, Danske Bank and Nordea cover fewer shares per analyst, which insinuates that they most likely have the necessary capital resources required to pursue a wide and deep coverage.

Turning to ABG and its relative position in the Danish equity research market, it appears as if the firm has deliberately positioned itself to occupy a vacant position in the market. Our primary and secondary data both confirmed that ABG has pursued a differentiation strategy with a small and mid-cap focus, which enables ABG to deliver a differentiated equity research offering based on a relatively wide but light coverage of Danish stocks. (Økonomisk Ugebrev, 2018b; Vitfell-Rasmussen, 2018)

10.2 Has ABG utilized its resources and capabilities optimally to strategically position its equity research offering to match the parameters valued by the buy-side?

From the ranking published by Prospera (2017) and Økonomisk Ugebrev (2018a, 2018b) and Model 2, it is evident that ABG occupies a position in the upper bracket of the ranked equity research providers. From this, it could be argued that ABG is utilizing its resources and capabilities to match what is valued by the buy-side, as the firm is consistently ranked in the upper bracket in recent years (Prospera, 2017; Økonomisk Ugebrev, 2018a, 2018b). However, without our preceding analysis, we would have limited knowledge as to whether it is the utilization of its resources and capabilities that have enabled ABG to obtain a ranking in the upper bracket, given its financial resources. Still, with our inductive approach combined with an interpretivist perspective, we cannot draw any final conclusions. What we can do instead, is to build a line of reasoning as to whether ABG has utilized its resources and capabilities to meet the demand of the buy-side or not by identifying premises that increase the probability of a conclusion.

The relative width of coverage

First, we can interpret from Model 3 that ABG occupies a strategic position in the lower right quadrant with a relatively light and wide coverage. Hence, as opposed to all the competitors mapped in the model, the relative strategic position of ABG's research offering is positioned in a way that prioritizes a wide coverage over a light coverage.

From the analysis of ABG's resources and capabilities we found one of its main capabilities to be the capability of its analysts to cover many stocks per analyst. This capability is an organizationally complementary capability which supports ABG's sustained competitive advantage, namely its analysts. We further found that this enables ABG's team of analysts to enable ABG to cover many stocks in absolute numbers collectively. This setup is depicted in Model 3, where the total number of stocks covered by each research provider controls how far to the right it is located on the x-axis. That is, it portrays the relative width of each research providers' equity research coverage.

Knowing this, we can, from Model 3, infer that ABG has the second widest coverage. We argue that this is enabled by the capability of its analysts to cover many stocks per analyst. Moreover, as we know that a wide coverage is valued by the buy-side, we can from this perspective argue that ABG's has utilized its capability to cover many stocks per analyst to strategically position its equity research offering to match, at least one of the parameters valued by the buy-side, namely the relative width of coverage parameter.

The relative depth of coverage

In Model 3 the depth of coverage is illustrated on the y-axis, and the number stocks covered per analyst controls the position of each research provider. Knowing this, we can infer that from Figure 23, it seems to be the case that ABG provides the lightest coverage in relative terms among its competitors. Hence, relative to its competitors, ABG does not meet the demand of the buy-side when it comes to depth of coverage, relative to its competitors.

It is noteworthy that it is the very same measure which we identified as one of ABG's main capabilities that positions ABG's research offering low on the Y-axis with a light coverage, namely its capability to cover many stocks per analyst. How does this match its main resources and capabilities? None of the identified three main resources and capabilities relates directly to the depth of coverage, and for the capability to cover many stocks per analyst, the opposite seems to be the case. ABG's analysts, which we identified as a sustained competitive advantage, was deemed a sustained competitive advantage based on their ability to provide a wide coverage and a good coverage of the small and midcap segment. In general, small- and mid-cap stock requires and receives lighter coverage than large-cap stocks (Stanhope and Meredith, 2015), and as such, one could argue that the light coverage is what enables ABG's analysts to offer a wide coverage and great coverage of the small- and mid-cap segment. It thereby seems as if ABG's strategic position sacrifices depth to obtain a wide coverage in a trade-off situation. But is this trade-off necessary and has ABG made the right trade-off in prioritizing a wide coverage over a deep coverage?

The trade-off between depth and width

As we have depicted and theoretically argued for in Model 1, the different relative positioning strategies in the equity research market are characterized by varying levels of resource requirement. The main argumentation for this is that both an increasingly wide coverage, as well as an increasingly deep coverage, will have a higher resource requirement compared to a narrow and light coverage, ceteris paribus. Hence, with firm capital resources being scarce (Barney, 1991), only firms with a wealth of capital resources can occupy a relative positioning strategy in the upper right quadrant of Model 3 with both a wide and deep coverage.

From Model 3, it is further evident that only Nordea and Danske Bank possess the necessary capital resources required to offer both a wide and deep coverage, which thus satisfies both of the most important parameters valued by the buy-side. From this insight, its intuitively makes sense that Nordea and Danske Bank are the two equity research providers which have received the best rankings

in the Prospera and Økonomisk Ugebrev rankings, as also represented by the size of the circles in the model.

From one of our interviews, it further became apparent that ABG does not possess the same level of capital resources as Nordea and Danske Bank (Buy-side respondent 6). Hence, ABG's strategic opportunity-set regarding relative positioning strategies excludes strategies in the upper right quadrant of Model 1, which leaves ABG with a trade-off between focusing its resources on providing either a deep or a wide coverage due to its capital resource constraint. As we have argued for, ABG has strategically positioned its equity research offering in the lower right quadrant with a relatively wide and light coverage. Moreover, we have argued that ABG's analysts and their capability to cover many stocks per analysts is utilized to meet the buy-side demand for a wide coverage. Thus, we argue that ABG has indeed utilized its main resources and capabilities to match one of the main parameters valued by the buy-side.

Furthermore, like the rest of the equity research providers, besides Nordea and Danske Bank, have positioned themselves in the upper left quadrant with a deep and narrow coverage, ABG's relative positioning strategy is differentiated from the relative positioning strategy of those competitors. From the rankings presented throughout this thesis and represented by the size of the circles in Model 2 and 3, it seems as if the fact that ABG is differentiating itself by prioritizing a relatively wide coverage over a relatively deep coverage is paying off. Thus, based on our empirical data and associated findings upon which we have developed our model, we argue that the combination of ABG's utilization of its main resources and capabilities in its relative positioning which differentiates itself from its competitors serves as a great foundation for remaining relevant for the buy-side, in a after MiFID II environment.

Limited by a capital resource constraint

Having established that ABG's current relative positioning strategy serves as a great foundation for remaining relevant in an after MiFID II environment, it is straightforward to ask what ABG can do to improve its strategic position. By improving its strategic position, we specifically refer to the two main parameters that were identified as being most valued by the buy-side, namely width, and depth. Thus, we pose the question: Can ABG change its relative positioning strategy and move up in the upper right quadrant of Model 3 next to Nordea and Danske Bank?

To answer this question, we have to discuss what it would take to move up on the y-axis, as ABG 's relative strategic position is already far enough to the right on the x-axis to meet the demand of the buy-side. We know that a relative positioning strategy in the upper right quadrant meets both the demand of depth and width and would in theory capture more value, resulting in higher broker evaluations. Hence, it is desirable for ABG to attempt to move to a relative position in this quadrant. In our current model, the determinant of how far up on the y-axis each sell-side firm is located, is the number of stocks covered per analyst. With this measurement, we have argued that the fewer stocks covered per analyst, the deeper the coverage. Thus, to move up along the y-axis, and to theoretically increase the relative depth of the coverage, ABG would have to reduce the number of stocks that each analyst covers. But is it just as easy as that? The answer is most likely no. Although covering fewer stocks per analyst might, at least in theory, enable ABG to provide a deeper coverage, it would also mean that the relative width of ABG's coverage would be reduced, as stocks covered per analysts' times the number of analysts gives to total number of stocks covered, i.e., the width of coverage. Hence, we are back to the trade-off situation, where ABG must choose between a relatively wide or deep coverage. As our analysis and discussion have unveiled, ABG's prioritization of width over depth is supported by the main resources and capabilities of the company.

One might then ask: Why can they not just hire more analysts, and then cover more stocks and cover all of them in-depth? The answer to this question was provided by one of our respondents, who inferred that it is only few of the companies in the industry (Nordea and Danske Bank) that possess the necessary capital resources to hire and attract enough talented analysts (Buy-side respondent 6). This fact is also reflected in Model 3 where Nordea and Danske Bank are portrayed as the only two sell-side firms with the necessary capital resources to provide both a relatively deep and wide coverage. Thus, the capital resource constraint limits ABG to occupy a strategic position in the lower right quadrant, which, as we have argued for, is a decent position given its strategic opportunity-set. Hence, with the current level of financial resources, ABG cannot move to the upper right quadrant in Model 3 and must thereby seek to improve its relative strategic position outside this quadrant.

10.3 Recommendations to ABG

Based on the preceding analysis and discussion, we will present three recommendations about strategic actions, which we believe ABG would benefit from initiating. The first recommendation pertains to ABG's strategic positioning strategy with respect to matching the demand of the buy-side in terms of relative depth and width of its coverage. The second recommendation deals with the event

part of its equity research offering which also valued by the buy-side. Finally, our third recommendation evolves around providing global- and macro research as part of ABG's research offering.

10.3.1 Recommendation 1: Continue with current focus on a wide coverage of the small- and mid-cap segment

As we discussed and accounted for in section 10.2, ABG is currently utilizing its resources and capabilities in its positioning strategy. This has resulted in ABG receiving enough points to obtain a ranking in the upper bracket, just below Nordea and Danske Bank. Therefore, we believe making significant changes to the current relative positioning strategy, in terms of the width and depth of the firms' coverage, would yield inferior results in the broker evaluations and thereby lower the revenue and ultimately the profitability of ABG.

Instead, we believe that a continued emphasis on a wide coverage combined with a continuation of the company's focus on the small- and midcap segment is the strategy which will yield the best results for ABG going forward. ABG could expand its wide coverage from a focus on the small- and mid-cap segment and try to capture additional value through also covering the large-cap segment. However, we have found no evidence that ABG has the necessary capital resources to add this extra element to its strategy, nor does the company possess resources or capabilities which could support this. All the main resources and capabilities of ABG pertains to either covering wide or covering the small- and mid-cap segment well, and not covering deep or covering the large-cap segment.

Hence, we argue that due to the capital resource constraint, ABG should continue its focus on covering the small- and mid-cap segment and covering many stocks in these segments. By doing so, ABG will be utilizing its main resources and capabilities optimally in its relative positioning strategy. Moreover, we argue that this strategy will yield better broker evaluations compared to a strategy which does not utilize the firm's main resources and capabilities, ceteris paribus.

10.3.2 Recommendation 2: Align event offering to reflect the relative positioning strategy positioning strategy

The second recommendation deals with how ABG can increase the scope and scale of its events to receive higher broker evaluations. In our data analysis, we found that buy-side firms value educating events such as industry experts and strategic investors. The opinions they can convey can aid buy-side firms in developing their investment strategies and serve as support in their decision-making

process. Additionally, hosting events do not have the same resource capital requirements as producing additional research.

"We tell them: the events you facilitate are good – we are on board with everything that has to do with educating events, but everything that is related to company presentations we will arrange on our own from now on" (Buy-side respondent 6).

In theory, the marginal cost of scoring an additional point in a broker evaluation is lower for events, than it is for initiating coverage on a new stock or producing a novel piece of research due to the price of analysts versus for example an event manager. Moreover, the time constraint of analysts further increases the upside of delivering valuable and educating events to buy-side actors. It is also worth noting that the changing market dynamics following MiFID II puts the event part of equity research is under pressure. This was reflected when we spoke to ABG and how they think about their event offering going forward.

"It is not a certainty anymore that ABG wants to pay for a limousine driving the management of Carlsberg around in London. The companies also know that this is an area which will change" (Vitfell-Rasmussen, 2018).

This indicates that ABG is operating in times of changing market dynamics and that old virtues are gradually phased out. Therefore, one area where ABG could improve is within its event offering. ABG has already made a deliberate choice of focusing on the small and mid-cap segment in terms of its equity research offering. This implies that a specific area where they can improve their competitive advantage is through providing educating events within the small and mid-cap segment. From our interview with Michael Vitfell-Rasmussen from ABG, we understand that ABG already provides several events focusing on the small- and midcap segment. Bi-annually, they host an event called small-mid cap seminar, which has 10-15 small and mid-cap companies coming to pitch their business, ultimately trying to attract new investors who are looking for alpha. It has generated much new business for ABG and the small- and midcap companies. With ABG's relative positioning strategy in mind, those types of events create additional revenue and recognition to ABG and its differentiation strategy, which they can further leverage by offering more of these events.

Despite offering events focused on the small and mid-cap segment, ABG ranks 4/5 within events, in the most recent published Prospera Ranking (Prospera, 2017). This indicates that there is potential to increase its event offering and move up in the ranking.

Our second recommendation to ABG is thus to increase the scope of educating events such as events concerning short-funds, relevant industry experts from markets where small and mid-cap companies operate, emerging technologies potentially disrupting old industries, etc. The idea behind increasing a differentiated event offering is based on the value buy-side firms put on educating events. Furthermore, we argue that ABG has a unique position in the market through its small- and midcap focus and its event offering should, therefore, reflect that for ABG to utilize its relative market position.

10.3.3 Recommendation 3: Investigate the possibility of enhancing focus on global- and macro research

As we accounted for in section 8.1.3, a global scale and macro research is perceived as value adding, buy-side firms value holistic research which includes global and macro analysis of the focal companies and their respective industries. We also found that global research providers are leveraging their global reach to deliver value through global and macro research. Furthermore, we found that Nordic sell-side firms can deliver additional value by adding a more macro and holistic approach to their research offering. One of our subjects provided his view on how the increasing importance of global and macro research might unfold going forward, as he foresees that independent macro houses will establish themselves in Denmark:

"*It will become easier in the new world after MiFID II* (to establish an independent macro house red,). *There is a profit pool which they can tap in to, and there exists a budget, which we can allocate to them. It exists* (independent macro houses red.) *both in the US and UK, but not in Denmark. I believe it's a change which we will see in Denmark, namely that we will see more independent macro houses."* (Buy-side respondent 1)

This quote is interesting in the light of the fact that UBS, Credit Suisse, and Goldman Sachs have collected enough points in the broker evaluations to enter the yearly rank table from Økonomisk Ugebrev through their global scale and macro research. This underpins the value of having a global presence and providing macro research. But can ABG improve its current efforts within this sub-element of its current research offering bearing in mind the capital resource constraint discussed earlier?

From our interviews with both ABG as well as the buy-side actors, we learned that global- and macro research is a sub-element of the broker evaluations. Hence, if you operate as a sell-side firm with the ambition to become or remain a top sell-side firm, you cannot do so by offering global- and macro

research exclusively. However, as proven by UBS, Credit Suisse, and Goldman Sachs, it can put you on the map, as it is a fixed part of the broker evaluations.

In terms of capital resources, we have little knowledge as to whether increasing ones focus on macro- and global research is more or less requiring than increasing the depth of one's coverage. From the Prospera and Økonomisk Ugebrev's broker evaluations, however, we can see that ABG is already providing global- and macro research, being ranked fourth out of the top five included in the Prospera ranking and sixth out of seven in the Økonomisk Ugebrev ranking (Prospera, 2017; Økonomisk Ugebrev, 2018b). From this, we can infer that ABG has global- and macro research as an integrated part of its offering and that there, within this sub-element of its offering, is room for improvement. Given that we have limited knowledge as to the incremental capital resource requirement associated with improving this aspect of the company's equity research offering, we cannot recommend that ABG increase its focus straight ahead. Moreover, our analysis of ABG's main resources and capabilities presented no signs of macro- and global research being supported by any resources or capabilities within the organization. Hence we can only recommend that ABG investigates the prospects of enhancing its focus on macro- and global research by exploring the opportunity of building resources and capabilities that can support such efforts.

11. Conclusion

Through a Nordic case study of ABG, this thesis has investigated how to strategically position equity research offerings in an after MiFID II environment. In doing so, we have applied an inductive reasoning approach combined with an interpretivist perspective to identify premises that increase the probability of reaching a conclusion within this area of inquiry. In the following subsections, we will account for our findings about each of the four research questions from which we will draw an overall conclusion that addresses the problem statement.

11.1 Competitive implications of MiFID II

To assess how competition in the equity research industry has been affected by MiFID II, we applied neoinstitutional theory using DiMaggio and Powell's isomorphic framework from 1983. Our analysis found that the unbundling of equity research provision of MiFID II imposes a coercive isomorphic pressure on sell-side firms to conform to the directive to stay legitimate and survive. Moreover, the coercive pressure has competitive implications for the equity research industry dynamics, as bargaining power has moved from sell-side to buy-side primarily because of the MiFID II directive.

Secondly, we found that buy-side firms have enforced a normative isomorphic pressure on sell-side firms. This normative pressure has in part been facilitated by the change in bargaining power and in part by increased price transparency and competition, enabled by the unbundling of equity research and trading provision of MiFID II. Finally, we found that sell-side firms can only achieve legitimacy and survive by focussing on delivering value-adding research.

11.2 Equity research preferences of the buy-side in an after MiFID II environment

Through the application of Porter's (1980) typology of generic strategies, when deciding which equity research providers to buy research from after MiFID II, we found that the main dimensions of differentiation in the equity research industry are (1) depth, i.e., the quality of the research published and (2) the width in terms of the number of stocks covered. We found that both in isolation and in a combination, a deep and/or wide coverage is highly valued by buy-side firms and serve as important parameters of differentiation.

Secondly, we found that global scale and macro research is further perceived as value adding, although perceived as secondary to the main parameters of having a deep and wide coverage. Also, we found that educating events and seminars with relevant stakeholders and experts alongside broad

corporate access could add value. Thus, by meeting the demands of buy-side firms through delivering on all or a combination of these four parameters, sell-side firms can achieve better broker evaluations, which will ultimately result in higher revenues and profits.

11.3 Main resources and capabilities of ABG

From the analysis of ABG's resources and capabilities, we found that ABG possesses three main resources and capabilities. Namely, its analysts (resource), its ability to cover many stocks per analysts (capability) and its ability to cover the small- and midcap segment well (capability). We found that ABG's analysts are a valuable, rare, inimitable and an organisationally embedded resource, and thus serves as a sustained competitive advantage. Furthermore, we found that the ability of ABG's analysts to cover many stocks per analyst relative to its peers serve as an organizationally complementary capability which enables the full potential of its analysts. Likewise, it was concluded that the ability to cover the small- and midcap segment well, is an organisationally complementary capability, which also supports ABG in realizing the potential of its analysts.

11.4 ABG's relative positioning strategy after MiFID II

In the final part of this thesis, we have synthesized the results of the preceding sections in a discussion of whether ABG has utilized its main resources and capabilities in its relative positioning strategy to account for the parameters valued by buy-side firms after MiFID II. As part of the discussion, we constructed a theoretical model of relative positioning strategies in the Danish equity research market. This model aided us in establishing premises upon which we could increase the probability of reaching a conclusion concerning our problem statement. With the use of additional primary, although not statistically significant, data, we mapped the relative positioning of ABG and its immediate competitors. From this mapping, we found that ABG's relative positioning strategy has enabled the company to meet one of the two parameters that are valued most by the buy-side, namely the relative width of coverage. As a result. ABG is utilizing its main resource (its analysts) as well as one of its main capabilities (its capability to cover many stocks per analyst) in this relative positioning strategy, as it enables the company to offer a wide coverage.

From relevant primary and secondary data, we found that ABG's position in our theoretical map matched how ABG perceived themselves in terms of equity research. Both from our interview with head of equity research, Michael Vitfell-Rasmussen and secondary data with head of markets in ABG, Tue Østergaard, we saw similarities between our theoretical mapping and their deliberate effort to

position themselves as the research provider in Denmark covering most stocks. Based on the rankings of equity research providers, ABG's relative positioning strategy seems to be working as intentioned, as the company has consistently been able to secure broker rankings in the upper bracket of the most recognized domestic rankings.

Our mapping further revealed that there, at least theoretically, exists an inherent capital resource constraint in the Danish equity research market. Moreover, we found that besides from the two firms with the highest level of capital resources, Nordea and Danske Bank, this capital resource constraint limits the remaining equity research providers to deploy relative positioning strategies that focus on offering either a wide or deep coverage. In the case of ABG's relative positioning strategy, it involves a necessary sacrifice of depth to provide a wide coverage in a trade-off situation. In this trade-off situation, ABG has deliberately positioned itself as the only equity research provider prioritizing width over depth in its relative positioning strategy, and as such it occupies an important spectrum of what buy-side firms value when deciding who to buy equity research from. Moreover, we find that with its current capital resource constraint, ABG can only seek to improve its relative positioning strategy through exploring the possibilities of enhancing sub-elements of its equity research offering, such as providing more or better global- and macro research and relevant and educating events. In sum, this thesis finds that ABG is successfully utilizing its resources and capabilities to deliver value-added research through a differentiated relative positioning strategy centered around a wide coverage of Danish stocks.

12. Limitations

Firstly, the empirical data which has been collected to identify what buy-side firms value all stem from interviews with top-tier institutional customers, which all manage billions worth of equities. This implies that our findings regarding what buy-side firm value are limited to the reality of the interviewed participants, who all belong to the top-tier segment of buy-side firms. Thus, the views and valued parameters found in this thesis are based on a concentration of customers, who share similar characteristics. The authors have tried to gather data from small- and medium-sized buy-side firms but have not able to set up such interviews.

The inability to collect data from small- and medium-sized have unquestionably affected our findings in a manner that is biased toward the reality of large institutional buy-side firms. We have, however, attempted to mitigate this limitation through our methodological approach. This study has applied an interpretivistic approach, which implies multiple realties, and as such, the findings of this study cannot be generalized on to a wider population. We acknowledge that our findings are subjective and limited to providing insights pertaining to the reality of our respondents. We conform to the fact that different buy-side actors may value different parameters and therefore have completely different views on MiFID II and its implications for sell-side firms.

The limitations concerning our sample and subsequent lack of ability to generalize also represent a limitation in our proposed theoretical model of relative positioning strategies for equity research providers. The proposed model in this thesis is developed explicitly as a tool with the objective of enabling the authors to map the relative positioning strategy of ABG. Another limitation of the model is its simplistic view of relative positioning strategies. The model is based on the primary value parameters of our sample, and is limited to convey, what the authors found to be, the main value adding parameters.

13. Future research

The focus of this study has been to determine how ABG should optimally position its equity research after MiFID II. As noted, a limitation of this thesis is the lack of ability to generalize our findings in a broader context. Despite this limitation, our findings suggest several avenues for future research.

One avenue for future research is a quantitative assessment of the relative positioning strategies of equity research providers using statistical analysis. Specifically, we propose a study analyzing research produced by a range of equity research providers to determine the different relative positioning strategies for equity research using a quantitative approach. This would serve to develop a solid empirical framework for analyzing relative competitive strategies in the equity research industry. The study would be based on the assumptions of our study, with reference to Model 3 where the objective would be to analyze the relative width and depth of published equity research from a sample of sell-side firms. Thus, this serves as one avenue of future research, where our adapted model from Porter's (1980) generic strategies could be tested empirically.

Another area of future research is an assessment of the consumption of research after MiFID II. The novelty of MiFID II, particularly the unbundling of equity research provision, implies a limited amount of empirical research dedicated to analyzing the industry in this new context. Before MiFID II, many experts and industry commentators anticipated that usage and consumption of research could decline with up to 30% as a direct result of the unbundling provision (Chiarella *et al.*, 2017; Griffin and Vaghela, 2017). Throughout this study, we have determined that our sample expects consolidation of the equity research industry, and as such, it would be interesting to analyze if and how buy-side is changing its consumption of research to determine the implications for sell-side firms.

14. Bibliography

A-Team Group (2017) ‘Mifid II Handbook’. Available at: http://online.thomsonreuters.com/edm/assets/BG636126646047157632e/MiFID II Handbook.pdf.

ABGSC (2017) *Annual Report 2017*.

Adams, R. G. and Schvaneveldt, D. J. (1991) *Understanding Research Methods*. 2. illustr. Edited by D. J. Schvaneveldt. Longman.

Amit, R. and Schoemaker, P. J. H. (1993) ‘Strategic assets and organizational rent’, *Strategic Management Journal*, 14(1), pp. 33–46.

Andersen, I. (2008) *Den skinbarlige virkelighed, Den skinbarlige virkelighed*.

Barney (1991) ‘Firm Resources and Sustained Competitive Advantage’, *Journal of Management*, pp. 99–120.

Barney, J. (1995) ‘Looking inside for competitive advantage’, *Academy of Management Executive*, 9(4), pp. 49–61.

Barney, J. B. (2002) ‘Gaining and sustaining competitive advantage’, *Gaining and sustaining competitive advantage*, 104(October), p. 600.

Barney, J. B. and Hesterly, W. S. (2010) ‘VRIO Framework’, in *Strategic Management and Competitive Advantage: Concepts*, p. 378.

Barney, J., Wright, M. and Ketchen, D. J. (2001) ‘The resource-based view of the firm: Ten years after 1991’, *Journal of Management*, 27(6), pp. 625–641.

Blaikie, N. (2007) *Approaches to social enquiry: Advancing knowledge, Contemporary Sociology*.

Bloomberg (2018) ‘Bloomberg’. Bloomberg.

Braun, V. and Clarke, V. (2006) ‘Using thematic analysis in psychology’, *Qualitative Research in Psychology*, 3(2), pp. 77–101.

Burt, R. and Minor, M. (1983) ‘Applied network analysis: A methodological introduction’, *Beverly Hills: Sage Publications*, pp. 176–194.

Campbell-Hunt, C. (2000) ‘What have we learned about generic competitive strategy? A meta-

analysis', *Strategic Management Journal*, 21(2), pp. 127–154.

Casey, J. P. and Lannoo, K. (2009) *The MiFID revolution, The MiFID Revolution*.

Chiarella, D. *et al.* (2017) *Reinventing equity research as a profit-making business*. Available at: https://www.mckinsey.com/industries/financial-services/our-insights/reinventing-equity-research-as-a-profit-making-business.

Conner, K. R. and Prahalad, C. K. (1996) 'A Resource-Based Theory of the Firm: Knowledge Versus Opportunism', *Organization Science*, 7(5), pp. 477–501.

Corbin, J. and Strauss, A. (2014) *Basics of Qualitative Research*. Fourth edi. Sage Publications.

Crotty, M. (1998) 'The foundations of social research', *The foundations of social research*, 802, pp. 1–17.

Demil, B. and Lecocq, X. (2010) 'Business model evolution: In search of dynamic consistency', *Long Range Planning*, 43(2–3), pp. 227–246.

Deng, P. (2009) 'Why do Chinese firms tend to acquire strategic assets in international expansion?', *Journal of World Business*, 44(1), pp. 74–84.

Denscombe, M. (2007) *The Good Research Guide, For Smallscale Research Projects*.

Dess, G. G. and Davis, P. S. (1984) 'Porter's (1980) Generic Strategies as Determinants of Strategic Group Membership and Organizational Performance.', *Academy of Management Journal*, 27(3), pp. 467–488.

Dey, I. (2003) *Qualitative Data Analysis, A User Friendly Guide for Social Scientists*.

DiMaggio, P. J. and Powell, W. W. (1983) 'The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields Paul J. DiMaggio; Walter W. Powell', *American Sociological Review*, 48(2), pp. 147–160.

DiMaggio, P. and Powell, W. W. (1991) 'Introduction', in *The New Institutionalism in Organizational Analysis*, pp. 1–38.

Dobson, P. J. (2002) 'Critical realism and information systems research: Why bother with philosophy?', *Information Research*, 7(2).

Dodds, L. S. (2018) 'Sell-side: Tougher competition', *IPE International Publishers Limited*.

Available at: https://www.ipe.com/reports/special-reports/investment-research/sell-side-tougher-competition/10022473.article.

Easterby-Smith, M. and Thorpe, R. (2010) 'The Philosophy of Research Design: Management Research: An Introduction', *Book*, n/a(n/a), pp. 32–97.

Eldring, J. (2009) *Porter´s (1980) Generic Strategies, Performance and Risk: An Empirical Investigation with German Data, Hamburg : Diplomica Verlag*.

ESMA (2018) *MiFID II*. Available at: https://www.esma.europa.eu/policy-rules/mifid-ii-and-mifir.

Euroinvestor (2018) *ABG Sundal Collier Holding ASA*. Available at: http://www.euroinvestor.dk/boerser/nasdaq-omx-first-north-stockholm/abg-sundal-collier-holding-asa/12063703.

European Commission (2018) *MiFID II, Banking and finance*.

Evans, J. (1989) *Bias in Human Reasoning*.

Frumkin, P. and Galaskiewicz, J. (2004) 'Institutional isomorphism and public sector organizations', *Journal of Public Administration Research and Theory*, 14(3), pp. 283–307.

Furuseth, T. (2017) 'Nordea sætter den nordiske standard', *Finans.dk*. Available at: https://finans.dk/protected/privatokonomi/ECE10071870/nordea-saetter-den-nordiske-standard/.

Glaser, B. G. and Strauss, A. L. (1967) 'The discovery of grounded theory', *International Journal of Qualitative Methods*, 5, pp. 1–10.

Grant, R. M. (1991) 'The Resource-Based Theory of Competitive Advantage: Implications for Strategy Formulation', *California Management Review*, 33(3), pp. 114–135.

Griffin, D. and Vaghela, V. (2017) 'Banks May Lose Up to 15% of Europe Stock Trading Revenue Under MiFID', 7 December. Available at: https://www.bloomberg.com/news/articles/2017-12-07/banks-seen-losing-up-to-15-of-europe-stock-trading-under-mifid.

Grimes, D. A. and Schulz, K. F. (2002) 'Descriptive studies: What they can and cannot do', *Lancet*, pp. 145–149.

Guba, E. and Lincoln, Y. (1994) 'Guba & Lincoln 1994.pdf', *Handbook of qualitative research*, pp. 105–117.

Hall, W. K. (1980) ‘Survival Strategies in a Hostile environment’, *Harvard Business Publishing*, September-, pp. 75–85.

Healey, M. J. and Rawlinson, M. B. (1993) ‘Interviewing business owners and managers: a review of methods and techniques’, *Geoforum*, 24(3), pp. 339–355.

IHS Markit (2017) *Counting the cost of MiFID II*. Available at: https://www.markit.com/Product/File?CMSID=a8427504afcd46f5acb721d21daed493.

Karnani, A. (1984) ‘Generic Competitive Strategies - An Analytical Approach’, *Strategic Management Journal*, 5(4), pp. 367–380.

Kor, Y. Y. and Mahoney, J. T. (2004) ‘Edith Penrose’ s (1959) Contributions to the Resource-based View of Strategic Management’, *Journal of Management Studies*, 41(1), pp. 183–191.

Kraaijenbrink, J., Spender, J.-C. and Groen, a. J. (2010) ‘The Resource-Based View: A Review and Assessment of Its Critiques’, *Journal of Management*, 36(1), pp. 349–372.

Kristensen, S. (2018) ‘Nye MiFID-regler lagde omgående pres på aktiemæglere’, *Økonomisk Ugebrev Finans/CFO*, March, pp. 14–15.

Kvale, S. (2007) ‘Planning an Interview Study’, in *Doing Interviews*, pp. 34–51.

Kvale, S. and Brinkmann, S. (2009) ‘Interview: Learning the craft of qualitative research interviewing’, in *Det kvalitative forskningsintervju. Oslo: Gyldendal akademisk*, pp. 1–20.

Lakoff, G. (1987) *Women, Fire, and Dangerous Things: What Categories Reveal about the Mind, Language*.

Llamas, W. (2018) *MiFID II is Here: How Investment Managers Have Prepared*.

Mahmud, J. S. and Elliott, B. (2017) ‘The future of investment research post-MiFID II’, *Bloomberg*, 10 October, p. 5. Available at: https://www.bloomberg.com/professional/blog/future-investment-research-post-mifid-ii-2/.

Mahmud, S. J. *et al.* (2016) *The Future of Equity Research*.

Makadok, R. (2001) ‘Toward a synthesis of the resource-based and dynamic-capability views of rent creation’, *Strategic Management Journal*, 22(5), pp. 387–401.

Malhotra, N. K., Birks, D. F. and Wills, P. (2012) *Marketing Research : An Applied Approach*,

Marketing Research.

Meyer, J. W. and Rowan, B. (1977) 'Meyer and Rowan Myth and Ceremony.pdf', *American Journal of sociology*, p. 340.

Miles, R. E. *et al.* (1978) 'Organizational strategy structure, and process', *Academy of Management Review*, 3(3), pp. 546–562.

Miller, D. and Friesen, P. H. (1986) 'Porter's (1980) Generic Strategies and Performance: An Empirical Examination with American Data: Part I: Testing Porter', *Organization Studies*, 7(1), pp. 37–55.

Mooney, A. (2018) 'The definitive list of asset managers that will pay for research', *Mifid*.

Morgan, G. and Smircich, L. (1980) 'The case for qualitative research .pdf', *Academy of management review*, 5[4](4), pp. 491–500.

Myers, M. and Cand, E. (2000) 'Qualitative Research and the Generalizability Question : Standing Firm with Proteus by', *The Qualitative Report*, 4(3/4), pp. 1–6.

Økonomisk Ugebrev (2018a) *Årets aktieanalytiker: Michael Novod igen igen igen*. Available at: https://ugebrev.dk/finans/aarets-aktieanalytiker-michael-novod-igen-igen-igen/.

Økonomisk Ugebrev (2018b) *Danske Bank genindtager tronen i aktiemæglerrating*. Available at: https://ugebrev.dk/finans/danske-bank-genindtager-tronen-aktiemaeglerrating/.

Østergaard, T. (2018) *LinkedIn posts*. Available at: https://www.linkedin.com/feed/update/urn:li:activity:6366227860755144704/.

Peteraf, M. A. and Barney, J. B. (2003) 'Unraveling the resource-based tangle', *Managerial and Decision Economics*, pp. 309–323.

Peteraf, M. a (1993) 'The cornerstones of competitive advantage: a resource based view', *Strategic Management Journal*, 14, pp. 179–191.

Porter, M. (1979) 'How Competitive Forces Shape Strategy', *Harvard business Review*, 57(2), pp. 137–145.

Porter, M. E. (1980) *Competitive Strategy, Competitive Strategy*.

Porter, M. E. (1985) *Competitive Advantage: Creating and sustaining superior performance, The*

Free Press.

Priem, L. R. and Butler, J. E. (2001) ‘Is the Resource-Based " View " a Useful Perspective for Strategic Management Research?’, *Academy of Management Review*, 26(1), pp. 22–40.

Prospera (2017) *Domestic equity 2017 Denmark*.

Rahman, M. S. (2016) ‘The Advantages and Disadvantages of Using Qualitative and Quantitative Approaches and Methods in Language “Testing and Assessment” Research: A Literature Review’, *Journal of Education and Learning*, 6(1), p. 102.

Robson, C. (2002) *Real World Research: A Resource for Social Scientists and Practitioner-Researchers, Blackwell Publishing*.

Robson, C. (2011) *Real World Research, Real world research : a resource for social scientists and practitioner-researchers*.

Rothaermel, F. T. (2012) *Strategic management: Concepts and cases*. McGraw-Hill/Irwin.

Saunders, M., Lewis, P. and Thornhill, A. (2016) *Research Methods for Business Students*. Seventh ed, *Research methods for business students*. Seventh ed.

Savage, G. T. *et al.* (1991) ‘Strategies for assessing and managing organizational stakeholders.’, *Academy of Management Executive*, 5(2), pp. 61–75.

Schwartzkopff, F. (2018) ‘Banks in Scandinavia rethink who pays for equity research’, *Bloomberg News*.

Silverman, D. (2016) *Qualitative Research*. Edited by M. Steele. Sage Publications.

Stafford, P. (2017) ‘What is Mifid II and how will it affect EU’s financial industry?’, *Financial Times*. Available at: https://www.ft.com/content/ae935520-96ff-11e7-b83c-9588e51488a0.

Stanhope, E. and Meredith, C. (2015) *Inefficiency Breeds Opportunity in Small Cap Equities*.

Strauss, A. and Corbin, J. (1994) ‘Grounded theory methodology’, *Handbook of qualitative research*, pp. 273–285.

Tashakkori, A. and Teddlie, C. (1998) ‘Mixed Methodology. Combining Qualitative and Quantitative Approaches’, in *Applied Social Research Methods Series*, p. 183.

Teece, D. J. *et al.* (1997) ‘Dynamic capabilities and strategic management’, *Strategic Management Journal*, 18(7), pp. 509–533.

Thomson Reuters (2017) ‘MiFID II Implementation Seminar’, in. Thomson Reuters.

Unmack, N. (2018) ‘EU’s MiFID II rules aim to make finance fairer but could make situation worse’. Available at: http://www.globaltimes.cn/content/1083876.shtml.

Weber, M., Roth, G. and Wittich, C. (1978) ‘Economy and Society’, *Economy and Society*, pp. 1212–1374.

Wernerfelt, B. (1984) ‘The Resource-Based View of the Firm’, *Strategic Management Journal*, 3(June 1982), pp. 171–180.

Wright, P. *et al.* (1990) ‘Strategic profiles, market share and business performance’, *Industrial Management*, pp. 23–28.

Yamin, S., Gunasekaran, A. and Mavondo, F. T. (1999) ‘Relationship between generic strategies, competitive advantage and organizational performance: An empirical analysis’, *Technovation*, 19(8), pp. 507–518.

Yin, R. K. (2003) ‘Case Study Research . Design and Methods’, *SAGE Publications*, pp. 93–96.

Yin, R. K. (2009) *Case Study Research: Design and Methods, Essential guide to qualitative methods in organizational research*.

Zott, C. and Amit, R. (2010) ‘Business model design: An activity system perspective’, *Long Range Planning*, 43(2–3), pp. 216–226.

15. Appendix

15.1 Sell-side interview guide

1. **General information**
    a. Uddannelsesmæssig baggrund
    b. Tidligere arbejdsgivere
    c. Nuværende position
    d. Nuværende firma
    e. Antal år i nuværende firma
    f. Antal år i industrien
2. **Pre MiFID II**
    a. Hvordan forberedte I jer til MiFID II og adskillelse af aktie-analyse?
    b. Hvad var de største udfordringer for jer i forhold til adskillelse af aktie analyse?
    c. Hvad var de største muligheder for jer i forhold til adskillelse af aktie analyse?
    d. Hvordan oplevede du at buy-side forberedte sig på MiFID II før den trådte i kraft?
    e. Spurgte de jer til råds?

        Hvis ja, om hvad og hvordan guidede i dem?

    f. Hvad var dit generelle indtryk om "readiness" på sell-side siden i forhold til håndtere MiFID II og især adskillelse af aktie-analyse?
    g. Hvad var dit generelle indtryk om "readiness" på buy-side siden i forhold til at håndtere MiFID II og især adskillelse af aktie-analyse?
3. **After MiFID II**
    a. Hvordan har I valgt at håndtere MiFID II i forhold til adskillelse af aktie-analyse og trading? (pris sætning)
        i. Hvad lå til grund for jeres valg?
        ii. Hvordan ser I at jeres konkurrenter har valgt at gøre?
    b. Hvordan har i pris sat jeres aktienanalyse?
    c. Har i gjort brug af eksterne eksperter/konsulenter til at være compliant med hvad der er research & hvad der ikke er research jf. MiFID reglerne.
    d. Er der områder af "aktieanalyse" (corporate access, events, research trading mm) som bevidst har valgt at fokusere mere på?
    e. Har du haft ændringer i din dagligdag som følge af MiFID II?

i. Hvis ja, hvilke?

f. Har indholdet af de research i sender ud ændret sig?

i. Hvis ja, hvordan?

ii. Hvis ja, hvorfor tror du det har ændret sig?

g. Tror du der kommer generelle ændringer i markedet som følge af MiFID II?

i. Hvis ja, hvilke?

1. Hvilke konsekvenser vil det have for industrien
2. Hvilke konsekvenser vil det have for danske aktører?

h. Har jeres kommunikation med kunderne ændret sig siden MiFID II?

i. Hvis ja, hvordan?

15.2 Buy-side interview guide

1. **Introduktion til projektet**
    a. Først og fremmest tak fordi du vil deltage i vores speciale afhandling ved at medvirke i dette interview. Interviewet forventes at vare 45 min. Interviewet er opdelt i 10 sektioner med tilhørende underspørgsmål. Informationerne og svarene du giver os vil naturligvis være beskyttet i henhold til loven om beskyttelse af personlige oplysninger. Du vil på hvilket som helst tidspunkt have mulighed for at afbryde interviewet.
    b. Introduktion til projektets emne
    c. Interviewet vil blive optaget af hensyn til transskribering og alle informationer vil i henhold til loven om behandling af personoplysninger vil blive overholdt. Dine svar vil blive anonymiseret.
2. **General information**
    a. Uddannelsesmæssig baggrund
    b. Tidligere arbejdsgivere & positioner
    c. Nuværende position
    d. Nuværende firma
    e. Antal år i nuværende firma
    f. Antal år i industrien
3. **Pre-MiFID II, generelle overvejelser**
    a. Hvordan begyndte du/I første gang at adressere MiFID II i et arbejdskontekst?
    b. Hvad var dit førstehåndsindtryk af MiFID II direktivet i forhold til dit arbejde
    c. Hvor mange timer ugentligt vil du vurdere at du har brugt på at lære og forberede dig på MiFID II?
    d. Havde du en rolle i processen for at I blev klar til at være compliant med MiFID II?
        i. Hvis ja, hvilken?
    e. Vil du sige, at du/I undervurderede omfanget af MiFID II indenfor adskillelse af betaling for aktie-analyse og trading?
        i. Hvis ja, indenfor hvilke områder? (compliance, forberedelse, snak med research providers e.g)
4. **Pre-MiFID II, vurdering af kvalitet**
    a. Hvordan vurderede i kvaliteten af aktie-analyse fra de enkelte udbydere af analyseför MiFID II?

    i. Var det systematiseret internt?
b. På hvilke parametre rangerede i de forskellige udbydere af research før MiFID II?
    i. Var det systematiseret internt?
c. Registrerede i jeres forbrug af equity research?
    i. Hvis ja, hvordan?
d. Havde i en process/system for at evaluere kvaliteten fra specifikke ER providers?
    i. Hvis ja, var det et internt system eller brugte i en løsning fra en 3 part?
e. Havde i en process/system for at evaluere jeres forbrug hos specifikke ER providers?
    i. Hvis ja, var det et internt system eller brugte i en løsning fra en 3 part?

5. Post-MiFID II, setup

a. Hvordan er jeres nuværende setup i forhold til compliance med MiFID II?
b. Har i brugt en intern eller ekstern løsning?
c. Hvordan "betaler" i for ER after MiFID II? (transaction, accounting or P&L)
    i. Har i nogle processer, som har til formål at optimere jeres omkostninger til ER?
        1. Hvis ja, hvilke?
d. Har i etablerede processer som opfanger jeres interaktioner med ER providers?
    i. Har i nogle processer eller systemer som er med til at angive værdi på disse interaktioner?
e. Har i, i forbindelse med MiFID II, brugt eksterne/interne konsulenter til at hjælpe jer?
    i. Hvis ja, hvem og til hvad?

6. Post-MiFID II, vurdering af kvalitet

a. Har I haft en formel process i forhold til hvordan du/i skal evaluere aktie-analyse efter MiFID II?
    i. Hvis ja, hvordan evaluerer i så kvaliteten af aktie-analyse after MiFID II?
    ii. Hvis nogle forskellige fra tidligere, hvorfor har i ændret jeres procedurer?
b. Ville du/i overveje en service som gjorde det muligt at bedre kunne evaluere kvaliteten af de enkelte ER providers?
c. Hvilke faktorer anser du for at være de vigtigste i forhold til kvalitet hos ER providers?
d. Overordnet set, ville du sige at kvaliteten af ER har ændret sig siden MiFID II?
    i. Hvis ja, kan du give nogle konkrete eksempler på hvordan?

e. Overordnet set, vil du sige at fokus områderne på ER har ændret sig siden MiFID II? (mere dybdegående end blot "result update"?
    i. Hvis ja, hvordan og i hvilken retning?

7. Post-MiFID II, forbrug af aktie-analyse

a. Hvordan måler i forbruget af ER?
b. Bruger i det samme antal ER providere som i gjorde før MiFID II direktivet?
    i. Hvis ikke, hvordan har kompositionen af disse ændret sig?
c. Hvilke parametre ranker i på når i skal vælge/fravælge ER providere? (corporate access, antallet af aktier dækket, individuel performance af de enkelte analytikere?
d. Har i rykket mere af jeres analyse in-house som følge af MiFID II?
    i. Hvis ja, hvad har været driverne for jeres beslutning?
e. Har i rykket mere af jeres analyse ud af huset?
    i. Hvis ja, hvad har været driverne for jeres beslutning?
f. Overordnet set, ville du sige at I bruger det samme/mere/mindre ER efter MiFID trådte i kraft?

8. Post-MiFID II, generelle spørgsmål

a. Har dit arbejde ændret sig som et resultat af MiFID II?
    i. Hvis ja, kan du give konkrete eksempler på hvordan det har ændret sig?
        1. Hvad har det haft betydning for dig?
b. Hvordan ville du beskrive ændringerne i dit arbejdsflow siden MiFID II trådte i kraft?
    i. Synes du at det er blevet nemmere/sværere som følge heraf?

9. Muligheder og udfordringer fremadrettet

a. Hvad ser du som de største udfordringer relateret til MiFID II ift adskillelse af betaling for aktie-analyse og trading?
b. Hvad ser du som de største muligheder som følge af MiFID II -adskillelse af betaling for aktie-analyse og trading?
c. Bruger i teknologi (såsom big data mm.) til at få nye indsights og levere højere alpa i et større omfang end før MiFID II?

10. Fremtidige forventninger

a. Hvordan forventer du at kompositionen af sell-side providers i benytter jer af ændrer sig i fremtiden?
b. Forventer du nogle ændringer i forbruget af jeres ER i fremtiden?

i. Hvis ja, hvorfor?

c. Hvis du skulle sige det, forventer du at se nogle generelle ændringer i industrien som følge af MiFID II?

15.3 Interview with head of equity research at ABG, Michael Vitfell-Rasmussen

Interviewer 1: Sådan helt generelt, før MiFID trådte i kraft - Hvordan forberede i jer specifikt til adskillelsen af aktieanalyse?

Michael Vitfell-Rasmussen: Jamen, det var jo noget med at være ude og og investere i forskellige systemer, så vi kunne begynde at se hvor meget tid vi egentligt brugte på de enkelte kunder/investorer. Både i forhold til at tale, hvor mange fik tilsendt vores analyser, hvor mange brugte vores analyser, åbnede dem, hvor mange loggede ind på vores hjemmeside og tog forskellige ting derfra. Og det har jo været en process der stille og roligt har været bygget op over de seneste 2-3 år.

Interviewer 1: Havde i nogen tredjepart indenover til at hjælpe jer med at købe de her systemer? Konsulenter til opsætning mm?

Michael Vitfell-Rasmussen: Det er jeg lidt i tvivl om. For det blev kørt centralt fra Stockholm. Vi bruger jo nu det system der hedder FactSet Partners til at distribuere vores analyser. Og det system.. Jeg ved ikke direkte om de har taget fat i os eller om vi brugte en konsulent til at finde dem.

Interviewer 1: Hvad så du som værende de største udfordringer for jer som aktieanalytiker i forbindelse med adskillelsen af aktieanalyse og trading?

Michael Vitfell-Rasmussen: Jeg tror nok det er mere en udfordring for hele forretningen, frem for kun aktieanalyse. I bund og grund så er vores arbejde ikke blevet ændret specielt meget. Vores arbejde er måske endda blevet endnu mere vigtigt. Hvis ikke vi leverer godt nok, så er der ikke noget for sales at generere forretning på udefra. Det er derfor blevet endnu mere vigtigt at dække mange aktier og dække dem rigtig godt. Så blive top-ranked, altså top 3. Indenfor de respektive sektorer

Interviewer 1: Kan du sådan ganske kort, bare lige gennemgå hvordan jeres setup er nu i forhold til hvad kunderne kan købe ind på, og hvordan bliver i afregnet for den tid i bruger hos kunderne, og hvad er det for nogle ting som I har lagt ind som forskellige pakker/ydelser til salg?

Michael Vitfell-Rasmussen: Kunderne er jo delt op i dem der har implementeret MiFID II og dem har ikke har implementeret MiFID II. Og de kunder som har implementeret MiFID II, og det er ikke sådan at det bliver... Der er jo blevet indgået en aftale om hvad de betaler for research access, read or write. Der er nogle der kun har en read access, og der er nogle der har read and talk access. Og over for dem er der ikke noget der er ændret. Det er stadig sådan top prioritet kunder. Der er heller ikke noget der har ændret sig i forhold til hvordan vi arbejder med dem. Enkelte kunder er vi jo så ikke

kommet på listerne hos. Så dem aktivt tager vi i analysen ikke fat i, hvorimod dem tog vi aktivt fat i tidligere (Pre MIFID II). Og det har ændret sig. Det har ændret sig på et lille antal kunder.

Interviewer 1: Hvordan har kompositionen ændret sig? Er der kommet flere eller færre store kunder, eller er der kommet flere eller færre små kunder?

Michael Vitfell-Rasmussen: Det er nok mere i vores forberedelse af MiFID II at det er sket. Det er ikke sket lige nu. Så det er sådan en bevidst move fra vores side. Nok primært drevet af vores head of markets, Tue østergaard. At han ligesom har gerne har ville diversificere vores revenue base, væk fra de store kunder og over mod mindre kunder og selskaberne. Og det er jo det næste i det her - hvad skal selskaberne til at betale for, fremadrettet.

Interviewer 1: I forhold til at diversifere - Hvordan oplevede i generelt at buy-side siden af det forberedte sig til MiFID II? Havde i flere møder med dem, og var de interesserede i hvilke løsninger i overvejede, og var de med på råd i forhold til hvordan i satte pakkerne op og hvilken strategi i har valgt om at diversificere lidt?

Michael Vitfell-Rasmussen: Nej. Det har de sådan set, ud fra min viden, ikke været medvirkende til. Netop det at flytte over mod indre kunder har de ikke haft en inflydelse på. Jeg tror bare at de fra deres side har sagt, vi vil bare have den bedste service vi kan få, og de har jo kørt videre.. Alle de store... de fleste af de store har jo haft sådan nogle rankings, som jo i bund og grund tager rankings og får kunderne så et budget, et research budget, og så kan de bruge de her rankings til så at sortere de nederste fra.

Interviewer 1: Hvordan var jeres generelle indtryk da MiFID trådte i kraft? Var i 100% klar til det? Hvis du nu skulle vurdere hvor klar i var da MiFID trådte i kraft?

Michael Vitfell-Rasmussen: Jeg tror at det har været en black box for alle. Både på buy og sell side. Og det er også mit indtryk at det er nogle ret uklare regler, som er meget meget svære at følge. Det er lidt sådan at alle har famlet sig frem for at prøve på at finde et eller andet, netop fordi reglerne ikke er specielt præcise. Så lovgivningen er i bund og grund lidt dårlig.

Interviewer 1: Den kom jo så i opfølgning på den her MiFID I. Føler du på nogen måde at det har været med til at gøre dit arbejde nemmere, eller er det blevet sværere at være aktie-analytiker i dag?

Michael Vitfell-Rasmussen: Njaah. Det er sådan set uændret. Men hele industrien har ændret sig meget indenfor de seneste 10 år, analytikere dækker flere selskaber. Og alt andet lige betyder det jo,

at det er sværere at lave ligeså meget kvalitetsarbejde som for 5-10 år siden. Det er ikke sådan en cut-off dag. Det er bare noget, som har ændret sig i løbet af tiden.

Interviewer 1: Er der så noget der har ændret sig i forhold til, nu talte du så om Tue gerne ville have mere fokus diversificering, antallet af aktier i dækker, eller den corporate access i kan tilbyde, eller den type af research. Er der nogle ting der har ændret sig som følge af dette?

Michael Vitfell-Rasmussen: Altså, vi spiller jo meget på at vi er snart, Danmark bredeste dækkende broker. Så det bruger vi selvfølgelig kræfter på. På marketing siden. Overfor kunderne, synes jeg da også det er interessant at kunne tale om small/mid cap aktier. I forhold til hvad man kunne tidligere. Men ellers er det jo ikke noget som ændrer sig vildt vildt meget. Man kan sige, at de store selskaber som vi hele tiden har dækket, de kan jo også godt forstå det. At det vi som branchen er igennem ændrer tingene. De begynder jo også formentligt at tænke på i fremtiden kan det godt være vi selv skal betale en del af de road shows når vi er rundt. At det er ikke sikkert at ABG har lyst til at betale for at der er en limousine der skal køre Carlsberg management team rundt i London. Det ved de nok også godt kommer til at ændre sig.

Interviewer 1: Tror du at indholdet på den type research du sendte ud før har ændret sig? Er der fokus på at kunne give mere ift. Preview og review updates. Er der kommet fokus på mere value-added research? Det virker som om at value added research i lovgivningen er fortolket meget bredt. Har i tænkt på at det skal blive endnu mere dybdegående på de enkelte virksomheder?

Michael Vitfell-Rasmussen: Nej. Vi har jo hele tiden fokuseret på at lave så kvalitets agtig research som muligt. Så det er ikke sådan at vi tænker at MiFID II kommet så skal vi lige gøre det lidt bedre. Rent konkret, når du nu spørger til consensus, så har vi jo taget den beslutning, at vi ikke deltager i consensus. Altså sådan noget som SME, inquiry og reuters. Og det gjorde vi jo tidligere. Og det er jo sådan set fordi vi ikke kan sende value added research, som consensus input er ud til ikke betalende kunder. Så det bliver lidt en udfordring for branchen fremadrettet, når du på buy-side kigger på din Bloomberg skærm og så kan du sige jamen det er i bund og grund de data som jeg kan hive her gratis, det er ikke det fulde consensus tal. Sådan som det modsat var tidligere. Det er lidt en udfordring som buy-side og sell-side har og som selskaberne også har.

Interviewer 1: Tror du det betyder at der kommer til at blive mere research ind på buy-side siden i forhold til tidligere fordi man ikke har mulighed for at få den samme information fra markedet?

Michael Vitfell-Rasmussen: Altså, mener du personer? At de vil ansætte større research afdelinger?

Interviewer 1: Ja

Michael Vitfell-Rasmussen: Måske... Det er jo allerede sket de sidste par år, men det kan godt være det sker i endnu højere grad.

Interviewer 1: Sådan helt generelt, nu har vi snakket om at der kommer til at ske nogle ændringer. Din personlige holding, hvad tror du der sker om 1-2-5 år? Hvad kommer der til at ske med aktie-analyse

Michael Vitfell-Rasmussen: Jamen nok at det bliver endnu mere udskilning. Det bliver survival of the fittest. Nu er Danmark ikke et vildt stort marked med en masse forskellige brokere, men der kommer formentlig en lille smule mere udrensning i det danske marked. Kommer formentlig også en meget større udrensning i de andre markeder, hvor man kan sige at tier 2 brokers der ligger derude, de formentlig bliver sorteret fra. Så øget konsolidering og måske overordnet set et færre antal af analytiker. Fordi profit pool er blevet mindre.

Interviewer 1: Hvordan tror du at ABG står rustet til denne konsolidering af markedet?

Michael Vitfell-Rasmussen: Øøøh. vi prøver på at vores så forberedte som vi overhovedet kan og kigger på lige top-down niveau og hvis du læser vores årsrapport, som kom ud i går, så vil du også se at vi skaler mere over på primary forretning - altså corporate finance forretning. Credit research, og ja. Derivater osv.

Interviewer 1: Tror du man kommer til at man i højere grad kommer til at skulle fokusere på niche orienteret research eks. Makro research eller big data, som mange snakker om at det kan være den nye måde at genere value added research og generere større alpha? Tror du det er noget som kommer til at være en meget integreret del af aktie-analyse?

Michael Vitfell-Rasmussen: Det tror jeg sagtens. Det tror jeg helt sikkert. Men igen, det kommer også an på hvem der er slut kunden. Er det en kvant kunde som skal sidde og tage et view på generet set et marked som det danske eller en sektor eller er det en dansk specialist, så tror jeg ikke det er helt så meget for en dansk PM'er. Som i bund og grund bare skal have en holdning til de 25 største aktier i Danmark. Så tror jeg nok det er mere hands-on med ledelserne og industrierne - frem for måske big data. Vi bruger selvfølgelig google stat på Pandora, som vi har arbejdet med i mange år

Interviewer 1: Nu nævnte du det her med at du ikke tror at det konsekvenserne bliver ligeså store for de danske aktører både på buy og sell side fordi det er en anden type marked. Nu nævnte du selv

det her survival of the fittest - Hvorfor tror du ikke det i ligeså høj grad kommer til at ramme danmark kontra UK?

Michael Vitfell-Rasmussen: Jamen du kan sige, hvis du nu sammenligner Norge med Danmark. Jeg kan ikke huske det præcise antal, men der er sådan noget 18 børsmæglere med, og i Danmark er der 6 børsmæglere med. Så man har allerede været igennem en konsolidering og så har markedet heller aldrig været et kæmpe kæmpe stort marked. Og dertil sagt, netop også fordi der kan være niche spillere, inklusiv os selv, vi ser os selv lidt som en niche spiller, så tror jeg heller ikke det kommer til at være sådan at det danske marked om 5 år at der kun er 3 børsmæglere tilbage. Det tror jeg ikke.

Interviewer 1: Hvad med sådan noget som på aktie-analyse siden, hvor man kan sige som børsmægler siden. Der er måske mange der ikke kan tilbyde trading, men godt kan tilbyde noget research i en eller anden form. Tror du de kommer til at få mere eller mindre at lave nu her? Det åbner vel nogle muligheder for nogle helt små niche spillere?

Michael Vitfell-Rasmussen: Helt sikkert. Det tror jeg er en fornuftig forretningsmodel at kigge på fremover. Det er også noget man kommer til at se i både Danmark og globalt. Helt sikkert. Men man har stadigvæk brug for en eller anden backbone. Altså, det er svært at sætte 2-3 personers forretning op uden nogen som helst andet. Men man kunne jo sagtens sige at sådan nogle små niche huse ala Berenberg for eksempel. Eller at man så flere af dem fremadrettet.

Interviewer 1: Jeg tror det var det hele. Tak fordi du gad at deltage.

15.4 Interview with buy-side respondent 1

Buy-side respondent 1: Ja men altså helt kort, jeg hedder XX, og arbejder i XX her i Danmark, jeg har været i finansbranchen i 12 år, af dem 8-9 år på sell-side, som aktieanalytiker og så nu de seneste ca. 3,5 år på buy-side, som porteføljemanager på danske aktier. Jeg har en kandidat i finasiering fra Århus universitet

Interviewer 1: Og hvor mange penge har i under forvaltning lige nu?

Buy-side respondent 1: ca. 5. milliarder danske kroner, aktivt forvaltet i danske aktier

Interviewer 1: Lidt omrking før MiFID trådte i kraft. Hvornår begyndte i første gang at adressere MiFID II i et arbejdsmæssigt sammenhæng?

Buy-side respondent 1: Jamen jeg tror selve projektet omkring Mifid II er vel startet i begyndelsen af 2017, hvis ikke allerede i 16, fordi der var jo også hele, inden unbundling, så var der, den her retrosession debat, som trådte i kraft i juli 2017, så det gjorder at mifid ii på vores side har sådan set været top-of-mind i længere tid. Men det er klart specifikt det her omkring unbundling af research, det har først rigtig taget fart her i efteråret 2017. Man har brugt sommer 17 og starten af efter året til ligesom at tænke, hvordan vi kunne tingene lade sig gøre i XX. Nu sidder jeg jo i XX, men det er jo selvsagt en XX bank, og det vil sige at det her projekt bliver drevet ud af XX. og man ønskede ikke at lave landespecifikke aftaler. Man ville lave en XX group-wide policy for det her. For det første fordi det er meget nemmere at administrerer. Totalt mareridt hvis hvert land skulle have sine egne juridiske dokumenter, med egne modparter. Hvis XX sverige skulle have en aftale XX Sverige, og XX Danmark skulle have en aftale med XX Danmark, så kunne man meget hurtigt lave sådan en matrix netværk, hvor 20 modparter blir meget hurtigt 400 kontrakter, hvis det skal kryds og tværs over dele hele. Så det var ligesom den primære grund til at man ville lave det centralt. Den anden er selvfølgelig, at vi mener at XX står stærkere forhandlingsmæssigt ved at forhandle samlet, end i en situation hvor hver enkelte afdeling skal forhandle alene. Dette vil jo alt andet lige komme vores kunder til gode. Så man kan sige, det er jo kørt i efteråret 17, og man kan sige at det er først i de sidste 3 mdr. af 2017, at aftalerne med vores leverandører, altså research husene og børsmæglerne, egentlig er faldet på plads. Det har været i oktober november og december 17.

Interviewer 1: Okay, hvis du skulle gå tilbage, hvad var så dit umiddelbare indtryk af MiFID II, da du læste det her om unbundling af equity research?

Buy-side respondent 1: Min umiddelbare tanke var at det gir god mening, for jeg kan faktisk huske tilbage da jeg startede i industrien in 2006. Der tænkte jeg at det faktisk er en underlig måde den her forretning den fungerer på. På daværende tidspunkt, der var jeg aktieanalytiker i XX, og synes det var vildt underligt at man solgte et produkt, som egentligt var gratis, men at der så var en gentleman agreement i branchen, om at så betaler man senere. Og der kan jeg bare huske, at jeg tænkte; jamen man kan jo ikke forstille sig at drive en skobutik på den måde, at du bare kom ind og tog nogle sko og gik igen, og så hvis du synes skoene var fede, så kom du måske tilbage og betalte måske for skoene - måske for meget for skoene, måske for lidt. Bare sådan betalte lidt hvad du synes var fair en mdr. senere eller 6 måneder senere eller aldrig. Det er en meget meget absurd forretningsmodel fundamentalt set. Så da jeg tænkte, det her bliver undbundlet, så gir det rigtig god mening, for det gav egentlig aldrig rigtig nogen mening at det var undbundlet in the first place. Og så tænkte jeg at det bliver nok, potentielt hårdt for sell-side, og i særdeleshed, de sell-side huse, der lever meget af en eller anden for for legacy forretning, altså nogle der måske har det lidt let, fordi de bare er store i det marked de opererer i, eller fordi de har et godt navn, eller et eller andet. Men lever i mindre grad af den værdi, som deres research rent faktisk har givet den kunder - de vil komme til at få det hårdt. Så det var min første tanke.

Interviewer 1: Hvor mange timer har du brugt på at forberede dig på MiFID II, siden introduktion af MiFID II?

Buy-side respondent 1: Mig personligt er det ikke ret meget, for jeg har ikke været den primære person på projektet i Danmark. Så mig personligt vil jeg måske sige 5 timer. Men dem der har været anker-folk for det her, de har nok brugt snesevis af timer, måske hundredevis af timer.

Interviewer 1: Vil du sige at i undervurderede omfanget af MiFID II?

Buy-side respondent 1: Jeg tror faktisk ikke vi undervurderet omfanget. Vi var hele tiden klar over at der ville være noget med det her. Det der lidt overraskede i processen var, hvor mange forskellige løsninger, det viste sig at branchen ville forsøge at komme igennem med. Og det er jo ikke rigtigt i hverken kunders eller branchen interesse, at man ender med for mange forskellige løsninger. 2-3 er måske okay, men man har ikke brug for 20 forskellige måder at gøre det på. og den proces foregik jo i efteråret 17. Og derfor var der meget spil i branchen, fx nu har Blackrock sagt det, Nordea gør det, og Goldman prøver at få det her igennem. Det er jo lidt absurd, fordi du skulle jo forhandle kunder og leverandører imellem. Så der var en situation hvor hele branchen kollektivt skulle forhandle alle nye kontrakter samtidigt, og alle havde jo en interesse i at male deres egen kage. Så det gjorder jo at

der var lidt chicken-race over det. Fordi man ville jo ikke melde ud at vi gør det på den her måde, for at finde ud af i den følgende uge at dine konkurrenter gør noget andet - så ligner du jo en idiot. Det her har jo taget tid. derfor tror jeg faktisk ikke man kunne have være færdig før alligevel. Den her type af spil vil altid foregå til sidst, ligesom de største og hårdeste debatter i en valgkamp foregår til sidst. Så jeg tror ikke man kunne have været færdig for længst.

Interviewer 1: Hvordan føler du at resultatet er blevet? Er der kommet 3-4-5 løsninger, eller er markedet stadigvæk meget fragmenteret=

Buy-side respondent 1: Mit indtryk er, at der stadigvæk er mange forskellige løsninger, og nok også for mange. Men jeg tror det her får nogle år til at spille sig ud, og så finder man ud af hvad der fungerer og ikke fungerer for køber og sælger - det er jo et marked hvor folk skal mødes. Overordnet set, tror jeg at den generelle løsning man er kommet frem til overvejende er at man på buy-side huse, tager research omkostning på sig selv - hvilket jeg synes virker som en fornuftig løsning. Den måde vi så betaler for research er jo så meget forskelligt afhængigt af hvilken type produkt der er tale om. Så når jeg kigger tilbage på det synes jeg det er landet generelt godt, og jeg er overrasket over hvor lidt disruption det har givet her i januar februar, hvor man kunne forestille sig at systemer ikke virker - jeg har ikke oplevet nogle problemer i forbindelse med trading eller modtage research fra vigtige samarbejdspartnere. Det er der nok nogle der har, kunne jeg forestille mig

Interviewer 1: Hvis man kigger før MIFID trådte i kraft, kan du give et overblik over hvordan i vurderede kvalitet af aktie analyse fra de enkelte udbydere?

Buy-side respondent 1: Ja - Vi har tidligere både her i XX og også i XX hvor jeg var førhen, lavet brokerevalueringer, som har rated typisk analytikere eller som minimum sektorer specifik, med et eller andet interval. Her har det været hver 6 mdr. hvor vi har rated hvor 7 danske research samarbejdspartnere - de 7 største børshuse tilfældigvis også. Det behøver jo ikke være sådan - det kunne sagtens have været et uafhængigt analyse hus, der ikke også var mægler, men sådan er det bare ikke i Danmark. Og så har vi scoret dem på hvor gode de har været på sales, dvs. gode ideer og cases, trading - hvor god execution hvor gode priser de har givet os og forhandlet gode priser og været gode til bloktrading og sådan noget. Så har vi scoret på hardcore written research og sparring, og der er det typisk er helt ned på person-,aktie, eller sektor niveau. og så typisk også på events. Ved events logger vi hver gang vi har deltaget i noget hos en mægler, og så har vi nogle point systemer, der siger at store events vægter tungere end et 1-times møde. Og så har det været rent buttom-up, at vi har scoret alle

vores samarbejdspartnere, der så har givet en samlet score og ud fra den point fordeling har vi fordelt vores kurtagepulje, de efterfølgende 6 mdr.

Interviewer 1: Nu nævnte du at i har de 7 største børsmæglerhuse, vil det sige at i ikke modtager research fra andre små nichehuse, der har specialiseret i et eller andet område?

Buy-side respondent 1: Jo - men ikke i Danmark. mig bekendt findes der ikke rigtigt nogen niche huse i Danmark, der udbyder noget vi synes vi kan bruge til noget. Så i Danmark på aktieanalyse, er det bankerne, der sidder på det. I udlandet, der har vi et amerikansk makro og strategihus, der hedder cornorstone macro, som vi brugte både før og efter MiFID II er trådt i kraft. og dem kan man ikke handle igennem, der betaler vi kun for deres research.

Interviewer 1: registrerede i jeres forbrug af den research i brugte før MiFID II? registrerede i brug af analytikere osv.?

Buy-side respondent 1: Nej det gjorde vi ikke, ikke hvor mange stk. research vi har læst af det og det. Men vi ratede hvor gode de enkelte analytikere var til at skabe værdig for os og dermed for vores kunder. Det er jo langt hen ad vejen en subjektiv vurdering. Der indgår dog også nogle objektive parametre. Jeg har altid gået op i at man skal ikke være en god aktiejournalist, men man skal også have ret. Så hvis en analytiker, har været positiv på Carlsberg, og den er steget meget og outperformed, så har han haft ret. Det ville jeg også vægte og det er jo meget objektivt. Omvendt hvis han har taget fejl, er det svært at rate højt. Og så hvor gode ideer man kommer med, hvor godt research man skriver, hvor ofte man ringer, men det er klart, bare at ringe meget med dårlige ting, det trækker mere ned end op.

Interviewer 1: Er det et internt system i har brugt til at vurdere kvaliteten af aktieanalyse, eller har i brugt en 3. parts løsning?

Buy-side respondent 1: Det var en egenudviklet excel-ark og jeg har faktisk printet en eksempel, jeg kan dele.

Interviewer 1: Efter MiFID II - hvordan fungere jeres compliance ift hvad konstituere aktieanalyse og hvad er value-added research? hvordan har i sikret jer at i overholder MiFID II reglerne?

Buy-side respondent 1: Her begynder det at blive bredt, det er meget afhængigt af hvilke type kunder man har. Det handler om du har privat kunder eller du har institutionelle kunder, der er qualified instituional buyers. Helt generelt, har XX risk management valgt at sige; vi betaler selv for research.

Og det gør vi langt langt overvejende. Det vil sige at hvis vi førhen havde en kurtage sats på fx 15 basispunkter, så betaler vi nu kun 3, 4 eller 5 for at handle, og så er der 12 tilbage til at betale for research. Og så har vi brugt dette mål til at betale for research. Du kan så betale for research på mange forskellige måder; pay per use, subscription eller en form for værdiskabelsesafhængig betaling. Fordi det vi har gjort generelt i XX på tværs af landende, er at vi vil gerne have access til så meget research som muligt, og vi må jo ikke modtage research vi ikke betaler for. Så vi er nød til at være kunder, hos alle de resarch providers, vi gerne vil have. Derfor vil vi gerne have meget lavt subscription fee. fx årligt subscription fee på imellem 5-10.000 euro, for overhovedet at modtage research fra Nordea, Goldman Sachs eller Danske Bank. Så modtager vi det, men det er for lidt for de fleste store research houses, for at dække der research omkostninger. så vi har en todelt betalingssystem, med lav subscriptionn (fast). Plus en variable komponent. Den variable betaler vi kvartalsvis. Det har vi ikke gjort endnu, fordi den første variable vil falde 1. april. Så rater, vi løbende via et 3. parts system, der hedder Instinet, hvor vi rater, hvor vi rater "god" resarch, som kan være et godt skrevet produkt, det kan være meget value added samtale med en analytiker, eller et fedt event, hvor vi fx har haft en ekspert fra containershipping inde, som fx handelsbanken har stået for - det vi gerne betale for. Så scorer de point i det her system løbende, og så i slutningen af kvartalet så fordeler vi vores ekstra reserach pulje ud fra den scorer. Lidt ligesom før MiFID II. Dermed har vi en todelt betaling for research: low-based subscription, plus en kvartalsvis løbende, som skal være den value-added bestemmende del.

Interviewer 1: Havde i Instinet før MiFID II?

Buy-side respondent 1: Nej det er kommet specifikt her i forbindelse med implementering af MiFID II, men det er ikke så specifikt rettet mod MiFID II, men et system hvor du ret nemt kan gå ind og rate forskellige elementer, fx analytikere eller research huse, ud fra kriterier du selv sætter op, dårlig mellem eller 1,2,3.

Interviewer 1: er der forskel på den tidligere løsning hvor i "måske" betaler for research senere, og nu hvor i kvartalsmæssigt betaler den største del, på baggrund af en rating i giver?

Buy-side respondent 1: Jeg kan godt føle hvad du siger, man kan sige, vi kan ikke slippe med at betale ingenting. Så vi betaler minimum subscription. Så det svarer lidt til at du betaler 100kr. pr. sko med det samme, og så bagefter kan du komme ind og betale mere, hvis du synes skoene var gode. Det svarer lidt mere til at betale for mad på en restaurant, og så ligger du drikkepenge hvis service og maden er god. jeg synes det er en god løsning, fordi du får mulighed for at differentiere, hvilket er

meget svært at gøre på forhånd. også hvad et godt råd er på forhånd. Man ved det først bagefter, så man er nød til at finde en mellemvej, hvor du kan differentiere betalingen. Ligesom med restauranter og drikkepenge. Så kan man altid have en holdning til om fordelen mellem subscription og den kvartalsmæssige betaling er den rigtige. Jeg ville gætte på at fordelingen hos os, der ligger den kvalitativt vurderede del med den største betaling, måske 3/4 deling, og så 1/4 i subscription delen. Jeg synes at det gir god meningen at hovedparten ligger dér hvor du bliver vurderet. Det der er udfordringen, er at vi måtte jo ikke modtage research hvis vi ikke har betalt for det. Vi kunne ikke vurdere om noget var godt hvis vi ikke har modtaget det. Og vi måtte ikke betale for det hvis det ikke var value added, og vi må ikke modtage og vurdere om det var value-added hvis vi ikke betalte for det. Så jeg synes denne model er en løsning, er i lovens ånd, som handler om unbundling. Det er i hvert fald unbundlet totalt hos os. Det er ikke alle steder at det er det. Og jeg synes også der er fokus på at vi skal betale mere for det der value added. Og det vil tage nogle år før det rigtige prisleje bliver fundet. Fordi nu er der jo et budget, som der er nogle som har ansvaret for. jeg selv også, med nogle fingre inde i den pulje. Men så er der måske om et år eller to et pres for at det budget ikke må stige, eller skal falde med 5 %. Så kommer de sværre men vigtige diskusioner - hvad var virkelig value-added når vi kigger tilbage. og det kommer jo kunderne til gode

Interviewer 1: Hvordan ser du generelle strukturelle ændringer i markedet?

Buy-side respondent 1: Vi har jo ikke set de store ændringer endnu, folk har ændret forretningsmodel, så dine revenue modeller er blevet ændret, og det kommer til at tage 1-2 år før vi ser hvordan det ændre forretningerne. Og de er tabs- eller overskudsgivende. Så det synes jeg er svært at spå om. Men hvad jeg synes er ret åbenlyst, som ikke er sket i Danmark, men som er sket andre steder, er det med independe-research houses. Fordi de har ikke haft en mulighed for at komme ind. Lad os sige der var et uafhængigt aktieanalyse hus i Brønshøj fx, hvor der sad 5 gæve drenge og piger og lavede noget fornuftig research, hvis vi så skulle have købt deres ydelse før MiFID II, så ville det have været rent ekstra omkostning for os, så det ville være meget meget svært at få igennem. Men i den nye verden, efter MiFID II, der er det meget nemmere. Der er en eksisterende profit pool de kan tappe ind i, og der er et eksisterende omkostningsbudget, som vi kan allokere til dem. Det har eksisteret både i USA og UK, men jo ikke i Danmark. Så det tror jeg er en ændring vi vil se i Danmark. At du får flere uafhængige makrohuse, og aktieanalyse eller obligations og kredit analyse huse. fordi der nu er et leve grundlag. Så vil tiden vise om levegrundlaget er godt nok til at du vil have 3-4 af denne type huse i Danmark.

Interviewer 1: Hvordan samler i omkostningerne? bliver de navngivet til de enkelte kunder?

Buy-side respondent 1: Det er meget forskelligt fra kundetype til kundetype. Så hvidt jeg husker, så er der i forbindelse med investeringsforeninger lavet en pulje eller kasse, der hedder research account hvor betalingen skal gå fra. Men det kan også være lagt sammen med administration, forstået på den måde, at hvis du har en investeringsforening, som XX rådgiver, der kan man sige at denne rådgivningsbetaling, de her fx 10-15-20 basispunkter, med i dem - der er der så også research. Så skal vi selv inde hos os have et budget for hvor meget vi har brugt på research og det kan vi sagtens selv opdele. Men præcis at opdele det ned på den enkelte kunde, der talte man om at man skulle have accounts for hver en, men det er man gået fra, da det administrativt er en for stor byrde. Og nu betaler XX selv, og det er dermed blevet en del at være kunde, at hvis man fx er kunde og har 50 millioner investeret hos os, så betalte du før for din research som vi brugte via din kurtage sats, hvor din kurtage sats er faldet, fordi du kun betaler den for at handle, og så får research gratis. Dermed er vores kunder simpelthen sluppet billigere.

Interviewer 1: Har i andre processer, der opfanger andre interaktioner?

Buy-side respondent 1: Nej ikke andet, der automatisk logger et telefon opkald.

Interviewer 1: Ved du om i har haft eksterne konsulenter eller eksperter inde for at hjælpe jer med opsætningen?

Buy-side respondent 1: Jeg kan ikke forestille mig at vi ikke har haft nogle eksterne inde over. Fx det Instinet system som vi bruger nu, der har vi deres kunde og it folk til at sætte det op sådan som vi gerne vil have det. Og det er vel også fair at sige, at det ikke er sikkert at vi vil bruge dem, det er jo en prøve. Hvis det er for administrativt og bureaukratisk, så må vi prøve noget andet. Det er jo vigtigt at kunne måle både kvalitet og kvantitet. Lovgivningen ligger jo også vægt på value research og ikke volume research.

Interviewer 1: Er det system i bruger nu anderledes end det i brugte før?

Buy-side respondent 1: Konceptuelt vil jeg sige nej. Ideen er jo den samme med at vi subjektivt kan gå ind og vurdere hvor godt vi synes et givent stykke research, møde eller en telefonsamtale eller event har været. Så konceptet er det samme. Men i praksis er det jo noget andet, for førhen var det vores eget Excel dokument, hvor det her er et system der er lavet til det.

Interviewer 1: Hvis du skulle ranke de vigtigste parametre, hvad ville det så være

Buy-side respondent 1: jeg tror det er meget forskelligt afhængig af hvem du taler med på buy-side. Jeg synes at, som siddende på danske aktier, med et relativt stort team på 3 personer, så har vi relativt mange ressourcer, til at sidde i det univers, så jeg har brug for dyb viden og ikke bred. Derfor for mig handler det rigtig meget om løbende sparring med analytikerne, der kender de her selskaber og sektorer rigtig godt. Så er det dybdegående research. Så heller 20-30 sidder om et vigtigt emne for en given investering, end de der 1-sidet reaktioner på nyheder. Så det er i hvert fald 2 eksempler, som er vigtige, foruden events, som jeg synes er rigtig vigtigt. Det kan være at møde kunder, konkurrenter, konsulenter, forskellige interessenter rundt om et givent selskab. Dybden er det vigtigste for mig. Hvis jeg sad med et bredt aktieunivers, fx europæiske eller globale aktier, så er det måske mere end form for nyhedsfiltrering, der er vigtig, for jeg kan ikke selv sidde og holde øje med 1000 aktier i Europa. Og der har jeg brug for en mægler, der siger hvad der er sket. Det har jeg i mindre grad brug for nu hvor jeg vurdere 70 aktier selv.

Interviewer 1: Den dybde som du siger du har brug for, er det noget som der er blevet imødekommet?

Buy-side respondent 1: ja, jeg synes der er blevet lyttet til denne efterspørgsel, også fordi vi er en tier 1 kunde. Jeg ved at det ikke kun er noget jeg synes, men det er noget man har talt om i lang tid. Så hvis jeg skal give nogle eksempler, så har danske bank fx noget de kalder danske deep dive, der er større og mere dybdegående analyser, der berører et bestemt vigtigt emne, som er et koncept de har opfundet for 1-2 år siden, som svar på at deres kunder siger at det har de brug for i stigende grad. Nordea har noget lign. De fleste mæglere har med jævne mellemrum større analyser, men det er ikke alle der har det. nogle er mere one pager rugbrøds arbejde, og det har også en plads. Det er forskellige produkter til forskellige kunder.

Interviewer 1: Tror du denne udvikling er et resultat af MiFID II?

Buy-side respondent 1: Jeg tror ikke kvaliteten har ændret sig. Det er for tidligt. Kvaliteten af den research du får afhænger af de mennesker der laver det. og det er jo de samme mennesker der laver det idag, som lavede det igår. men jeg kan sagtens forestille mig at over det kommende år vil der være et udlusningsarbejde, over det kommende år. Hvor hvis du ikke laver noget der er værdiskabende, så tjener du ikke nok penge til din organisation, og skal du måske finde noget andet af lave. Det er lidt ligesom en journalist, der skriver en masse historier, men hvis der ikke er nogle af dem der kommer

på forsiden, sælger nogle kliks på hjemmesiden, eller sælger aviser, så skal man ikke blive ved med at være journalist.

Interviewer 1: Nu får i jo research fra 7 huse, men måler i hvad i læser mest?

Buy-side respondent 1: Vi læser ikke det hele, det er umuligt. Nej vi måler ikke, det er det korte svar. Vi har ikke noget der måler, hvor meget research jeg får fra de forskellige, for det er ikke et parameter for mig. Man har en fornemmelse af nogenlunde hvor meget tid man bruger på de forskellige analyser og hvad du får ud af det. Jeg tror ikke det er så nødvendigt at have et system, der kvantitativt måler det. Det er ikke kvantiteten der er vigtig. Men til gengæld et system der kunne hjælpe til kvalitativt at måle kunne være interessant. Jeg synes ikke vores nuværende system er så godt.

Interviewer 1: Har i overvejet at rykke mere af det in-house?

Buy-side respondent 1: Lidt. Nu er XX Danmark jo lidt speciel, fordi vi er ikke det største investering hus i Danmark. Vi har kun XX aktie team. Så vi ville aldrig blive et stort buy-side research sted i Danmark. Men i XX, er det nogle overvejelser man har gået med. Og jeg tror det er rigtig at hvis man har stået på vippen og tænkt skal vi ansætte en ekstra buy-side research person til det her, så vil man nu ligge tættere på at det skal vi nu. Men der er ikke sket noget endnu, men der kommer mere af det. Jeg har indtrykket af at det er sket andre steder.

Interviewer 1: Bruger i det samme antal research provider som før?

Buy-side respondent 1: Ja det gør vi mere eller mindre på danske aktier, men hvis du spørger min kollega i XX teamet er det noget andet. De har skåret ned på antallet af research providers som de bruger.

Interviewer 1: Har dit arbejde eller din arbejdsgang ændret sig efter MiFID II? og hvad med processerne?

Buy-side respondent 1: Min arbejdsgang har ikke. Men betalingsprocessen har jo ændret sig, så vi betaler kvartalsmæssigt. Så indtil videre er der ikke noget der har ændret sig ud over det.

Interviewer 1: Med det setup i har nu, har i så mulighed for at tracke corporate access events?

Buy-side respondent 1: Jeg synes ikke vi har gode muligheder for det. Vi tracker det kun nu i Instinet, og det er ikke særlig nemt. Det kører på en hjemmeside, der er lidt tung. Så der er forbedringspotentiale. At tracke events er det vigtigste.

15.5 Interview with buy-side respondent 2

Buy-side respondent 2: Alle brugte meget tid på at vide - hvad siger/tænker de andre - Hvad sker der? Det har været meget omkring. Jeg synes det er en rigtig god ide. Ift til MiFID II så har vi nok været lidt tidligere ude end nogle af de andre i Danmark. Og det kan jeg lige komme ind på hvorfor. Rent strukturmæssigt har vi haft en MIFID projekt i XX gruppen - helt oppe på gruppeniveau har der været styregruppe på MiFID. Det er jo så hele bredden af MiFID. Alt fra product gouvernance og investor protection og market transparency - de tre pillars, og hvad der ligger nedenunder. Det er klart når det kommer til research unbundling, så ligger det under investor protection og det der hedder inducement rekreation. Og det er jo så specifikt artikel 13 der ligesom giver den regel der hedder at research skal betragtes som en non-inducement såfremt at det bliver betalt for. På den ene eller anden måde. Der gik jo lang tid før man fandt ud af hvad er det så lige præcis man måtte og ikke måte under MiFID II. De første level 1 tekster kom ud og der havde vi.. der var vores projekt sat op i MiFID gruppen og vi havde.. og vi sidder jo i asset management, som er en del af wealth management og der er et wealth management projekt og inden under det havde vi et asset management projekt. Og asset management projektet var styret af en person, eller der var en projekt leder på som selvfølgelig sad med i en masse styregrupper oppe i wealth management. XX hed han også - men ikke mig. Og under det så har vi så.. den måde vi er involveret på det var at sige.. Okay. Godt. Der er altså nogle dele af MiFID II som går så tæt ind på investeringsorganisationen og på trading organisationen at det er vigtigt at vi får forankret den regulering og implementering af regulering helt nede i forretningen, og ikke i en projekt organisation. Så hvor der er nogle af delene omkring record keeping og transaction reporting og product governance som blev lidt mere håndteret på et projekt niveau, så lige præcis når det kom til inducement regulation på research og research undbundling og best execution, der valgte vi at ligge det/få det ind og jeg drev så det som projektleder på de to ting. Det der jo er interessant på research undbundling det er jo at der gik noget tid før vi fandt ud af hvad reglerne egentlig sagde. Hvad man kunne og hade man ikke kunne. Kunne man stadigvæk charge til kunderne. Kunne man ikke... Der blev vi jo selvfølgelig en enorm forsinkelse eller delay. Men det som har været vores fordel , og har gjort at vi har været lidt på forkant, det er at vi er en XX virksomhed. Vi er jo ikke en XX virksomhed. Det skal du jo selvfølgelig også lige være opmærksom på. Så sidder du jo og taler med mig som repræsenter en XX reguleret virksomhed og ikke en XX reguleret virksomhed. Og under det XX tilsyn der blev vi underlagt pr 1 januar 2015 at unbundle. Det tekst der ligger i MIFID II i dag ligger meget op af.. jeg ved ikke om i har hørt om den svenske model.. Swedish model. Den kommer ud af den reaktion der var på at det svenske tilsyn I Maj 2014 gik ind og sagde: Faktisk på et request,

så vidt jeg ved.. men sådan relativt validt. Fra Robur, som har stillet spørgsmålet i 2013. Under usage regulering - det er på fonde det her. Der er der det her med at man ikke må modtage investment advice. Hvordan skal det fortolkes i forhold til research. Der gik år hvor det ikke blev svaret på. Så kom de XX myndigheder med et svar. Jamen det er jo klart at der skal separeres mellem interessen (best execution) det vil sige at der må ikke være en sammenhæng mellem dem man modtager fra research fra/advice fra, og dem man eksekverer fra/ens flow. De to ting skal være separeret. Desuden så skal der være transparens for kunden omkring de omkostninger der er. Derfor skal der være en unbundling. Og det kommer altså fra en verden, hvor i UK.. Ja.. Der har man haft CSA commission sharing i lang tid. Og der har UK FSA været inde og gøre det her også og sige: Jamen der skal være en unbundling. Jeg mener faktisk at de kom ind i 2014 og sagde at der skal være et budgetkrav. De svenske myndigheder kiggede lidt over mod det. Det der så blev en reaktion fra industrien eks os, vil jeg så sige. Det var at sige: Okay. Hvordan kan vi gøre det når vi er i en "bundle" verden.

Så I stedet for at sætte alle de her CSA commission sharing agreements op, hvorfor går vi ikke bare over og laver execution only, og så har vi en separat charge på fonden. Det er "The Swedish model". Og tog de XX, med Andreas.. fra head of trading fra XX, som ligesom var meget drivkraft på den her og nogle af de andre store gik sammen og sagde: Det gør vi. Og det blev så the swedish model. Det gjorde vi ikke fordi, vi lavede en ret hurtig analyse på det at.. vi har jo vores kunder.. De er ikke kun i Sverige. Det her var jo en regel for de svenske fonde. Vi havde selvfølglig massere af fonde i Sverige. Men vi har også rigtig meget i Luxembourg, og gå ind og lave det Setup for non-svenske fonde, det kunne vi ikke. I Norge kunne vi sket ikke. Rent regulativt. Okay, der må du ikke lave en separat charge. Under fond/værdipapir loven. Så det var ikke en mulighed for os. Så skulle vi gå ind og gøre noget på den ene og noget på den anden. Men den måde vi arbejder på hos os det er: Vi har en portefølje manager, vi har en strategi. Den strategi implementer vi igennem det vi kalder modelportefølje. Det er den de sidder og arbejder med. Den modelportefølje ejes af... kan man sige.. af en række kunder, der kan være en dansk fond, en svensk fond, en Luxembourg fond og tre institutionelle mandater, rundt omkring i verden. Det vil sige, hvordan "søren" skal vi kunne gøre noget på den ene og noget andet på den anden. Vi handler dem jo når der bliver lavet en ordre og når porteføljemanager siger: Nu tror jeg vi skal købe noget Lunbeck og følge Novo, så bliver der genereret ordre ned igennem og så bliver der lavet en trade, og de får lidt ordre på dem alle sammen - så handler de dem. Det er eco treatment of clients. Det er at sikre sig... det er klar at vi ikke først skal handle for den svenske fond, så den danske fond og så Luxembourg fonden, og så de 3 institutionelle mandater - eller den anden vej rundt. Alt på en gang. Det vil sige at du har aggregeret

det. Så er det ret svært at håndtere at nåja, men på den svenske fond skal vi handle execution only for der betaler vi research only, og på den anden må vi godt osv.. Så det var ikke muligt for os. Så det vi faktisk gjorde først, det var at vi gik ind og satte budget. Vi gik ind og estimerede - hvad er vores omkostning når vi handler.

Interviewer: Det er tilbage i 15 det her?

Buy-side respondent 2: Det er tilbage i 15. Så det er derfor vi har været lidt foran. Hvad er vores handelsomkostninger, og begyndte at sige. Vi må mere kigge på. Hvad er den reele handelsomkostning på de forskellige typer af handler vi laver. På de forskellige markeder, og har lavet det der hedder et global rate card. Som var execution cost på equities. Og det kunne vi rimelig godt fordi vi har en rigtig stor multi asset business. Hvor vi har rigtig stor aktie-flow, som vi altid har handlet execution only, som ikke har været fuld comission, som ikke har været betalt for research. Så vi havde et meget godt benchmark, og selvfølgelig har vi noget ekspertviden fra trading dask. Som har erfaring for at have handlet ude i markedet og har erfaring for hvad alting koster. Det fik vi sat op og sagde: Vores omkostning for at handle en dansk aktie er jo ikke afhængig af om vi handler med Carnegie eller med ABG eller med Danske eller med Novo. For os så koster det det at handle en dansk aktie det vi kalder en high-touch cash trade, eller low-touch cash trade, men altså stadigvæk en cash handel, det er ikke en elektronisk handel, så 5 basis punkter. Hvis vi vil handle via aggro - altså en elektronisk handel. Ingen human interaction, 3 basis punkter. 2 basis punkter. Og engang imellem vil vi gerne betale for en blok - altså likviditet. Hvor booker siger jeg har en kunde som har x antal aktier, som i godt kunne bruge. Jamen det vil vi godt betale 15 basis punkter for. Så det havde vi ligesom.. Det billede havde vi. Så var det ret let at lave en analyse og sige. Jamen hvad er egentlig vores residual, research cost. Det gik vi jo ind og sagde: Jamen fint nok. Hvad er det egentlig vi har betalt implicit. Og så startede vi med det og sagde, okay. Hvordan har det set ud de sidste 3 år. Den data havde vi. Godt. Okay, det er vores starting point. Så napper vi den der. Det må være starting point på det, men vi handlede stadigvæk fuld comission. Så vi handlede stadigvæk bundlet, men vi begyndte at styre ved at sige. Okay. Nu har vi nået et kmaks på den strategi, så går vi execution only. Det gjorde vi, og vi vidste ikke rigtig hvor MiFID bar hen endnu., så vi var ikke sådan helt klar til at vælge fra eller til på CSA'en. Det der så skete, det var at vores compliance kom tilbage og sagde - de var ikke helt trygge med at vi levede op til myndighederes krav om unbundling ved at lave en intern unbundling. Så vi fik af vide at. vi blev enige om at vi fik et år til at implementere 100% unbundling. Så i 2016 der unbundlede vi 100%. Og det gjorde vi. For os var det enormt vigtigt.. altså vi valgte CSA modellen. For igen, vi var pre-MiFID II. Så vi havde ikke mulighed for bare at gå worlwide

med det her. Og det vi så sagde: Okay. Hvad skal der til for at vi kan handle frit. Vi må ikke have nogen restriktioner på vores execution. Men samtidig skal vi kunne generere vores research budget. Og vi endte op med at have en liste på, der startede med at være 15-20, men endte med at have 24 CSA brokers. Det er fordi vi er så spredt ud. Vi havde brug for danske aktier. Der er meget learning by doing. Det er at du finder ud af at du skal bruge 3 på Nordiske (CSA broders). 3 på globale. Så kan vi bruge et par på Asien og et par på Europa.

Interviewer: Det er omkring 16 at i begynder at sige: Det er dem vi skal bruge?

Buy-side respondent 2: Vi lavede den lige inden starten af 16. Hvem er det vi skal bruge, og så gik vi bare i gang med at onboarde. Den process kørte jeg. Med at få de her agreements op. Vi valgte et system til at hjælpe med at sætte det her op. Det var ikke bare lige at have et par regneark. Det kommer til at være rigtig mange handler og rigtig mange commissions, og de beløb og udbetalingerne også. Det der så skete, det var at man fandt ud af at.. Ja. Det er godt nok at vi på top-level kan sige: det er godt nok. Det burde passe. Problemet er at det her, det er nede på den enkelte strategi og den enkelte kunde. Du sikrer dig at kundens betaling for research. Det er ikke nok at man bare siger overall. Der skal være sammenhæng mellem hvad der bliver betalt og hvem der betaler. Og det vi fandt ud af, det var at det var ikke helt nok at for eksempel for den europæiske small/mid cap strategi. Der hjalp det ikke meget at vi havde de 6 store nordiske brokers. Fordi de ligger 70% af deres flow i nogle små europæiske huse. Og det vil sige, at de kunne simpelthen ikke genere nok commission til at betale for deres research. Og vi må jo ikke tage pengene fra de andre. Vi kunne jo ikke bare lade dem køre over budget og så lade dem køre under. For det skulle jo være på kunde niveau - optimeret. Det sagde reguleringen. Og den udfording gjorde at vi kom længere end de 15-20, og at vi endte med at have 24 - for ligesom at vi kunne dække bredt nok. Det fik vi sat op og køre. Det gjorde jo ligesom at vi fandt ud af det var ok. Det var fint. Det vidste vi jo så nu på det her tidspunkt ift MiFID II, at vi godt kunne køre CSA modellen. Så valgte vi at holde med den. Der havde vi sat det hele operationelle op. Selvom man kan sige, at den anden model nok havde været smartere.

Interviewer: Men I gik op i antallet af broders da i fandt ud af at i skulle ud af at det skulle passe ind i MIFID II regulering? Der gik i op fra kun at have 15-20 eller hvordan?

Buy-side respondent 2: Det har ikke noget med det at gøre. Vi var nødt til at få CSA på plads på den svenske regulering, vi allerede var underlagt. Vi ventede selvfølgelig med længsel for at sikre os at

vi også kunne bruge det i MiFID II. Det kunne vi så godt. Så fortsatte vi. Så var fokus mere at sikre at vi havde en solid budgetteringsprocess. At vi kunne sætte en sammenhæng mellem hvad er det vi bruger, og hvad er det for en strategi vi har. Er der en sammenhæng mellem det omkostningsniveau for den type strategi, og for det budget vi rent faktisk havde lagt. Vi brugte tid på at finde ud af om vi rent faktisk skulle have et research payment account sat op, hvorfra pengene bliver flyttet væk fra CSA siden, og selvfølgelig også omkring vores quality review del. Det der så skete i løbet af 2017, det var at der var en strøm af vending omkring, hvad er det der er.. hvordan skal vi finde det her? Skal kunderne betale. Skal det fundes direkte? Fra deres porteføljer, eller skal det betales via os og vores management fee, som asset manager. Helt tilbage i 2015, i det strategiske review, der havde vi sådan set klarlagt, at det ville være strategisk interessant og fordelagtigt at betale selv. Simpelthen fordi det giver nogle andre frihedsgrader. I og omkring da du tager den omkostning hjem. Jamen klart, det er en stor omkostning at tage, på det tidspunkt. Især hvis du er den eneste der gør det. Det er svært at få pricing power ind. At kunne gå ind og sige til kunderne: Nu tager vi lige den her omkostning, på den her fond, på 10 basis punkter og så sætter vi fee'et op med 10 basis punkter, så du er even out. Det er svært. For du kommer lige pludselig til at stå som om du har øget prisen i forhold til andre. Så der var ikke særlig stor appetit fra ledelsessiden, til det her, på det her tidspunkt. Det ændrede sig så i løbet af 2017, med den strøm af nyheder der kom. Og der gik vi så og tog vores ledelse, og sagde nej: Vi vil faktisk ikke benytte os af kunde-betalt research. Så vi lukker ned for alt vores CSA'er og tager den på vores P&L.

Interviewer: Der har I ligesom sat lidt.. en standard kan man sige? At være forgangsmænd?

Buy-side respondent 2: Det er jo sjovt. Det har vi overhovedet ikke tænkt på. Det er fordi vores fokus på er.. vores vision det er at være XX, og ikke leading XXog leading XX. Det ville være uambitiøst. Vi kigger jo hele tiden på - hvad sker der derude? Og derfor var vi jo nogle af de sidste til at melde ud. Og det var bevidst. Det var bevidst. Nogle af dem, som vi har meget til fælles med, og som vi på mange måder. Sådan nogle som Schrøder, som vi også har haft en del dialog med. Vi bruger mange af de samme systemer, mange af de samme tanker. XX har jeg mødtes med flere gange. De valgte at gå ud ret aggressivt at gå ud og sige at de ville bruge CSA modellen. Og der var det ligesom at vi valgte at sige: Vi melder ikke noget ud. Selvom det vi har kørt med, og alle dem der arbejdet med os i praksis godt vidste hvordan det foregik. De fik jo penge fra os. De fik jo CSA betalinger. Men, vi ventede. Og det har nok været meget godt, og det har nok været meget godt. Vi har ikke skulle være ude og vende tilbage på en besked. Vi har ikke været ude og kommunikere én ting, og så skal man ud og trække den kommunikation tilbage. Nu har vi ændret mening. Der er rigtig

mange der har gjort det. Det ser lidt dumt ud. Det har vi jo ikke gjort. Vi synes egentlig vi var langsomme, men det er der jo andre der har gjort os opmærksomme på sidenhen, at det var, at for det første var vi de første i Danmark til at kommunikere ud hvad vi ville. I Sverige havde det den effekt, at lige pludselig, så var der nogle der ellers havde valgt at holde fast... I Sverige havde de alle sammen unbundlet ligesom os... I Danmark var der ikke nogle der var unbundlet. I Sverige var alle unbundlet, men alle havde taget det på kunden. Så da vi gik ud i Sverige og meldte det her ud. Lige pludselig, så begyndte de andre også at gå over på P&L. Og det var unintentional fra vores side. Vi havde ikke fokus i den retning. Det vi har haft en fordel af, meget af vi har bygget op process mæssigt, skulle vi stadig bruge. Du bliver ikke mindre fokuseret på omkostningen når du betaler den selv. Tværtimod. Og det der med at allokere og forstå, hvor er det omkostningen opstår, og hvad er det for et produkt som driver den omkostning, det er ligeså aktuelt som havde det været betalt af kunden. Så vi bruger det samme. Men vi behøver bare ikke lave rapportering til kunden om vores research omkostning.

Interviewer: Men har du indtrykket af at.. hvis i bruger det samme og har det samme budget.. får i ligeså meget research, eller har i været nødt til at gå ned? Eller har i kunne udvide?

Buy-side respondent 2: Jamen, det er jo så det interessante nu ikke. Fordi, det der er sket hos os, og der er det selvfølgelig vigtigt at du lige.. at det bliver anonymiseret i forhold til det her.. vi har skåret vores omkostning over tid har den været relativ konstant - fra de første tal vi havde i 2014, der lå vi på en estimering på, jeg mener det var.. usikkert ift tallene, man regner bagud som jeg sagde, ud fra nogle assumptions. Der var en usikkerhedsmargin på den.. og jeg vil mene at det var XX millioner kroner alt i alt på research. Selvom det nogle gange var ude at det var op mod XX millioner, men det har noget at gøre med, når du laver.. Bare lige for at forklare kort. Hvis du går ind og siger på hver enkelt handel så har du en kommission. Så siger du. Okay - Vi siger at en omkostning for at handle på det marked, som den transaktion er i, det er 5 basis punkter. Og så havde vi en 30 basis punkter kommission. Så betød det at de 25 basis punkter blev talt med som research. Men hvis den der 5 basis punkter ikke var rigtig. Fordi det her var en high touch trade eller blok handel, så skulle det måske have været 15 basis punkter. Så har vi talt 10 basis punkter for meget ind i research. Vi havde nogle usandheder i den analyse i opstartfasen fase. Fordi vi ikke brugte det her global rate card. Men vi brugte sådan en per product card. Hvor vi bare, den svingede mellem 3 og 10 basis punkter, så vi kom til at estimere research omkostninger i emerging markets meget højere end den var, og det var omkring XX millioner. Så den reelle betaling for research har været omkring XX millioner. Det er hele molevitten. Det er hele asset management. På equity siden. Det her, det er euro tal. Og det var i 2014, så i 2015 så holder vi den kørende på det samme. Så har vi prøvet at sætte den ned sidenhen,

og den reelle omkostning har nok været sådan noget, nede omkring XX stykker. Så gik vi faktisk lidt op i 2017 til XX, med et budget der stadigvæk lå på omkring XX. Vores asset base i 2014 den var omkring XX millarder euro, total asset base. Den var omkring XX millarder i equities i de strategier, som har research, men i 2017 der lå den over XX millarder på equities. Så vi kan sige, vi har en asset base der er røget op 25%, men budgettet har holdt sig. Per unit har vi jo sænket vores research omkostninger. Det kan man så sige.. er der scalability? Skal man bruge flere penge på research fordi man har flere assets? Nej - det skal man faktisk ikke. Men det betyder jo noget ift til kunden, fordi kunden betalte relativt. Når kunden betalte, hvad var AUM cost, altså hvad var det i basis punkter på dit investeringsbevis. Der er den jo faldet ret kraftigt.

Interviewer: Fordi I har så store positioner?

Buy-side respondent 2: Fordi vi fik flere og flere assets. Vi er vækstet voldsomt, men det har jo ikk betydet.. fordi vi satte cap på research budgettet.. Havde vi ikke sat cap på research budgettet, så var der jo sket det, at når asset stiger, så stiger dit handelsflow også. Altså helt naturligt, hver handel bliver jo større i nominelt beløb, og dermed bliver dine research betaling også større. Og når det så går den anden vej, så går det jo selvfølgelig den anden vej. Og mere trading aktivitet, mere research cost. Og det er jo mærkeligt, for det har ikke noget at gøre med hvor meget du egentlig brugte research. Det fik vi jo cappet ved at vi satte budgetter på tilbage i 2014, så vi i virkeligheden har betalt det samme, men vi har sjovt nok også brugt det samme. Vi har ikke været mere research intensive over årene end vi var. Det der så skete i år, det kan man så sige. Okay - så går vi på P&L. Og så surprise surprise, vi skal bruge XX millioner til research. Lige pludselig er det jo dem oppe i tårnet der skal betale, og XX er i en lidt skarp situation, også omkring fyring af XX mennesker og omkostnings minimering. Og selvom vi er en vækst organisation i organisationen, så er det jo klart at.. det er jo vores ejere der skal betale pengene - det er XX. De synes nødvendigvis ikke at det er fedt at skulle betale XX millioner. De sagde, nej. Ikke SÅ meget. Så vi har skåret omkring.. øøøøh. Og det skal du lige tage med - det var equities. Nu skal vi jo også betale for fixed income research, og vi fandt også ud af at vi også skulle bruge noget på multi assets, som vi aldrig havde betalt for. Der kunne vi sige at vi ikke betalte commission for research på multi asset flowet, men det var også fordi vi havde et kæmpe kæmpe flow, der gjorde at det var så attraktivt at alle var villige til at smide research i hovedet på os. Den marginale omkostning var så lille for dem. Der er ikke noget servicering som sådan - det fik vi. Så der fik vi lidt ekstra omkostninger der. Og de første tal som vi kom op med, det var at vi skulle bruge XX millioner. Så blev det til : aaah. Så kom priserne ned på fixed income research, og så kom vi ned på XX millioner. Kunne nok klares for XX. Så vi fik vi af vide vi

kunne få XX ikke? Så skulle der jo forhandles. Det var nogle hårde forhandlinger at være igennem. Og tage den strategi, vi vil have det hele til den halve pris - ikke hele vel, men det lyder pænt. Og med den overbevisning at de har fået for mange penge før - altså vove spå sell-side. Det vil jeg så sige. Det er et indtryk i særdeleshed i Danmark, at i Danmark har du en situation hvor du har nogle alt for kornfede brokers/investment houses. De er alt for mange. I forhold til London - de har været igennem det her. De har været igennem den her process. Hvor der er blevet sat budgetter, cappet og priserne er faldet.

Interviewer: Er det det samme i Sverige som i Danmark?

Buy-side respondent 2: Ja. Det er det samme. Det er det nordiske marked. Der er for mange af dem, og de er for mange mennesker siddende til at servicere et lille marked. Så det har været.. for os har det været.. .det kan slet ikke passe at vi skal betale det samme, for et lokalt coverage i norden, hvor vi er et nordisk hus, som vi betaler en global investment bank for global coverage. Det giver ikke nogen mening i mit hovedet. Når vi så siger, at vi ikke skal have den 5 gange. Vi skal ikke både lige have Carnegie, danske, SEB, ABG, Nordea - amen altså.. og vi i øvrigt har en organisation med en massere PM'ere, som alle sammen er lokale. Og så er der heller ikke flere virksomheder i norden. Okay - vi har en small cap strategi, i nordisk small cap. Det er selvfølgelig lidt mere extensive, men det er altså...

Interviewer: Har du oplevet eller kender du til at I er blevet nødt til at skære og sige jamen, så må vi gå med dem her, og vælge nogle fra?

Buy-side respondent 2: Hmm.. Vi har oplevet trusler om at "Det kan vi ikke", det vil vi ikke. Men vi har i det nordiske marked ikke oplevet nogle der var villige til at sige, nej.

Interviewer: Altså til det I ville betale dem?

Buy-side respondent 2: Præcis.

Interviewer: Og det er heller ikke sådan, at så har i fået af vide at så kan vi ikke tilbyde fuld service? Så kommer i ikke øverst på listen osv?

Buy-side respondent 2: Det er klart, det har de så truet med. Og så har vi sagt - Jamen gør i det. Så bliver i skåret af. Fordi den pris vi giver jer, det er den pris vi mener er den rigtige her og nu. For det service niveau vi har modtaget hidtil. Og det vil sige at hvis I skærer service niveauet, så skærer vi i

betalingen, og så bliver det en downwards spiral. Det gider vi ikke. Så skærer vi jer bare væk. Vi har 5 af jer "We don't need all five".

Interviewer: Så der kan man snakke om at I har noget market power? - og der er der et par andre der også har?

Buy-side respondent 2: Vi har enorm market power.. Ja. Det er der. Øøøh. Hvis du snakker med XX - det har de også. Der er det bare om at sige.. Og vi har en klar overbevisning om at de.. jamen de.. de kan levere.. de er nødsaget til at trimme deres organisationer, til at levere det her service på det her prisleje. Det kan ikke være rigtigt at vi skal betale 500k euro om året for at få dækning fra det svenske equity marked pr. Broker/provider.

Interviewer: Er det dit indtryk af de leverer den samme ydelse? Der er nogle der snakker lidt om at der er nogle der kommer med de hurtige opdateringer, så er der nogle der nogle der laver lidt mere dybdegående?

Buy-side respondent 2: De er jo lidt forskelligt segmenteret. Når vi snakker de store broker houses, så er det lidt det samme. De har jo selvfølgelig nogle forskellige analytikere. Når du har været i den verden.. Altså.. den bedste analogi til den er at du. Vi har været vant til som investment managers og komme ind og få til et bord hvor der stod 10 store kurve med de lækreste varer, olivenolie, balsamico, oste, du ved meget.. alt det lækre. Og så gik man rundt og sagde. Det der, det er min yndlings olivenolie. Det er min yndlings marmelade det der er min yndlingsost. Vi tager alle 3, og så gik man. Så blev de jo betalt igennem noget af det de lavede ude bagved i det andet lokale. Det var sådan det var. Der var ikke nogen der var den bedste til alt. Så havde de andre jo ikke været der. Så havde der ikke været 10 kurve. Så havde der været 1 kurv. Vi lavede vores egen kurv. Nu kommer vi lige pludselig til en verden, hvor de alle sammen siger: vores kurv den koster 1 million euro... jamen.. vi vil kun have olivenolie.. "den koster 1 million euro". Jamen vi vil ikke betale 10 millioner euro for at få vores 3 varer. Det vil ikke. Altså, vi vil kun betale for det vi bruger.

Interviewer: Hvordan med de her small cap - bruger i flere af dem, eller?

Buy-side respondent 2: Jamen det er ikke de store.. det har været mere.. Det er jo ikke de store prismærker er. De er jo niche betonet, så sådan noget som remium/redeye osv. Det er nogle huse som vi.. de er også meget mere moderate i deres pris niveau. Dem har vi ikke haft problemer med. Og tage med indover.

Interviewer: Så I har taget de samme med og ikke umiddelbart? (Small cap)

Buy-side respondent 2: Ja. For de har været humble - de har sagt: Jamen det er fint nok, og så ser vi hvordan vores aktivitet niveau er, og så må vi justere efter det. Problemet har været de store huse. Det er at de har haft en eller anden ide om at de kunne prise at vi bruger alt hvad de har. Men realiteten er bare at vi var ikke villige til at skære de 4 andre fra, til at have 1 broker, og derfor var vi nødt til at skære voldsomt. Og vi er ikke færdige (!!). Den kommer længere ned. Eller der bliver skåret fra. Men det er klart at vi har været nødsaget til at starte et eller andet sted. Og vi skal gøre noget arbejde på vores side. Vi skal blive bedre til at vide: Hvor meget er det vi bruger deres resourcer. (Fra de enkelte brokers) . Og det arbejder vi rigtig meget på nu.

Interviewer: Hvordan gør i det? Har i udviklet et system eller bruger i?

Buy-side respondent 2: Vi bruger et tredjeparts system, som hedder comsize, som vi også brugte til CSA'er. Og der får vi loadet alle interaktioner op i.

Interviewer: Både skrevet, talt og..?

Buy-side respondent 2: Alt.. Så vi har det centralt, så vi ved fra alle vores providers at det er en del af en condition for at have en aftale med os. At de kan/vil levere den information. Således at vi kan se, hvor meget aktivitet har vi. Det siger ikke noget om kvaliteten af aktiviteten. Næste step er så at sige.. godt. Så filtrerer vi alt det væk der er non-significant. Det low touch research.

Interviewer: Kan I også tracke og vurderer i kvaliteten af det?

Buy-side respondent 2: Se, det er det næste step. Men vi gider ikke sidde og vurdere kvaliteten af deres research reports på sigt. Det er ikke det der driver vores evaluering af dem. Det er klart at hvis de laver dårlig research, dårlige reports, så er de sandsynligvis ikke dem vi har på listen fremover. Vi ser på dem, men det er ikke vi tager fat i. Det vil vi gøre er at vi siger - så tager vi alle de interaktioner, som er det vi kalder high-touch, (det er calls med analysts, møder, model arbejde, som vi får fra dem), og så siger vi: det her.. og det gælder forresten også corporate access - møder med management og companies. Det tager vi og siger: de ting, de interkationer de skal værdisættes. De skal rates. De skal evalueres. Det er dem som koster penge.

Interviewer: Og det er investment porteføljemanagere?

Buy-side respondent 2: Det skal de så vurdere. Det kommer de til at gøre via en app.

Interviewer: Okay. Men det er ikke noget i gør endnu?

Buy-side respondent 2: Nej. For vi skal først have sat alt interaktion dataen op, og vi har 100 providers. Og det vi er halvvejs i at få dem til at koble på og levere den data. Og det er sådan noget hvor der ikke er nogen grund til at gøre det halvt. For først når man er der, så gør vi det.

Interviewer: Det er noget i kommer til at udvikle internt? Denne her app?

Buy-side respondent 2: Nej nej.. Den har de også. Den leverandør vi har valgt. Der er en mobil app. Det er en cloud based solution. Allerede nu kan de gå ind på deres egen profil og se alle deres interaktioner. De kan måske så bare kun se de 50 ud af de 100 providers. Og så kommer det til at blive sådan tinder agtigt - det popper med en notifikation. Jamen jeg havde de her møder.. det er klart, at de bliver uploadet med en delay, og det er så en anden ting at pushe for industrien. At du får nogle hurtige.. at de bliver uploadet relativt hurtigt.. at der ikke går 3 måneder. Der må maks gå en måned fra en interaktion til den er uploadet. For så kan de ikke huske det. Og ideelt set skal det endnu længere ned. Jamen, så kommer den op. Du har 3 nye aktiviteter, please rate them. Og så kan de sige - reject. Dårligt/godt med et stjerne system. Så har vi nemlig en kvalificering af den del af det. Det er klar at vi centralt vil sige - der har vi et analyseteam, så der går vi ind og ser på - okay. Vi har en aftale med den her broker om at købe deres research. Read access only - no analysts calls. Jamen 1. Har vi så nogle analysts calls? Har vi nogle møder? Hvis ja - så er vi ude i nogle problemer. Så er det inducement. trader vi med dem? Der har vi nogle compliance mæssigt. Monitorere at vi rent faktisk overholder reglerne. Det kan vores tredje part finde ud af, hvis de (brokers) uploader de interaktioner som har fundet sted. Så får vi jo så det at se. Det kan jo være at de ikke gør det. Så ved vi det ikke, og har ikke mulighed for at finde ud af det igennem denne app. Der kan man sige - det er svært at gøre noget. Vores kultur er ikke så meget en overvågningskultur. Det her må du, og det her med u ikke - og du er ansvarlig for at du overholder reglerne. Og så kan man sige, compliance delen i at kontrollere, det prøver vi så i det her system. Men det er selvfølgelig også at sidde at se på (tilbage til analyseteamet), jamen vi har købt adgang til deres research som koster 100k. Vi downloadede 3 rapporter sidste kvartal. Det er fandme nogle dyre rapporter. Giver det mening? Og tage den dialog med dem der betaler for det. Det er jo det danske aktie team, det norske aktie team eller det finske credit team - eller whatever. Og sige.. det er jo jeres penge. Det er jeres budget. Så i må jo selv bestemme, umiddelbart, men er i sikre på at det er værd at bruge 5% af jeres budget på en optionalitet? Fordi i det er jo åbenbart det i går. I køber jo adgang til et system i ikke bruger. Det må i jo gøre fordi i gerne vil have muligheden for at bruge systemet. Men kunne man gøre det smartere? Kunne vi sige, det dropper vi og til gengæld så bruger vi nogle alternativer providers. Det kommer mere og mere platform omkring markedsplatforme, hvor du kan købe research piece by piece. Kunne vi gå til den

provider og sige - prøv og hør. De der 100k vi betaler jer, det forlænger vi altså ikke næste år. Grunden er at vi bruger det kun ad-hoc og vi vil egentlig meget hellere enourage jer til.. vi kan egentlig godt lide det research i laver når vi skal bruge det. Så vi synes i skal gøre det tilgængeligt på en platform, for så vil vi meget gerne købe det rapport by rapport. Så kan det godt være at det koster 5000 pr rapport, men så gør vi det stadigvæk. For det er stadigvæk billigere at vi betaler 15k i stedet for 100k. Det er så ikke så godt for jeres forretning, men så kan i måske sælge til nogle andre også.

Interviewer: Så I forventer der kommer sådan en større markedsplads og markedsmekanismer i de her rapporter og research?

Buy-side respondent 2: Ikke kun det. Også analytikere.. analytiker calls. Analytikerne vil blive meget mere markedsført. Fordi du lige pludselig begynder at markedsføre på platforme også.

Interviewer: Det er også noget af det vi hører - at det ligesom. At man ved hvilke analytikere der kan noget. Det er mere nede på analytiker niveau.

Buy-side respondent 2: Og de bliver så også solgt og promoveret på den måde. Og så kan de få noget værdi ud af det. Så det er ihvertfald de tanker vi vil gøre det på nu her.

Interviewer: I forhold til - nu snakker du om det her: nu er i i gang med at få sat det her op hvor i skal vurdere kvaliteten. Før MiFID II, har i så har nogle, rating for de analysehuse i har brugt.

Buy-side respondent 2: Ja Den måde det foregik på før, det var at vi lavede en research review. Det gjorde vi hver 6 måned - det gør vi stadigvæk hver 6 måned. Ihvertfald til at starte med. Og det drev i gamle dage, før 2014, der drev sådan et research review, for at være helt ærlig, det var før jeg kom hertil, det drev jo.. den eneste måde at betale for research på, det var jo ift. flow. Det vil sige. Så sagde man - XX fik 30% af stemmerne, så de skulle have 30% af flowet. Og det var sådan det var. (Grin). Og det er det man vil gøre op med med MIFID II.

Interviewer: Var det meget sådan, det var ikke sådan så i havde 10 parametre for hver?

Buy-side respondent 2: Jo jo. Der var forskellige parametre. broker reviewet dengang var meget blandet. Det var både på execution quality, deres written research, access to analysts, events, sales service, access to companies osv. Det var det de blev ratet på. Det vi fik gjort, som var en CSA model. Det var. Godt nok - nu betaler vi dem i cash. Så nu bruger vi vores voting. Så voter du med point, og hver point har en dollar værdi. Og så allokerer du sådan set penge til dem. Så udbetaler du. Den voting blev så omregnet til en betaling. Som så blev generet. Så blev de betalt i cash. Og det har vi haft på

plads. Det der så skal ske nu - det er lidt det nye. Nu har vi jo upfront aftaler, hvor vi har lavet en pris aftale, og de pris aftaler de hænger sammen på equities fordi det er ret store beløb. Der siger vi - vi siger vi gerne vil betale for contract services - det er typisk jeres platform access. Det er non-refundable kan man sige. Det er for adgang til jeres research portal, nogen gange har jeg adgang til noget sales services. Nogen gange er der adgang til modeller på deres platform, og andre gange ikke. Det er lidt forskelligt. Men det er low-touch services. Det er det du får for platform fee'et. Og med mindre det er et specificeret af dem hvad det fee var, så har vi sat det til ca. 25% af den totale betaling. De sidste 75% er det vi kalder XX - det får de som udgangspunkt for at levere den service, som vi forventer. Deri kommer det af, hvis de begynder at cutte os i vores access, de 75% dem kan vi fjerne. Det har vi ret til i vores kontrakt. dvs. Hvis XX kommer til os og siger: aaah, men nu får i ikke så mange møder, men i får ikke lov til at snakke med den analytiker i gerne vil snakke med, men i må gerne snakke med den her analytiker. Det er fint nok - men det er ikke dem som vi værdisætter. Dvs så får de fjernet 75% af deres betaling. Det er vores trussel i det her. Omvendt, så har vi også mulighed for at give mere, hvis vi nu ser at XX er håbløse. De har bare intet leveret til os siden starten af året. Så vi ved at vi kommer til at betale dem for 75% mere. Til gengæld er vi så gået rigtig meget med XX. De har godt forstået, jamen de skal gøre sig fortjent til hver en krone. De er fokuseret, og de leverer kun der hvor de ved at der er værdi - stærk sales team, analytikere der gør sig til rådighed. Jamen, så kan det jo godt være at vi skal sige, de springer faktisk rammen. Så smider vi 20% oveni. Og det kan vi så tage over fra. Det kan vi gøre fordi vi har udformet vores kontrakter således. Men det er klart, at vi fra vores side er begrænset af det overordnede budget. Det kan ikke alle sammen få 20% mere. Der er nogle der skal tabe for at andre kan vinde. Det er et zero-sum game. Det er den måde vi har sat det op på equity siden. For små kontrakter, der har vi sagt - der er det ikke værd at gøre det. 10k, der får i 2.5k i fixed og 7.5 i variable. Det giver ikke mening. Nej. Det er også written research alt sammen. Og på fixes income har vi heller ikke gjort det. Der giver det ikke rigtig mening. Der er vi faktisk opmærksomme på at vi er nødsaget til at kigge lidt på, og om overbruget noget. For vi skal passe på at vi ikke kommer til at overbruge noget. Det er handelsbaseret.

Interviewer: Nu har I den her market power/norden - men så på de europæiske analysehuse, har i så også skulle allokere budget til - der har i vel ikke den samme market power? Har ikke skulle vælge nogle huse fra? Eller har i kunne bibeholde det samme?

Buy-side respondent 2: Det er... Der har været nogle stykker. Det har vi måtte erkende at vi har ikke nødvendigvis valgt dem fra, eller også har vi betalt dem mere. Okay - vi er også.. det har også være meget i dialog med vores investeringsteam. Det er centralt at jeg er gået ind og sagt, og ledelsen er

gået ind og sagt, vi skal bare skære. Der har også været noget feedback. Når vi har præsenteret det for vores investeringskomitee, så har de sagt: I skal bare være opmærksomme på at det her vi får fra XX, det er prima kvalitet. Og det har vi nok i virkeligheden betalt lidt for lidt for. Så vi skal ikke gå ind og skære 30-40% af det. Så bliver det svært. Det har de ligesom lyttet til. Der er steder, hvor vi er nødt til at betale lidt mere.

Interviewer: Har det både været når de har afholdt dækning af danske selskaber? Eller er det primært Europæiske?

Buy-side respondent 2: Nej. Det er kun europæiske og globalt.

Interviewer: Vi har hørt at nogle gange, så har i de 5 største danske/nordiske broders, men de kan godt have et local touch, hvor nogle af de udenlandske kan have lidt mere macro tilgang til hvordan det påvirker f.eks Carlsberg at der sker noget i Kina.

Buy-side respondent 2: Det kan man selvfølgelig have, men det er ikke normalt. Det er mere fordi.. Det gør de også, og du har ret. Men det er ikke noget vi er villige til at betale ligeså meget for. Men det er rigtigt at vores nordiske teams også bruger de globale brokers, men der betaling til det er marginalt. Det er mere adgang til deres platform. Til lige at kunne læse og få incentiment. Hvad er deres view. Bare lige for at få et perspektiv. Men det er ikke den dybe analytiker access vi bruger. Hvor det er vores globale og emerging market teams og fonde, det europæiske teams og small/mid cap team, det er jo ikke de lokale. Det er jo dem der bruger de globale såsom XX,XX,XX osv. Og der har der været forskel. Der er selvfølgelig bulge bracket huse, såsom XX, XX,XX,XX - Amen altså. De leverer jo.. De har været igennem en process hvor de har haft en juniorization i deres analytiker stab, der gør at ærlig talt, så.. De har en god coverage. De har en god bredde. De er bare ikke så dybe. Vi bruger dem - de store partnere på execution. De har adgang til financing og corporate access. Der er de rigtig stærke. De kom med nogle prismærker hvor man bare må sige.. Gotta be kidding, ikke.. De var enormt fleksible. Og det har jo også noget at gøre med. Prøv at hør her, vi er store i Europa. Og de flows vi kan levere, der kan du jo sige hvad du vil - unbundling, ja. Men prøv og hør her, I (globale banker) vil have have 1.5 millioner euro for jeres research. Vi vil give jer 500k. I skal altså også se på, at vi har andet forretning sammen. Som I og vi tjener penge på. Lad os se proportionerne sammen og i øvrigt så er i ikke de eneste. Vi kan ikke leve af jeres research. Vi skal også have fra andre. Så har vi så andre huse, som sådan nogle som XX. Som er meget specialister. XX har også en god... de har formået ikke at juniorize deres analytiker stab, og holder mere senior levels. Større know-how. Og XX også - de er benhårde på deres priser. Der har vi bare må sige. Enten skærer vi dem fra,

eller også må vi bare betale det de vil have. Og det har vi så nogengange sagt fra og nogengange til. Det har vi måtte sande.

Interviewer: Så det er mere på et europæisk plan at I har været nødt til at ændre på kompositionen af providers/brokers?

Buy-side respondent 2: Ja. Vi har ikke. .Jeg tror måske et par enkelte i norden har vi måtte skære fra, tror faktisk de er kommet tilbage igen. Vi var lige ved at skære XX. Men de makkede ret til sidst.

Interviewer: Jeg hørte også, at der var en anden der havde skåret én fra uden at sige det var den. Det var ihvertfald ikke de andre..

Buy-side respondent 2: Og der tror jeg.. vi var næsten der hvor vi var nået til et punkt hvor vi gerne ville gøre det. Bare for at sætte det eksempel. Prøv at hør - we mean business. Men, så kom de tilbage.

15.6 Interview with buy-side respondent 3

Interviewer: Hvor lange tid har du været i industrien?

Buy-side respondent 3: Det har jeg været i 12-13 år. Hvor jeg har arbejdet som porteføljemananger på danske aktier.

Interviewer: Hvordan kan det været du har valgt danske aktier?

Buy-side respondent 3: I bund og grund tilfældigheder, det var dér jeg fik et job.

Interviewer: Hvordan du første gang begyndte at addressere MIFID II i dit arbejde.

Buy-side respondent 3: I løbet af efteråret 17, for alvor. Det er noget, der har ligge som, sådan lidt et ukendt dyr i lang tid. og igennem lang tid har man talt om at adskille trading fra research. Det blir konkret efter sommerferien 17. Man har vist at det kom i januar 18. Jeg har jo ikke haft en chef ansvar, så derfor har jeg forsøgt at holde mig væk fra det personlig. Fordi jeg kunne se det gav nogle problemer. Så jeg begyndte at danne en personlig relation til det i efteråret 17.

Interviewer: Hvad bar dit første håndsindtryk af MiFID?

Buy-side respondent 3: For jeg har arbejdet med adskilte trading positioner og PM teams, så det vil sige at i den daglige berøring med vores modparter, der har vi i forvejen skilt det ad. Og det gør at den adskillelse af hvad man betaler for trading og research, det var en adskillelse man sagtens kunne håndtere. Så det var ikke det der betød noget. Og det er først at det bliver relevant for mig så relativt sent. Hvis man havde siddet som PM, der selv har tradet, så tror jeg det ville have været anderledes. Det er det ikke adskillelsen, der har givet de største problemer overhovedet.

Interviewer: Hvad er det så, der har været den største udfording?

Buy-side respondent 3: Det er at man har skulle prisfastsætte research, og finde ud af hvad man vil betale for det. Og så også at der lige pludselig kommer et budget som vi skal forholde os til, omkring hvordan vi vil bruge vores modparter.

Interviewer: Hvad har i gjort i forhold til at prisætte det?

Buy-side respondent 3: Man har gået ind og sagt - hvad har vi betalt? Tidlgiere har der jo været en model hvor vi halvårligt, har lavet en broker evaluering, hvor vi har bestemt vores fordeling af kurtage

for det næste halve år. Så har trading fordelt vores handler efter det. Og så har det været mere eller mindre diskretionære forhandlinger om hvor meget vi betaler for at handle. Og det er så i gennemsnit ca. 10 basispunkter. Hvor meget vi så er endt op med at betale, har så været en residual i sidste ende. Og så har vi så kigget på hvor meget vi har betalt, x antal millioner om året har man så kunne bryde op på de for enkelte forretningsområder og på de enkelte teams, hvad vi har betalt for research. Så har vi kunne se hvad koster trading reelt set og lavet det som en residual. Præcis hvordan den er blevet prisfastsat, er jeg ikke klar over, for det har jeg holdt mig fuldstændig udenfor. Jeg kan forestille mig at man har lavet nogle analyser, hvor hvis man bare handler, så kan man måske handle for 1-2 basispunkter. Og så har man brugt det til ud fra en analyse at sige, at den andel på 100 der er her, så er de 30 af dem dét, der vil være en vurdering af handelsomkostningerne. Og så kommer der en residual og det er hvad vi har betalt for research historisk set. Jeg har et indtryk af at vores betaling var ca. 1/3 var trading og 2/3 var reserach cost - i runde tal. Og ud fra det havde vi så vores research budget, hvorfra vi kan forhandle med de mæglere, som vi har lyst til at modtage research fra med det her budget. Og så er der jo foregået den samme øvelse på den anden side, hvor de også skulle skille det ad. Og for dem har det jo mere været en cost øvelse omkring hvad det koster at producere research for dem. Der kom det jo så i løbet af efteråret at, dét her, det er hvad vi har lyst til at betale og det er dét her som mægler forventede at de skulle have for det. Og det virkede fuldstændig nonsens, det som de kom med til at starte med. Og der er det jo også et spørgsmål for at prisfastsætte deres research, og dermed har det måske været e forhandlings oplæg, end det har været noget andet. Og der er i hvert fald en ting der var sikker for os, vi sagde at vi kommer ikke til at betale mere for research, fordi vi skiller det ad nu. Og det var jo faktisk hvad sell-side lagde op til - at vi skulle til at betale mere for research. Det der så sker som en anden konsekvens af MifiD-. hvor det her for alvor begynder at blive vanskeligt for os. Det er hvordan man fra kapitalforvalters side overfor vores kunder. 1 ting er jo at ifm. Mifid at man skal kunne specificere omkostninger ud som man pålægger kunderne, dvs. du skal kunne fortælle kunderne hvor meget de betaler i rene handelsomkostninger, og hvor meget i research og admin, depot håndtering og alt muligt andet. Så kan man sige hvis man ser det oppe fra og ned, så kan man sige at vi laver intern research og samtidig betaler vi noget for ekstern research. Og som kunde vil man sige: "hallo hvorfor skal jeg betale for det? I fortæller mig at jeg skal være kunde hos jer fordi i er gode til at lave intern research, men samtidigt skal jeg så betale for ekstern research? Det forstår jeg ikke helt". Problemet med det er at industrien er blevet skramt af det møde med kunden, fordi de har jo alle dage betalt for ekstern research. Og det er jo en del af det reserach vi laver. Og der har industrien ikke turde, at argumentere for at den eksterne research skaber værdi. Og det ender ud

med at ekstern research det tør man ikke at sende videre til kunderne. Og det er jo klart at de 2/3 man har tilbage, dem har man to muligheder med. For i bund og grund er det ganske få basispunkter det drejer sig om og det er noget som de har betalt i forvejen. Det er det som er lidt mærkeligt ved det. Men der vælger man så over en bred kam, med nordea i spidsen og sige, at vi æder selv den research regning. Og der ændre spillepladen sig for os. Når Nordea som vores største konkurrent, siger at de selv spiser den regning, så er der grænser for hvad vi kan gøre. Derfor melder vi også ud og siger at den regning, den bliver ikke væltet over på kunderne, de 2/3 altså. Så kan man vælget at håndtere det på 2 måder som kapitalforvalter. Så bliver vi nød til at spare nogle omkostninger, fordi vi skal ende ud med den samme indtjening, eller man kan vælget at sige at den tager vi som en del af vores omkostninger. Og så går forhandlingerne igang, for de 2/3 som vi før har væltet over på kunderne og hvor stor er vi så villig til at den pulje skal være fremadrettet?

Interviewer: Hvornår skete det her?

Buy-side respondent 3: November måned. Men vi var jo igang på det tidspunkt med at forhandle med vores modparter. Hvad synes de research skal koste og hvad synes vi at vi vil betale ud fra vores budget. Og da nordea vælger ikke at sende omkostningerne videre til kunderne, så kan vi jo vælge at sige, at det ikke rører ved vores budget, også skal vi overveje hvilken betydning det får for budgetttet. Og dér kan jeg sige at det får ret store konsekvenser for det budget vi har at gøre med. Og det er en ledelsesbeslutning fra et meget højt niveau, hvor man kigger på budgettet og siger at hvis det nu var 2/3 af 100 før, så er det blevet et beløb, der er meget meget mindre. Mit indtryk er at vi i xx, er nogle af dem, der er gået aller længst, i forhold til at sige, prøv at hør, det her for markante effekter på vores budget. Og det kan jeg mærke har fået konsekvenser for hvordan vi agere overfor vores modpart, altså sell-side. Hos xx har vi førhen haft en aftale med 6 børsmæglere på vores liste, og der har den ene af dem har vi ikke tildelt ret meget, fordi vi ikke synes vi har fået voldsom god service. Og vi var klar allerede inden, da budgettet blicer lavere, at vi nok skal skære ned til at bruge 5 i stedet for 6. Det næste blir at nu i stedet for at betale on the go, så er stort set alle på sell-side gået ud og lave sådan en loyalitetsprogram med pakke løsninger med platin, guld og sølv. Så kan vi se at med de priser de begynder at stille, selvom de begynder at blive nedjusteret, så vil vores budget gøre, at hvis vi har 5 indenfor landets grænser, så kan vi vælge at få adgang hos dem alle sammen, men så ender vi på noget der i bedste fald er sådan noget sølvkunde niveau. Hvor vi har været vant til at være platin kunde alle steder, fordi vi er den [størrelse] i landet, det er kun ATP, der er større end os. Og jeg tror faktisk vores handelsomkostninge rer større end ATP, så på den måde har vi været den bedste kunde

mange steder. og vi står i en situation, hvor vi stadigvæk vil være en af de største kunder målt på handelsomkostninger, men det blir nu ovre i trading cost at den ligger, så det vil sige at vores adgang til research bliver på et lavere niveau en vi har haft før.

Interviewer: Har i oplevet at nogle af børsmæglerne som er blevet valgt fra pga det her har prøvet at få jer ind og omgå mifid, fordi de er klar og den forretning som i potentielt ligger hos dem?

Buy-side respondent 3: Der er jo nogle vi har været nød til at vælge fra. Det vi gerne ville undgå var at have én. Vi havde forskellige løsningsmuligheder. Vi kunne vælge at sige at vi har 5 på sølv niveau. eller vælge at have én på et top og så resten på under sølv niveau. I bund og grund var der ikke noget af det der var særlig godt. For vi kunne ikke være sikre på at den vi vælger at have som vores top, er den, der leverer det bedste research. Det kan sagtens være at der er en af de andre udbydere, der levere noget research, som vil være value added for os. Det næste der så sker når vi ender med at skulle forhandle det på plads, så er der også meget forskellige tilgange til hvordan børsmæglerne vælger at gå til det. Hvis vi har sølv med en, guld med en anden osv., så er der meget stor forskel på hvor pragmatiske de er. Der er nogle der siger at vi så går fra at være nr. 1 kunde til at være nr. 10 kunde, men at det her er relationship og people business, og at vi stadigvæk vil blive serviceret. Hvor der er andre der siger at det i har købt det er det i får, og hvor i før stod øverst på vores ringeliste, så står nu der hvor sølvpakken den er. Og det kan man godt mærke en konsekvens af. Det har vi kunne mærke. Så er der nogle, der er faldet helt væk. hvis vi nu tager de 6 største, så er der nogle, der på grund af vores relationer i andre lande, at vi får en read only adgang. Jeg har ikke oplevet nogen, der har forsøgt at breache det. Fordi hvis man ser på hvad der er sat på internt af compliance forhold, så er det overfor os blevet gjort klart, at der er inducement, hvis der er det mindste, og selvom der er en 20 dages brace periode, til at få rettet tingene ind, så føler jeg at der er en meget stor forståelse på begge sider omkring at der er en linje, som man ikke skal udfordre. Det der er udfordringen for de børsmæglere, der er røget helt ud, det er at de ville gå meget langt for at lave den her read only aftale. Fordi de sagde at hvis vi ikke har den så har vi ikke nogen chance for at komme tilbage til jer, for hvis vi ikke må ringe til jer og i ikke må læse, hvordan skal vi så have en chance for at komme på lystavlen igen? Så kan det godt være man kan indføre en 3 mdr. trial periode, men hvordan skal jeg argumentere for at hvis jeg ikke har hørt fra dem her i et halvt år, at de skal ind igen? selvom jeg kender dem fra tidligere så er det svært. Det har betydet for at dem der er blevet sorteret fra, vil gøre rigtig meget for at give read only adgang for et meget lille symbolsk beløb - og det er jo det næste problem - der må ikke betales symbolske beløb. Så der skal rent faktisk være en betaling, der går fra vores budget. Så jeg føler ikke

at der er nogle, der har forsøgt at omgås det. Men jeg kan klart mærke, at med den tilgang vi har haft, det har også haft konsekvenser for den servicering som vi får.

Interviewer: Har du personligt haft en rolle ift at blive compliant med MiFID?

Buy-side respondent 3: Der har kørt nogle processer, og der har været forskellige workshops og der har været forskellige orienteringer omkring hvad de forskellige element betyder. Der er blevet givet eksempler på hvad inducement vil være i forskellige situationer. Det bedste eksempel er hvis du har en modpart, der er off, men det er en du har kendt i mange år, og du er til et offenligt event, fx en kapitalmarkedsdag, hvor du i en pause fx taler med eller sidder ved siden af den her analytike, som du har kendt i mange år, og du sidder og taler med ham under sådan et event, hvor du ikke kan undgås at tale om mærsk hvis det er mærsks kapitalmarkedsdag, og det ikke kan undgås at der tales om holdninger på begge sider. Er der så tale om inducement? Og der er mit indtryk at udover det er danske banks holdning, at man virkelig går med livrem og seller, og derfor kan man mærke at compliance står og ånder en i nakken. Men der har man sagt at hvis ting foregår i det offentlige rum, så er det ikke research og så er det ikke inducement. Det er i hvert fald sådan man har gjort her i huset. Hvis det så er read-only, så er det read-only - ingen kommunikation. Jeg har også oplevet at udenlandske mæglere, har lavet en voice blast, hvor der bliver indtalt et budskab omkring en analyse og sender det ud. Det er jo en eller anden form for dialog fordi det er noget han har talt. Men så længere der ikke er mulighed for at diskutere, så er det bare skreven. Så længe der ikke er mulighed for at have en dialog, så er det ikke en grænseflade.

Interviewer: Vil du sige at i under- eller overvurderet omfanget ift undbundling af equity reserach og trading?

Buy-side respondent 3: Ift den effekt det vil have, så tror jeg ikke vi har overvurderet eller undervurderet det. Det der er det store element, det er vores budget, og den konsekvens det har haft. Det er dét, som vi har undervurderet, de konsekvenserne der har været pga budgettet. Og det er jo egentlig en ledelsesmæssig beslutning fra vores side. Jeg synes generelt at mæglerne har været gode at tage det here forholdsvis pragmatisk. Og vi havde mange snakke i løbet af december med vores modparter hvor vi glædet os til at komme over på den anden side til den nye verden. Telefonen er måske lidt mere stille end den har været, og det er måske der hvor vi kan mærke det. Men det tror jeg mere er en konsekvens af vores budget og hvor mange penge vi nu engang ligger, ift at det er en konsekvens af den nye lovgivning

Interviewer: Hvordan vurderede i kvalitet af aktieanalyse før mifid?

Buy-side respondent 3: ud fra 3 elementer i bund og grund og den model jeg havde i XX var nogenlunde den samme. Selv research arbejdet og det der er rund om research og dialogen om research. eller, det skrevene produkt, dialogen, og så eventsiden. Hvor det klar er research delen der har været den tungeste og vægtet mest. Så er der forskel på hvad man som PM vægter mest, det skrevne produkt eller dialog. For mit vedkomne er det en god blanding. Indenfor det skrevne er der også det element at du hele tiden skal være på bolden, når der kommer et regnskab ud skal der være et preview, review osv. og så er de hurtig en mølle hvor du kan få skrevet en masse hvis du dækker 10 selskaber. Problemet med et review som kommer ud efter regnskabet er, at hvis man har haft et møde med selskabet, så er den note irrellevant. Og det der gir mening er hvis der er noget dybdegående research, der kan være markedsresearch eller et specifikt selskab indenfor et forretningsområde, som er linket til det, der er linket til de aktuelle tal, men sætter sig udover dét. Og det synes jeg at der har været mindre og mindre af over årene. Og det kan selvfølgelig være fordi budgetterne er blevet presset. Generelt er det en branche hvor børsmæglerne har haft svært ved at tjene penge. Men der er tendenser hvor det lidt for meget bliver en pølsemaskine der bare køber, hvor det er fint og godt men ikke mere end det. Der kan godt være langt imellem at man får noget hvorfor man siger aha - der var der noget som gør en forskel.

Interviewer: Hvordan lavede i de her vurderinger? havde i et inter program?

Buy-side respondent 3: Ja vi havde en intern model, hvor vi ud fra hvert enkelt selskab vurderede på forskellige parametre på tværs af børsmæglere og summere det op til sidst for at få den her fordeling

Interviewer: Før mifid, regisrrede i så jeres forbrug af aktieanalyse?

Buy-side respondent 3: Ikke eksplicit. Problemet, som stadigvæk er en udfordring, det er at det stadigvæk er svært at registrere ens forbrug, fordi man får det fra mange forskellige kilder. Hvis jeg ser på hvor jeg får mit reserach fra, så har jeg min email inboks og fra bloomberg, hvor jeg kan hente tingene fra. Og det er lidt tilfældigt om det er det ene eller det andet sted, men det blir mere og mere bloomberg. Selvom nogle gange er det nemmere at søge i outlook, fordi der er ting, der ikke kommer i bloombergs database. Så nej, vi har ikke registreret vores frobrug af reserach. Og det jeg ville være rigtig ked af, fremadrettet, det er hvis det her bliver en kvantitetsspørgsmål, at fordi man har modtaget

eller læst så og så mange eller åbnet så og så mange research pieces fra dem her, så skal det være dem man skal brug så og så meget fra dem. Fordi det her er et kvalitetsspørgsmål og ikke et kvantitetsspørgsmål. Vi har selvfølgelig søgt at sætte så objektive kriterier op, og vurdere ud fra de samme kritereier på tværs af mæglere, men når det er sagt, så er det 100% subjektivt når det kommer til stykket.

Interviewer: Så den vurdering i havde før, der lå et implicit kvalitetsspørgsmål?

Buy-side respondent 3: Fuldstændig

Interviewer: Hvordan er jeres nuværende setup ift compliance med MiFID?

Buy-side respondent 3: Vi har rimelig stringente krav omkring compliance, ift. hvem vi må tale med, hvem vi ikke må tale med og hvad vi må og ikke må modtage. Som PM er det rimelig klart. Det er dog været relativt tungt at få sat det op. Specielt på de udenlandske børsmæglere, at sige dem op. Det er enormt granulært. Hvis vi siger at vi sidder 30 PM på aktier, og så siger at ved fx. bank of america, der har 10 adgang til dialog og 10 har read-only og 10 har ikke noget. Hvis man forestiller sig den store maskine det er hos bank of amerika at få det segmenteret ud på hvert enkelte. Vi har fx 3 udenlandske huse hvor vi kun har read-only på. Den dialog jeg hele tiden har talt om, det har været de danske. Vi sagde at vi også meget gerne ville have adgang til de udenlandske, men vi har så 3 hvor vi kun har read-only. Før har man bare skrevet til Deutche Bank: kan jeg ikke lige komme på jeres distributionsliste ift hvad I skriver om Danske selskaber. Typisk har dette være igennem bloomberg. Hvis jeg går ind og ser hvad der er af analyse på Vestas, så vil der på nuværende tidspunkt være udenlandske analyser som jeg kan se, men ikke har adgang til. Det er der som sådan ikke noget problem med, men i og med jeg også ved at det er fordi at da man fandt ud af fra compliance side her i huset, at man skal registrerer det, så ved jeg at det er noget som man på en eller anden måde kan gøre i bloomberg. De kan fx. se hvis jeg har hentet 10 analyser fra deutche, som jeg ikke har adgang til, så får jeg formentlig problemer. Så jeg ved godt hvad jeg ikke må åbne, men omvendt har det taget lang tid at få sat op.

Interviewer: Så i bruger en bloomberg løsning, men har også noget internt, der registrerer?

Buy-side respondent 3: Ja, men samtidigt har jeg også nogle analyser, der ticker ind i min inbox, så der er ikke sat noget eksplicit op, fra vores side til at registrerer på tværs af kanaler, vores forbrug af research. Og det tror jeg simpelthen er et spørgsmål op, at hvis man så hvor langt op til datoen at folk

var om at få aftalerne på plads, så har man bare tænkt omkring det her, at det må man tage down-the-road. Og hvor man måske havde håbet på at 20. januar, så havde man ligesom løst det. Men der må man sige at det administrative, det har man ikke leveret på. Og den front har der været stille på, og jeg tror simpelthen at den administrative ikke er komme igennem endnu.

Interviewer: Hvad ligger der til grund for at i har valgt at beholde de udenlandske med read-only. Er der noget, som er value-added for jeres arbejde?

Buy-side respondent 3: Jeg mener helt klart, at hvis man sidder på danske aktier og kun har research input fra danske mæglere, så mangler man en vigtig informationskilde. Og det skyldes at de danske analytikere, hvis vi nu bruger Carlsberg som eksempel, så er det danske analytikere helt klart dem som ved mest om Carlsberg i dybden. Men det er spørgsmålet om træerne og skoven, for det kan godt være at de ved nøjaftigt at når der sker noget i valby, så ved de det på dagen - måske også dagen før. Til gengæld, så misser de det store brede billede om hvad der sker i den globale bryggeriindustry. dvs i nogle tilfælde og perioder, så er det bottom-up detaildrevet som driver en aktie og måske i endnu flere tilfælde, så er det det store makro industribillede, som driver den her aktie. Og det kan de lokale mæglere have svært ved at fange. Og det vil man kunne få ved at du har nogle, der ikke dækker andet en Carlsberg, Heineken osv. på et globalt plan. Og det har været min tilgang hele vejen, at det vil være en stor stor fejl, hvis man ikke har adgang til de udenlandske analyser. Der har vi jo så 3 gange read only, hvor vi kan nasse lidt på de udenlandske PMeres budget. Vi har jo så vurderet hvem vil vi helst have og så har vi haft ønsker. Og så har vi på et tidspunkt fået af vide at I får read-only fra de her 3.

Interviewer: Hvilke slags interaktioner kan i registre på research?

Buy-side respondent 3: Der er jo dels det skrevne materiale, og der har jeg 2 kilder, bloomberg og mail. Så er der dialog, hvor man tidligere i evalueringerne skælnede mellem en sales dialog og en research dialog. Nu er alt research. Og så er der stadigvæk en event del. Og det er de 3.

Interviewer: Blir samtaler registret?

Buy-side respondent 3: Nej, og det er der heller ikke et krav om endnu. Hvis vi brugte vores gamle borker evalueringsmolde, så burde man måske gøre det. Jeg registrerer alle events og rater dem ud fra en eller anden model. Hvis det er en 1 dags roadtrip, så er det større kvalitets end mindre events.

Men det er klart på dialogen, der er problemet at hvis vi skulle registrer alt det og rate hver eneste kald, hvor skulle vi så kunne lave PM arbejde?

Interviewer: Efter MiFID, har processen omkring hvordan i vurderet ændret sig?

Buy-side respondent 3: Det står hen i den uvisse endnu. Vi lavede faktisk ikke en for 2. halvår 2017, fordi vi ikke viste hvordan verden kommer til at se ud efter. Nu hvor vi har forskellige services til forskellige priser bliver vi jo nød til at vurderer det for at se om priserne afspejler den kvalitet vi får. Når vi nærmer os sommerferien, så skal vi finde ud af det. Om det bliver den gamle måde eller om det skal være en ny version, som er mere kvantitativt. Vi har bare ikke datagrundlaget til at lave en kvantitativ model. Men vi skal have lavet en eller anden vurdering

Interviewer: Blir det halvårligt?

Buy-side respondent 3: Det ved jeg faktisk ikke. Det har det jo været. I ATP blev vi nød til at gøre det på 1år, men det blev for lang tid. Fordi det der er foregået for 10 mdr. siden, det er altså rigtig lang tid siden.

Interviewer: Blir det en ekstern eller intern løsning tror du?

Buy-side respondent 3: Det ved jeg faktisk ikke. Jeg synes det kunne give mening at få nogle eksterne redskaber til hjælp, men jeg har svært ved at forestille mig at der skulle være et eksternt værktøj, som kunne gøre det nemt nok. Det ville jeg alle dage argumentere for, da man skal have noget kvalitativt ind over.

Interviewer: Hvilke parametre er det du vægter som værende de vigtigste parametre?

Buy-side respondent 3: Det er et spørgsmål om det skrevne materiale. Er det velargumenteret? Hvordan er det timingsmæssigt? Er den der når jeg skal bruge den? Den dialog man har rundt om den, er det så value added? eller gennemgår han har sin research som jeg selv kunne have læst? Det er den dialog, der er. Fortæller han bare om hvad han har skrevet, eller er der en sales, som reflektere over hvad analytikeren ser, tør han så selv have nogle holdninger til noget andet. Det jeg får allermest ud af er en analytiker/sales, som har en anden holdning end den jeg selv har. Jeg får ikke noget ud af at blive bekræftet - det er meget rart. Men når de kan argumentere for hvorfor de er uenige, så sætter det noget tankekræft igang. Hvor er det at man får en opfattelse af det her, så bliver det subjektive element vigtigt. Det er faktisk sjovt når man laver den halvårlige, så har man det faktisk ret klar i

hukommelsen hvor man har nogle observationer omkring en special kant eller analyse som sidder fast stadigvæk. Så kan der være analytikere, som man har talt mere med, men man kan ikke huske hvad man talte med ham om. Det er derfor meget kvalitativt, og det kan komme i alle mulige former

Interviewer 1: Og du synes at denne her dybdegående analyse, den er der kommet mindre af?

Buy-side respondent 3: Ja, det synes jeg. Over en periode, det er ikke nødvendigvis noget, der har noget med MiFID at gøre. Vi kan mærke at dialogen er blevet mindre. Og vi er nervøse for om vi misser noget. Det kan godt være en analytiker har skrevet en rapport som vi så kan læse, men når vi så taler med har, så kan vi høre at der er andre ting bagved, som måske ikke lige er i det skrevne. Og det kan vi mærke måske er noget som er et resultat af vores budget, der gør at vi er rykket ned og måske ikke får den her dialog

Interviewer: Hvordan er kvaliteten af den dybdegående research hos de enkelte? Ville du overveje at rykke nogle omkostninger væk fra anlysehusene fra nogle som er meget brede, til nogle som er meget specifikke?

Buy-side respondent 3: Jeg tror at det her (MiFID) fører til at der kommer færre huse i danmark. Og det er ikke nødvendigvis godt, for det er også et spørgsmål om at have diversifiteten. Hvis vi tager Nordea, så laver de deres research meget skematisk og meget pølsemaskine agtigt. fx. en halv time efter der er noget ude, så skal der være noget ude. Og senest 5 handelsdage før skal der være et preview. I den anden bane har du carnegie i den anden bane, som er meget temafokuseret. Som ikke går så meget op i at have noget ude dagen efter på sammen måde. Og jeg vil faktisk heller foretrække den model. Problemet er bare at hvis der kun bliver skrevet noget hver halve år, som til gengæld er dybt, hvis du så fx er igang med noeget på et selskab, så kan der gå et halvt år siden der er skrevet noget. For så er du ikke sikker på at de estimater de har er opdateret, og så mister du validiteten på det her. Jeg vil gerne have begge dele derfor, og hvis det hele ender ud i 2 steder som kun er meget dybdegående eller 2 steder som er meget hurtige kun, så kan jeg ikke rigtigt bruge noget andet. Men det er også meget personafhængigt. Og hvis man tænker det meget langt ud, så kunne man godt forestille sig at man tager de 5 bedste analytikere i københavn, så sætter de sig ned i peters garage og så laver de deres eget analytikerhus. Den model kunne jeg sagtens forestille mig. Der er self nogle omkostninger ved at de skal have adgang til nogle databaser, men den forretningsmodel kunne jeg sagtens forestille mig. Specielt fordi det nu bliver adskilt med MiFID. Men det tror jeg er for tidligt endnu at sige.

Interviewer: Er antallet af ER providers som i bruger blevet større eller mindre?

Buy-side respondent 3: Vi bruger færre. Der er nok røget nogle. I Danmark er vi gået fra 6 til 4 på fuld service og så en med read-only. I Udlandet har vi fået en kraftig reduktion, fordi før kunne vi tappe ind på den anden account, og nu har vi 3 hvor vi har read-only. Og så tror jeg den store forskel ligger ved pensionskasser, fordi de ikke skal rapportere deres reserach cost. Self skal de skille det ad, men de har ikke nogle kunder, som de skal fortælle hvad de bruger på det ene og det andet. Og dermed er der mange pensionskasser, der ser det som en kærkommen lejlighed for at reducere deres omkostninger. Og så tror jeg de har valgt at læne sig tilbage og se på forhandlingerne i ultimo 2017 hvor de kan se at priserne går ned - det vil de jo gerne være en del af. De kan få sammen service til en lavere pris. Nu, efter MiFID. Det gør at der af en assymmetri i betydningen, afhængigt om du er pensionskasse eller kapitalforvalter ift. din aggering overfor børsmægler.

Interviewer: Har i brugt jeres gamle broker rating til at lave ønsker af hvilke ER providers i ønsker?

Buy-side respondent 3: Vi har ikke eksplicit lavet en analyse af de udenlandske. Kun på den danske mæglere. Også fordi vi i gamle dage, har kunne tappe ind i det som de udenlandske PMere havde. Før var der jo fri adgang til at alting, og nu er der meget begrænset adgang. Vi har så lavet en liste med ønsker som og så har vi fået af vide at det er 3 som vi har fået read-only adgang til

Interviewer: Har i rykket mere analyse in-house, eller bruger i mindre udefra?

Buy-side respondent 3: I vores team har vi ikke lavet mere in-house. Og lige nu har vi ikke nogen udenlandsk arktiechef. Han stoppede i slutningen af året. Om der så kommer mere in house research - det vil jeg tro bliver en konsekvens. Og det tror jeg er en konsekvens af MiFID. Og det flagrer en lille smule hvordan det kommer til at ske. Men indtil videre har det ikke haft konsekvenser for os. Men generelt så tror jeg at der kommer mere in-house research

Interviewer: Har dit arbejde ændret sig som følge af MiFID?

Buy-side respondent 3: Færre opkald på telefonerne, men ellers er der ikke noget som har ændret sig fundamentalt. Jeg bruger research til det samme som jeg gjorder før MiFID, så på den måde har det ikke ændret sig. Jeg tror måske også grunden til at der ikke er sket mere, er fordi vi har valgt at sluge omkostningerne selv, for det betyder jo også at vi ikke har de samme dokumentationskrav

overfor kunderne, og dermed skal vi ikke registrere ligesom meget om vores forbrug af equity research.

Interviewer: Er der andre måder hvorpå MiFID har bragt nogle fordele med sig? Givet jer nogle muligheder?

Buy-side respondent 3: Jeg kan godt blive lidt bekymret for kapitalforvaltningsindustrien som sådan. Fordi hvis du tager en mindre pensionskasse, som har outsourcet eller en asset owner der har outsourcet sin forvaltning. Så har de jo førhen betalt deres fee gladeligt. Og fordi det nu bliver specificeret ud, så kunne jeg forestille mig at der er en masse CFO hos asset owners, der tænker at hvis jeg ser på hvad det koster for dem vi har det til at gøre, kontra hvad jeg selv kan gøre det for. Så kan man sige, hvad er det så for et regnestykke de kommer frem til. Medmindre man kan presse de her omkostningerne. Jeg tror der kommer et kæmpe pres på fees. Så hvis ikke kapitalforvalterne formår at tilpasse fees, så tror jeg det ryger tilbage således at der kommer til at være flere asset owners som bliver aktive. Og så bliver man en lille smule fanget, som kapitalforvalter, hvor enten skal man sætte priserne ned, eller også så mister man sin business. Og det er måske fordi man har levet lidt for godt.

Interviewer: Blir det her pres sendt videre til børsmæglerne?

Buy-side respondent 3: Jo helt bestemt. Det er jo klart for de lever i sidste ende af den fee som vi genererer. Og derfor tror jeg vi ender ud i en konsolidering hvor det bliver samlet på færre hænder. Og det er fordi industrien historisk set har haft det for godt.

Interviewer: Vurdere i jeres interne research med et setup?

Buy-side respondent 3: nej vi har ikke et setup hvor vi internt har adskilt intern resarch og PM arbejde. På danske aktier er vores setup at det er fuldstændig smeltet sammen. På udenlandske aktier sidder der nogle som har har titelen analyst, men selv de som er senior PMs og leads på forskellige produkter, de har typisk en research ansvar på fx financials eller utilities, så det kører integreret og derfor vil det være umuligt at vurdere kvaliteten af vores interne research.

Interviewer: Så den research du laver bruger du næsten kun selv?

Buy-side respondent 3: Ja de analyser jeg laver bruger jeg selv. Alle har adgang og kan gå ind og se mine modeller, så hvis en af vores hedge fond er interesseret i en model jeg har lavet så kan de gå ind

og se den. Så der er ikke en regel, der siger at vi skal lave vores modeller i et specifikt framework. Jeg har jo svært ved at bruge andre folks framework, for det kan være svært at forstå hvordan det er bygget op nedefra. Det ville kræve at det skal standardiseres mere end det er nu.

15.7 Interview with buy-side respondent 4

Interviewer: Hvad er din uddannelsesmæssige baggrund?

Buy-side respondent 4: Jeg er student og har læst på handelshøjsskolen og har en HD 2. del i organisation og ledelse og så en masse interne kurser indenfor det område jeg arbejder, men også ledelsesmæssigt. Jeg har været i den finansielle branche altid, men er eksamineret assurandør, regnskabsuddannet, certificeret pensionsrådiger, har haft med hele formueområdet at gøre i mange år, og inden jeg kom til handelsbanken, var jeg chef for private banking i region sjælland i XX. Så har jeg været i XX formueforvalting i København. Og har rådgivet meget formuetunge kunder i skatteoptimering. Ikke så udskældt, men mere optimering i forhold til danske regler. Men også nogle gange ift strukturer på holdingselskaber, generationsskifte osv. 20 år indenfor formuepleje industrien

Interviewer: Hvordan eller hvordan begyndte i første gang at addressere MiFID II?

Buy-side respondent 4: Nok ikke lige da det kom frem. Det der hurtigt blev lavet var en arbejdsgruppe af store stærke interessenter, lovgivning, brancheforening og det vi egentlig gjorder til at starte med var at siddeløbende at gøre os nogle overvejelser omkring hvilken retning det ville gå i. Og ellers ville vi afvente den rapport. Det ville ikke give mening at forsøge at gå ind vej, for at finde ud af at det var forkert. Så vi afventede den rapport

Interviewer: Hvad var din personlige oplevelse ift undbundling af equity research

Buy-side respondent 4: I helikopter perspektiv, så er der jo 2 overordnede målsætninger, 1) beskyttelse af forbruger og investor og 2) gennemsigtighed. Jeg hilser gennemsigtighed velkommen. Vi har ikke noget at skjule, så det er fint at tingenen bliver lagt frem. Så kan man altid diskutere hvor meget gavn det giver i den sidste ende. På den lange bane bliver det i hvert fald nemmere at sammenligne produkter, når der kommer nogle ens rammer for hvilke områder man bliver målt på, og hvordan man skal rapportere de her omkostninger. Den anden side af det er det her unbundling hvor det med at blande kurtage og køb af analyser sammen i et sæt nu er skilt ad. Der er vi egentlig langt foran, da vi tog hul på det for 2 år siden. Så det er ikke noget nyt på det område. En del af koncernen, der har sådan en konservativ approach til mange områder sagde at vi ikke behøver at vente til sidste øjeblik, men vil gerne implementere det på så hurtigt som muligt og på en ordenlig måde. Det tog man hånd om i XX og så gjorde vi det så også her.

Interviewer: Hvordan har i gjort det før markedet?

Buy-side respondent 4: I XX hvor en del af vores PMs sidder og sidder som managere på nogle svenske fonde, der fik man hurtigt prissat hvad analysen kostede, så når man købte analyse, så vidste man præcis hvor meget det kostede, og så poolede man de samlede omkostninger dér, og så blev de egentlig fordelt ift formue kroner. Man kan også diskutere om det skulle fordeles på andre måder, men det valgte man ikke at gøre. Så vi vidste at hvad vi betalte i den rene kurtage, så vi gik fra at betale 20 basispoint til 2 basispoint og så skulle vi så betale analysen ved siden af.

Interviewer: Hvordan vurderede i aktieanalyse fra de enkelte udbydere?

Buy-side respondent 4: Nu kommer vi ned i en detaljeringsgrad hvor jeg ikke er hands-on i det daglige. Vi sourcer den del så, så længe de levere performance, så går vi ikke så meget op i hvad de køber af analyser eller hvor de køber fra så længe de skaber performance. Fra vores afdeling Danmark hvor forvalteren sidder her i Kbh, der har de brugt og købt på danske aktier analyser fra XX,XX og XX. og mit indtryk er at det vil de forsat gøre.

Interviewer: Har du et indtryk af at de bruger den samme mængde af udbydere og har den samme adgang?

Buy-side respondent 4: Hvis vi spoler 2 år tilbage, så fortsatte vi med at det var investor, der betale for de her analyser direkte, så den her unbundling blev bare specificeret kan man sige, imellem ren kurtage og analyse omkostning. Det der så er blevet taget beslutning om i december, det er at investor ikke betaler det direkte, men at det er asset management, der selv afholder de omkostninger, der er forbundet med det. Så det er ikke længere en del af vores, men en del af asset management. Hvis du sammenligner det, så tror jeg ikke det er blevet billigere, men det har måske givet anledning til at man laver større aftaler med den enkelte provider af research, end med en hel række. Det kan jo godt være at både XX,XX og XXX alle laver analyser på Novo Nordisk, at man så vælger kun at have 2 i stedet for 3. Ellers bliver det for dyrt hvis de alle skal have penge for at analysere det samme. Og så har journalister det jo med, på vores område, at læne sig op ad morningstar stjerner, og det er også en del af vores, men det er ikke det vigtigste. Vi sammenligner på månedlig basis, ligesom vores konkurrenter, og vi sammenligner mod benchmark. Benchmark er jo en underfundig størrelse, fordi PM har et stort ønske om lige præcis i dét år at have det benchmark, der ligner deres portefølje bedst, og hvor de kan outperforme dét benchmark. Vi gider ikke at jonglere rundt i benchmarks. Det er der nogle af vores konkurrenter der gør, men det synes vi ikke duer. Så vi sammenligner meget ift konkurrenterne både på omkostninger og på performance.

Interviewer: Hvordan rangerer i de forskellige udbydere af det analyse i får?

Buy-side respondent 4: Det er AM, der står med det.

Interviewer: Har i ikke oplevet en ændring i jeres arbejdesgange som følge af MiFID II?

Buy-side respondent 4: Ikke i frohold til undbundling. I virkeligheden skal vi til i løbet af ganske kort tid til at lave en ny aftale med AM, fordi de jo har fået nogle omkostninger, som de ikke har haft før. Så det kan godt være at de skal have et par basispunkter mere. Men inden det sker, så checker vi også lige hvad andre gør i det her marked. Det er bedre at stikke ud positivt, end negativt. Vi vil gerne være under radaren, vi gider ikke at skrue på knapper og bliver bemærket på den måde

Interviewer: Er det overordnede budget for aktieanalyse steget eller faldet?

Buy-side respondent 4: Det er jo svært at fortælle, fordi tidligere har man ikke haft kendskab til hvad analysen kostede, eller i et vist omfang kunne man regne sig frem til det. Hvis man siger at kurtage er 2 basispunkter og man har betalt 20, så har man jo betalt 18 for analysen. Men man skal også huske at den forvalter som vi har til at tage sig af vores fond, er ikke ekslusiv for os, for så kunne han ligeså godt være ansat hos os. De rådgiver også andre porteføljer fx en pensionskasse eller en anden investeringsforening, men det har jeg ikke kendskab til at de gør.

Interviewer: Hvordan betaler i for jeres PM's?

Buy-side respondent 4: For os er der lavet en samlet aftale med XX, der for fuld betaling for alle vores afdelinger. Det kan man se i vores porspekt på hjemmesiden.

Interviewer: Hvorfor er i så åbne?

Buy-side respondent 4: Der er ikke nogen grund til at skjule det. Foreningen og forvaltningen som jeg er direktør for indgår de her aftaler med AM. Og der er forskel på honorering for de forskellige afdelinger og det skjuler vi ikke for hvis performance er god nok når omkostningerne

Asset management spiser jo de her nye omkostninger, så i virkeligheden er det blevet billigere lige nu for vores investorer, fordi før blev det modregnet i deres afkast, men lige nu bliver det i stedet for modregnet i det honorar som vi betaler til AM. Vi modregner ikke noget, men han kommer jo til at tjene mindre fordi han skal afholde de her omkostninger.

Interviewer: Er det her et resultat af mifid?

Buy-side respondent 4: Jeg tror det er en vurdering af konkurrencesituationen, at man siger at det ikke er noget der skal larme i en investors regnskab. Så må de hellere larme i vores.

Interviewer: Så det er afhængigt af de andre nordiske og danske spillere der går forrest?

Buy-side respondent 4: Mig bekendt var man relativt hurtigt ude og tage den her beslutning, inden vi kunne se hvad de andre gjorder. Igen den her konservative approach. Bestyrrelsen er ude og vurdere om det er markedskonformt. Det er jo sjældent at det er blevet billigere. Så skal vi ud og forhandle. Vi vil ikke betale en pris hvor vi er dyrest markedet.

Interviewer: Hvordan vælger i jeres rådgivere eller AMs?

Buy-side respondent 4: Da jeg kom til for lidt over 3 år siden, der havde vi et par fonde, der ikke performede så godt. Nogle rådgivere der ikke var en del af koncernen. Vi har en regel om at hvis man underperformer 3 kvartaler i træk, så beder vi om en redegørelse. Hvis vi ikke er tilfredse med den, så skal vi jo vælge om vi vil ændre strategi osv. Det er sådan noget at bestyrelsen i samråd med den rådgiver finder ud af. I det her tilfælde træk vi den i mange kvartaler, hvor de underperformede fortsat. Og så gik vi ud og hører hvad andre kan på det her område. Tjekker om de har styr på deres ting og er kompliant. Det er vigtigt for os. Vi vurdere hver eneste måned performance på vores rådgiver. Vi har noget vi kalder et trafiklys. Går det den rigtige eller den forkerte vej, hvor vi kan se 3 år baglæns på kvartal basis. Det viser noget om vi kører grønt hele vejen eller om vi hele tiden kører overfor rødt/orange lys. Og så får jeg en rapport hver måned, hvor jeg vurdere hvordan vi gør ift vores konkurrenter. Den gennemgår vi sammen med bestyrelsen hvert kvartal, 30 sider, hvor vi analysere på risiko parametre osv.

De store ting der er sket i forlængelse af MiFID II, er undbundling og så om der er formidlingsprovision på produkterne. Og i sidste ende ryger tilbage på den primære distributør af de her produkter. I vores tilfælde er det jo handelsbanken. Der må de jo godt modtage formidlingsprovision, men de må ikke beholde den, de skal sende den videre.

Interviewer: Hvad ser du som de største udfordringer ift MiFID for jer og jeres rådgivere?

Buy-side respondent 4: Jeg ved ikke om der er flere udfordringer end der hele tiden har været. Det eneste er at nu skal man jo i den grad vælge hvilke analysehuse man vil købe sine ting fra og forhandle individuelt. Så det har skabt mere arbejde, men omvendt er det også positivt, fordi det giver anledning til at man vurderer hvor man får den bedst research til prisen

Interviewer: Tror du sell-side bliver presset?

Buy-side respondent 4: Ja det kunne man da godt forestille sig. Det her giver anledning til at man måske indgår nogle lidt større partnerskaber med nogle sell-side analysehuse, hvor man køber analysen. Men det er jo svært at vide, vi sidder og gætter. Mit gæt ville være at der stille og roligt vil ske en konsolidering dér. Jeg tror ikke det er godt at være lille, for det kan være svært at have en business case på det her. Og det her med at det er nemmere at lave en aftale med et aktiehus, der kan levere analyser på stort set alt, hvad der er C20 hvis vi snakker danske aktier. I gamle dage kunne man have en lille spiller, der var meget dygtig på alt hvad der var medicinal. Det kan godt være at det bliver lidt svært, for nu kan det godt være at der er en af de store spillere der spørger om man ikke skal over og arbejde hos dem så man ligesom kan samle tingene.

Interviewer: Ønsker man ikke en mere divers insights? Er der ikke en mulighed for de mindre spillere?

Buy-side respondent 4: Det er ligesom at gå i supermarkedet og købe en pose blandet salat. Det er jo meget godt og det er nemt, og måske endda også billigt. Men det er ikke sikkert at kvaliteten på alle delkomponenterne er super gode. Og så skal man jo vurdere om det giver mere mening at betale et par basispoint et andet sted og få nogle stærkere rapporter retur. Jeg tror på kort sigt kunne det godt give nogle konsolideringer. Men så altid når markedet er modent, så er der altid nogle som lige pludselig går selv. Fx en medicinal team i XX der siger at de penge vil de hellere tjene selv, dem skal XX ikke tjene. Og så springer de ud selv og starter deres eget, hvor de fx allerede har en aftale med XX eller en anden spiller som de kan servicere fra starten. Jeg tror der kommer til at ske en konsolidering, men er svært at sige. Det er pudsigt at arbejde indenfor et felt, hvor der omsættes så mange penge som der gør, og det det hele drejer sig om, det er at kunne kigge i en glaskugle og gætte på hvad der sker i morgen, om en uge, eller om et år, på basis af noget, der skete for lang tid siden. Jeg tror det er den eneste branche hvor man kan lykkes med det. Forhåbenligt kommer der nogle stærke niche spillere, som er knald gode til det de gør.

Interviewer: Har du haft nogle indikationer på at prisen bliver presset længere ned end det i har betalt før?

Buy-side respondent 4: Nej, men jeg tror at det kommer til at ske i takt med at der kommer mere gennemsigtighed. Nu hører vi ikke til de dyreste eller de billigste. Jeg tror vi ligger hvor vi skal ligge. Jeg har hele tiden ventet på at når det her gennemsigtighed kommer ifm med MiFID II. Så kan man

regne ud hvad alle delkomponenterne koster. Hvis jeg sad i finanstilsynet så ville jeg bede alle om at sende deres omkostningsprocenter ind. Hvis nu XX var dyrest på stort set alt, så ville finanstilsynet nok aflægge dem et besøg og spørge deres bestyrelse og ledelse og spørge om de vil redegøre for hvordan de kan acceptere at være de dyreste i markedet. deres rolle er at varetage investorernes interesser. Det kan man gøre på 2 måder, den ene er at vælge de rigtige rådgivere og den anden er at sikre at administrationen ikke løber løbsk. Og dét bliver offentligt tilgængeligt nu. Og præcis det skete at i november eller december, der bad finanstilsynet om at få nøgletal fra før 1/7 og efter 1/7, for at se om disse omkostninger forsvandt eller om der blev skruet på nogle andre parametre. Det er jeg sikker på at der er nogle der har gjort, og vi hører ikke til den gruppe.

15.8 Interview with buy-side respondent 5

Interviewer: Hvornår begyndte I første gang at addressere MiFID?

Buy-side respondent 5: Det er ikke fordi jeg ikke vil svare på det - men jeg kan ikke helt præcist huske hvornår det var vi gik i gang. Men vi fik jo forskellige pre-warnings, om at det ville komme. Og så skete der det specialle at vi i danmark fik de ther provisions-forbud før. Og det gav, for os en udfordring fordi vi er en svensk bank. Når alle dele af banken, undtagen Danmark, har en time-lag på provisionsforbuddet gav lidt udfordringer. Det gav også udfordringe ri forhold til at ESMA ikke helt havde defineret hvad det var, og det danske tilsyn egentlig kom... fornemmer.. det er sådan lidt min egen overbevisning.. de kom lidt i en skisme af hvad provision forbuddet indebærer, og det så ikke er i harmoni med det der kommer til at gælde for resten af Europa. Det gav nogle udfordringer. Men.. den hurdle er vi jo ovre nu. Det er jo blevet implementeret.

Interviewer: Og hvis vi kigger tilbage - hvad var dit førstehåndsindtryk af MiFID II? Hvordan komer det til at påvirke dit arbejde?

Buy-side respondent 5: Det er lidt en kliche at sige det er en gamechanger - men det er det faktisk. Og det er det kun på retail delen. Og grunden til det, er at den produkt sammensætning man har valgt overfor retail markedet, det er alle bankerne i danmark der har gjort det.. der ligger indjteningen i provisionen. Og det skal man så lave om. Det vil sige, at man er faktisk nødt til at arbejde med alle sine processer omkring det.

Interviewer: Hvordan er det at XX har forholdt sig til det her - rent retail mæssigt i forhold til provisionen?

Buy-side respondent 5: Den løsning vi har valgt det er at.. Man kan sige at der er 2 ben i det. Eller der er egentlig flere ben i det. De to væsentlige i den her sammenhæng med provisionforbuddet det er, at du skal opdele om det er rådgivningsmandat eller et dikretionært mandat. Og før i tiden har det været ligegyldigt om det har været det ene eller det andet, men lige pludselig bliver det altså en essentiel del i den sammenhæng. Det skal man så starte med at finde ud af hvordan man vil gøre. Hvis det er kvalitetsforbedrende service eller rådgivning, så må du gerne beholde din provision. Så der skal lige pludselig ske en sondring af om det er det ene eller det andet. Så er de diskretionære mandater, der har vi været inde og forholde os til om.. eller man kan sige.. intentionen i MiFID II er at gøre det mere transparent, og det har jeg som sådan ikke noget imod. Faktisk tværtimod. Min

approach til MiFID er positiv. XX er jo ikke en del af banken, og han repræsenterer en investeringsforening. De bør ihvertfald være neutral overfor sine samarbejdspartneres indtjening på området.

Interviewer: Men i har vel haft nogle udfordringer i den forbindelse, med de brokers i har brugt rundt omkring i Danmark? Hvor er det vi får noget kvalitetsresearch?

Buy-side respondent 5: Nu er du ovre i unbundling delen. Jeg snakkede om provisionsforbuddet, som er en game changer. Unbundling delen er ikke så stor en udfordring for os, som den er for sell-side.

Interviewer: Hvorfor?

Buy-side respondent 5: Det er det ikke fordi.. min primære indtjening ligger i provisionsbenet. Det andet er en omkostningsdel. Og den omkostning.. det unbundling gør for mig, det er hvordan jeg betaler min omkostning - ikke at jeg betaler min omkostning. Det er jo en signifikant forskel

Interviewer: Men har der ikke været nogle overvejelser på hvordan i vurderer de forskellige brokers after MiFID II?

Buy-side respondent 5: Nej. Det har vi hele tiden gjort. det er mit indtryk at vi har været længere fremme end vores konkurrenter fordi vi har anvendt en trading desk. Når du separerer din handel og din indjtening, og det har vi gjort for lang tid siden, så har vi ikke det issue. Jeg kan godt forestille mig at der er nogle af mine konkurrenter der har haft det issue. Men så er det fordi deres trading har været en del af deres indtjening. Men det er det ikke hos mig. Vi handler ikke hos os selv, nødvendigvis. Vi handler faktisk ikke ret meget hos os selv.

Interviewer: Hvordan har i gjort i forhold til betaling af research udbydere?

Buy-side respondent 5: Jamen det er jo så det, som er interessant. Fordi før i tiden har er vi gået ind og lavet en broker evaluering. Og ud fra den har vi lagt omsætningen hos de enkelte brokers. Som så er sell-sides indjtening.

Interviewer: Men den var vel ikke før MiFID delt op i analyse og trading?

Buy-side respondent 5: Men for mig bliver det jo det samme. Jeg skal sådan set bare splitte. det. Så den broker evaluering betyder nu i dag at det er der jeg ligger min research, men min trading er sådan set separeret.

Interviewer: Men du har ikke et andet research budget nu end du havde før?

Buy-side respondent 5: Nej.. Det er fordi jeg har gjort det anderledes end mine konkurrenter før i tiden det er nogle af de ting som jeg har arbejdet aktivt med at få flyttet. Kvaliteten af handels-invest fra der hvor de var til der hvor de er i dag. Men det er mit indtryk at nogle af vores konkurrenter ikke har gjort det. Der har vi simpelthen været en del foran vores konkurrenter.

Interviewer: Kan du mærke at det er blevet dyrere eller billigere?

Buy-side respondent 5: Men for mig har det ikke gjort den store forskel, for jeg har gjort det hele tiden. Før MiFID II har jeg betalt med min kurtage, og efter MiFID II betaler jeg med en faktura, så det bliver same same for mig. men vi stopper jo nok ikke her. Men det er jo en helt anden diskussion.

Interviewer: Kan du forklare hvordan i før MiFID II vurderede kvaliteten af aktie-analyse fra de enkelte udbydere?

Buy-side respondent 5: Vi har en række parametre som vi ranker dem på, men det er jeg ikke så interesseret i at fortælle, så det bliver lidt generelt. Den pakke vi får er den samme som før MiFID II, og det er de samme parametere vi ranker på, undtagen en ting, og det er trading delen. Det er jo klart at deres eksekveringsdel var interessant når vi betalte med kurtage. I og med vi separerer de to ting så er eksekvering et ben og research et andet ben - og det er den eneste væsentlige forskel der er. Det vi går ind og rater på det er deres generelle analyse materiale. Kvalitet af deres analytikere, på de forskellige sektorer. De er simpelthen ranket, så de får point nr 1-2 og 3, på hvor de er henne. Så går vi ind og ranker på hvor meget adgang de har til selskaberne. f.eks one-to-one. Eller seminarer eller hvad de kommer med. Og så er der det vi kalder be-spoken words. Altså det vi efterspørger, og det arbejde de kan lave for os. Det ved jeg ikke hvor meget du kender til fra xx, men du ved godt hvad det er.

Interviewer: Registrerer i jeres forbrug af research? man kan sige at nu ranker vi de her analytikere og så siger vi fra 1-5 eller 1-3. Men registrerer man rent faktisk det forbrug man havde før MiFID II?

F.eks jeg snakkede med analytiker X i 24 min og fik de her insight, og læste det her materiale fra Y og fik de her insights?

Buy-side respondent 5: Nej. Det gjorde vi ikke. Vi kører det på dealer-niveau. Vi kører det på forvalter niveau. På den måde er der en vis subjektivitet i vurderingen. Vi har lavet et point system hvor man har en mængde point man kan "købe" for i den samlede evaluering. Det er typisk sådan, det er lidt afhænging af hvilket udbud vi får fra sell-side, om det specifikt er den enkelte bruger eller om det er handelsbanken asset management der køber ydelsen. Men de fleste.. og det er det vi er mest interesserede i, det er at det er os, asset management der køber ydelsen. Det gør ikke den store forskel for typisk sidder vi på hver vores region eller aktiv-klasse. Så forskellen er der ikke.

Interviewer: Hvordan ser du forskellen på de forskellige aktie udbydere? Der er i DK måske 5-6-7 analyse-huse. Hvad er det der gør forskellen på de enkelte aktie-huse?

Buy-side respondent 5: Altså nu sidder jeg ikke specifikt med danske aktier - der har vi to forvaltere der kigger på det. Det som de ranker i deres broker evaluering, det er de parametre jeg har omtalt tidligere. Det er mit indtryk at det handler meget om.. Altså det bliver meget person specifikt på analytikerne. Det er kvaliteten af den enkelte analytiker. Og det er også en af de ting som.. ihvertfald på sell-side kommer til at ændre deres fokus. Det er jo realiteten en pris-lap der rammer analytikerne.

Interviewer: Nu nævnte du selv før at du troede der ville ske nogle ændringer i forretningsmodellen for sell-side.

Buy-side respondent 5: Det var mest omkring provisionforbuddet. For mig ændrer det andet ikke særlig meget (MiFID II)

Interviewer: Før MiFID betalte du en kurtage på X basis punkter som inkluderer at ud modtager analyse. Nu er det blevet separeret. Er det kommet bag på dig hvad du betaler for analyse og trading hver for sig?

Buy-side respondent 5: Jeg havde en meget klar holding til hvad jeg ville betale og hvad jeg ville have - og det har jeg fået.

Interviewer: Så der har været vellighed fra brokerne i forhold til pris?

Buy-side respondent 5: Jeg vil kalde det en fleksibilitet på sell-side. Men i kan jo spørge sell-side hvordan øvelsen har været. Helt off the record - der er nogle af dem der blev lidt overraskede. Men det er jo fordi man flytter bargain power over til os fra sell-side. Og der er ikke så meget at vælge for os. Vi kan sådan set.. de kan sige at de ikke ønsker at handle med os, det er sådan set fair nok. Det kan de til hver en tid gøre. Men der kan man sige at handelsbanken har en størrelse hvor det vil være svært at sige at de ikke ville handle med os. Jeg ved ikke hvad vi har. Vi har xx-xx millarder danske aktier. Så skal man lige tænkte sig om hvis man fravælger os. Det ville overraske mig hvis der var en der sagde at de ikke ønskede at handle med os. Men jeg kan jo ikke tvinge dem til noget - så må jeg nøjes med dem der vil.

Interviewer: Fra jeres side har der ikke været nogen reduktion i budgettet? I har ikke skulle research providers fra?

Buy-side respondent 5: Der er nogle der har kørt vaskemaskine modellen. Det har været deres indgangsvinkel, og der har vi sagt: Det accepterer vi ikke.

Interviewer: Så i har sagt: Vi vil gerne have det her, og så betaler vi det her? Ellers bruger vi nogle af de andre.

Buy-side respondent 5: Men de får jo af vide hvad vi ranker dem efter. Og hvis de så siger at de ikke vil tilbyde os alt deres research, så ændrere det jo deres ranking. Og så kører de sig selv ned på 0. Det er jo et valg. Det kan jeg ikke gøre noget ved.

Interviewer: Der har I en størrelse som gør at det bliver de (research brokers) nødt til at forholde sig til?

Buy-side respondent 5: Ja. Men omvendt har jeg også en interesse i ikke at squeeze dem for meget. Mit produkt er at leverere performance på en eller andet aktiv klasse. Forudsætningen for at jeg kan det er at jeg får noget input til det. Jeg kan enten selv producere det eller jeg kan købe det. Sværere er det ikke. Så hvis jeg kan få en kvalitetsvare fra en udbyder f.eks ABG, som bidrager positivt til min performance, så vil jeg gerne betale for det. Hvis det ikke bidrager til min performance, så vil jeg ikke betale for det. Der er nok før MiFID II været en tilbøjelighed til måske at handle hos nogle fordi.. jamen herregud, vi kan godt lide at der er mange. Den går ikke længere. Nu er der kommet pris på ydelsen og det er det der er forskellen på sell-side. De får det ikke gratis. De er nødt til at levere. For mig er det ikke en spareøvelse. For mig handler det om at få så højt et performance bidrag

for mine penge. Jeg har ikke nogen interesse i at presse dem længere ned i pris. Jeg vil bare ikke betale for noget jeg ikke får. (kvalitet).

Interviewer: Har i jeres overvejelser op til MiFID II overvejet hvordan i skal betale for analyse og trading? Nogle har sagt at det er kunder der betaler andre på Pl?

Buy-side respondent 5: xx har som koncern valgt at køre det på P&L.

Interviewer: Men det sætter vel også nogle performance krav til jer? Hvis i har X antal millioner der ryger ud af P&L så skal i vel også levere bedre resultater?

Buy-side respondent 5: Ja.. men når man er så stor en bank som mig, så beslutter man det og så ved man godt at det koster.

Interviewer: Så du har ikke fået et budget fra koncernen?

Buy-side respondent 5: Nej. Det har jeg ikke. Jeg kommer med et udspil på hvad jeg skal bruge, og så det bliver det accepteret og så er det det jeg køber for.. Jeg har ikke interesse i at gøre det så stort som muligt, jeg har heller ikke interesse i at gøre det så lavt som muligt. Jeg har interesse i at jeg betaler det det koster for det jeg skal bruge. Og det er det der er ændret for sell-side. Deres produkt er blevet noget andet.

Interviewer: Du nævnte at der er to muligheder med research. Enten køber du det eller også laver du det selv. Er det nogle overvejelser i har haft, og stadig har om at insource en større del af det analyse arbejde i i dag køber udefra?

Buy-side respondent 5: Ja.. det er nogle overvejelser vi har haft, men det er ikke noget der har ændret sig. Vi har både buy-side analytikere og sell-side analytikere her.

Interviewer: Det er ikke noget i har overvejet at gøre i større eller mindre grad som følge af MifID II?

Buy-side respondent 5: Nej. Det har vi hele tiden gjort. Men det handler ligeså meget om den kvalitet vi kan få. Eller jo. Nu tænker jeg ud af boksen. Rent faktisk kan der godt være en tendens til at vores egen buy-side analyse bliver mindre interessant, fordi jeg skal kvalitativt vurdere analysen. Det skulle jeg ikke før. Der var ikke ligeså meget på det. Der var jeg mere interesseret i at få. i og med at

honoreringen af mine counter part qua omsætning, så kan der godt ske et fra en analytiker på at han skal skabe omsætning. kan i følge mig? Jamen det er jo de incitament strukutrerer der ligger i det. Hvorimod, nu (after MiFID II) bliver han vurderet på kvalitet, og vi har separeret trading delen. Der er det kvaliteten af hans analyse og der får han betalingen fra kvaliteten og ikke omsætningen. Det kunne jeg godt forestille mig. Nu er jeg lige i noget teori. Det kunne jeg godt forestille mig kunne flytte fokus. Altså kvaliteten af den analyse jeg får bliver bedre fordi den bliver dekoblet fra omsætningen. Men det er rent hypotetisk. Jeg ved det ikke.

Interviewer: Tror du det aktie-analyse bliver nødt til at blive mere kvalitetsfokuseret?

Buy-side respondent 5: Øhh. Ja. Det er jo en usund incitatments instruktur at din indjtening er afhængig af din omsætning. Nu bliver din indtjening afhængig af din kvalitet, og det er et megt sundere princip.

Interviewer: Det gør det vel også sværere at blive broker hus? Prisen på de analytikere bliver vel højere?

Buy-side respondent 5: Ja... det er en risiko. Du kan jo risikere at der kommer en koncentrering af analytikere, men det jeg har sådan set ikke interesse i. Man kunne da godt sig at en eller to store danske spillere siger: Jamen nu tager vi det hele og squeezer markedet for det der er bedst. Men det er jeg jo ikke interesseret i.

Interviewer: Det har vel noget at gøre med prisen for aktie-analyse så.

Buy-side respondent 5: Ja. Jeg er ikke interesseret i hverken monopol eller duopol. Jeg synes det er en vigtigt pointe til jeres opgave at det ikke har været en spare-øvelse for os. Det skaber bare et fokus på kvalitet. Det skaber en tranparens. Så det bliver meget tydeligt hvad jeg får. Så er der det der sunde princip med at vi flytter sell-sides indjtening fra omsætning til kvalitet. Det mener jeg er meget sundere. Man kan sige at det vi har oplevet er at det er kommet bag på nogle hvad aktie-analyse koster og hvad trading koster. Men at det så har været en naturlig fremgangsmåde at når det er separeret så kan vi gå ind og forhandle på den her aktie-analyse. Det er jo ikke fordi sell-side står i den bedste position. Bargaining power er jo skiftet.

Interviewer: Det er vel også noget i kan drage fordel af?

Buy-side respondent 5: Ja. Men det er jo en risiko. Altså det er jo en risiko hvis jeg bliver presset på min indjtening qua provisionsforbuddet, så skal jeg jo finde den regning et eller andet sted. Den er jo i fuld gang med at ske i min sektor. At man simpelthen skærer ned på min sektor - altså cost-cutting. Men altså, noget af det flyder jo også over på mine counter parts. Altså jeg er jo også blevet omkostningsbevidst. Det er jo ikke nødvendigvis en usund øvelse. Det kommer jo til at ramme alle. Provisionsforbuddet er en game changer for mig. Men ikke unbundling. Men et eller andet sted er intentionen jo nok heller ikke at holde liv i sektoren, men at give kunderne et bedre produkt - kunne man forestille sig ikke?

Interviewer: Er der blevet ændret i måden på hvordan i kigger på kvalitet pre og after MiFID?

Buy-side respondent 5: Som sagt, så tror jeg, at jeg har haft en anden tilgang til det end mine konkurrenter. Men vi har jo lavet de her broker evaluering på en anden måde, og vi har separeret vores trading. Så jeg tror nok, at det er mere mine konkurrenter der gør det som jeg har gjort.

Interviewer: Hvordan ser du markedet going forward? Hvordan tror du det kommer til at forholde sig på buy-side og hvordan tror du fremtiden ser ud for nogle af de sell-side virksomheder der er i danmark? Er der plads til sell-side virksomhederne på det danske aktie-marked?

Buy-side respondent 5: Spørgsmålet er om det ikke er sket før MiFID. Der er jo sket en koncentration i markedet. Og det kan ikke have noget med MiFID at gøre.. Njaah. det ved jeg ikke. Der er ihvertfald nogen der har oprustet på deres analyseteam. Man skal nok skære sig fokus til og være klar over om man ønsker at være i premium segmentet eller om man ønsker at være i det institutionelle segment elle retail segmentet. Det kan jeg godt nikke genkendende til (konsolideringen)

Interviewer: Hvad tror du bliver det afgørende? Hvilke drivers tror du der bliver de vindende parametre? Bliver det størrelsen eller kvaliteten? Hvis du er én af de større banker så har du vel også flere resourcer?

Buy-side respondent 5: Ja. Det kunne man godt antage. Men det tror jeg faktisk ikke kommer til at ske. Vi er meget interesserede.. Nu kommer du selv fra ABG.. jeg kan sagtens se dem fortsætte. Det kan jeg. De bliver presset på deres indtjening og der er da ingen tvivl om at Tue (Head of Markets, ABG) er i fuld gang at cutte omkostningerne til den virkelighed der er. Men jeg håber da meget at der stadigvæk er plads til dem. Nu nævnte du selv specifikt ABG. De har jo været meget ude og have

fokus på Small/mid cap. Tue har været ude flere gange og sige at de vil have en differentieringstrategi, hvor de siger at de dækker bredest i Danmark. Der er vel også en eller anden for for tilpasning i markedet. Hvor der er plads til at nogle skal dække bredt eller nogle har en mere dybdgegående tilgang til analyse arbejdet.

Interviewer: Tror du man kommer til at se en større specialisering? altså, at nogle har niche omkring small/mid cap og nogle dækker meget dybt, og så har du nogle banker som har så mange resource at de både kan dække bredt og dybt?

Buy-side respondent 5: Det kan jeg sagtens forestille mig. Jeg synes at det MiFID II har gjort det er at det er blevet meget tydligere hvad produktet er. Før i tiden har det været et miks af nogle forskellige ting. Så det har jo på sell-side. på sell-side har de virkelig måtte tænkte hvilket produkt de har ville udbyde til markedet. I langt højere grad end de har gjort før. Det er jo nok meget sundt.

Interviewer: Tror du der kommer mere differentieret på grund af det?

Buy-side respondent 5: Ja. Det tror jeg. Det ska i ikke spørge mig om, men måske sell-side. Jeg er som sådan bare en glad køber. Jeg går ind og vurderer hvad jeg får.

Interviewer: Men det er vel også med i de overvejelser du har - hvad er det for nogle banker der kan tilbyde mig hvad.?

Buy-side respondent 5: Ja. Men det løser jeg ved at have min evaluering. Jeg er jo helt nede på sektor niveau. Men altså i danmark er der jo typisk kun 1 selskab i hver sektor som er interessant, så det bliver jo lidt det samme. Men der er ingen tvivl om at en stærk pandora analyse er penge værd for mig. Så kan du altid diskutere hvad den er værd - men det er jo pro's og con's.

Interviewer: Ville du være interesseret i at købe enkelte research analyser?

Buy-side respondent 5: Ja. Det gør jeg også i dag. Ikke på det danske marked, men globalt set. Eller jo - det gør jeg sådan set også. Det kan jo være bespoken. Det beder vi jo simpelthen om. At vi beder om en specifik analyse, og så betaler vi for den. Det har vi et budget til. Vi er virkelig i start-up fasen. Det er jo starten nu her. Vi har ikke set den endelige form endnu. Det ville overraske mig hvis vi har set den. Jeg tror det er kommet lidt bag på sell-side hvordan det her skulle se ud. Også sådan set os. At vi lige pludselig skulle sætte en pris på. Det er på sin vis en sund øvelse, men det er også en ny

øvelse. Det er ikke nødvendigvis en fantastisk behageligt. Du sidder overfor nogle mennesker som du har et godt forhold til og har en god relation til og skal rent faktisk sige ja eller nej.

Interviewer: Kan du prøve at udbyde hvad den her øvelse i har siddet og lavet som buy-side er gået ud på? Hvad har i overvejet?

Buy-side respondent 5: Broker analyse har jo været identisk. Bortset fra at vi har pillet trading ud. Men vi har skulle være meget specifikke på at sætte pris på folk. Det er lidt anderledes.

Interviewer: Men det har været meget jer der har sagt til de forskellige huse hvad i ville betale og så har de skulle beslutte?

Buy-side respondent 5: Jamen de har lyn hurtigt fundet ud af hvad det her gik ud på. Det var de ikke lang tid om at finde ud af. Det er jo givet qua MiFID II rammerne hvordan det kommer til at foregå. Den første jeg egentlig høre sige det. Det var NIMB, som egentlig satte ord på hvordan de havde tænkt sig at gøre.

Interviewer: Men det gjorde de relativt sent?

Buy-side respondent 5: Ja. Det kommer an på hvad du mener med sent. Jeg hørte dem til en konference et halvt års tid før MiFID trådte i kraft, hvor de talte om deres tanker omkring det. Det lå egentlig meget i tråd med mine tanker omkring det. Og det er sådan set også sådan det er blevet.

Interviewer: Nordea var også meget drevet af den svenske model ikke?

Buy-side respondent 5: Sverige har jo arbejdet med unbundling delen før vi (DK) har gjort. Og så har man lavet det man kalder den svenske model. Som så er blevet modificeret og tilpasset fordi de har været forud for os. Det har været relativt smertefrit for mig. Mit setup har passet til det i forvejen. Det er ikke hos mig i ser de store ændringer. Måske heller ikke Nordea, men måske nogle af de andre.

Interviewer: Det kommer så qua at i er en svensk koncern?

Buy-side respondent 5: Ja. Som har arbejdet på måde før MiFID trådte i kraft. For mig betød provisionsforbuddet meget. Men det har det gjort for hele sektoren. Det er fordi vi har den her sammenblanding af provision og indtjening. Det er jo ikke det i skriver opgave om.

Interviewer: Du sagde at I danmark har i ikke haft en mindre budget til aktie-analyse. Hvordan har det set ud globalt?

Buy-side respondent 5: Før i tiden kunne man ikke blive fri for det vel... Lidt provokerende sagt.. De store globale investment banker arbejder jo med et helt andet koncept. Og de har jo også måtte rette deres forretning til. Nogle af de ting som de har fundet ud af er måske at værdien af makro analyserne er relativt begrænset. Vi vil helst købe research til hele banken for asset management. Det kan vi gøre for nogle. Og for andre kan vi kun gøre det på client basis. Men en af de ting som har gjort en forskel. Det er jo rent faktisk at jeg ikke må modtage gratis analyse. Det er en øvelse vi er i gang med nu. Vi er i gang med at unsubscribe.

Interviewer: Hvordan i forhold til inducement? I må jo ikke modtage rådgivning i ikke betaler for.

Buy-side respondent 5: Jamen det er jo svært. Vi prøver at tolke det relativt stramt. Vi vil ikke modtage noget vi ikke betaler for. Det er faktisk en øvelse vi er i gang med. Det er jo også nyt for os. Vi skal rydde op i hvad vi får og vi skal have styr på hvad vi får. Det er jo en forretning med mange inputs og indgange indtil. Det er faktisk en ret svær øvelse. Vi skal sikre os at vi ikke modtager noget

Interviewer: Har i jeres eget interne system der tracker det research i modtager?

Buy-side respondent 5: Altså der er voice recorder på vores telefoner. I første omgang er det jo.. Den type analyse er jo ikke vanskelig at få fat i. Vi skal sådan set bare sørge for at få dem fjernet. Det er mere den vej. Der er ikke nogen der er interesseret i at få dem. Men nogle gange er det rigtig svært at komme af en mail liste hvis du er kommet på den. Men det skal vi simpelthen af. Så vi skriver til dem at pga MiFID II skal vil vi gerne frabede os at modtage materiale fra dem vi ikke betaler. Men vi kan jo ikke tvinge nogen til at pille os af mailing lister.

Interviewer: Du regner med at der kommer en konsolidering af markedet - hvordan gør man i praksis hvis i har taget en broker væk. Hvordan kan i få den broker tilbage?

Buy-side respondent 5: Vi har jo mulighed for at få en trial periode hvor vi kan definere den periode, og så kan vi se hvad det er. Men nu har i udgangspunkt i det danske marked. Branchen er jo ikke større end at vi godt ved hvem der sidder hvor. Og vi ved godt hvem der er gode. Så kan det godt være at der kommer nogle nye ind som er rigtig dygtige, og så må vi forholde os til det.

Interviewer: Der er vel nogle globale banker som i har været nødt til at sige fra?

Buy-side respondent 5: Men det danske marked er et niche marked, så dem der er bedst til danske aktier er danske sell-side huse. På den måde er konkurrencen ikke så hård. Der er større konkurrence på f.eks US large cap.

Interviewer: Hvad med i Europa?

Buy-side respondent 5: Ja. Der er også rigtig mange der er dygtige i Europe. Jeg skal heldigvis ikke forholde mig til Europe, men jeg kan da forestille mig at man må vælge sine favoritter. Men det kan godt være at i har en pointe. Men det kan være i skal spørge sell-side hvad de gør hvis de ryger af listen. Hvis man ryger ud er det svært at komme tilbage. Så kan man gøre det at man køber 2-3 stjerne analytikere og så er man tvunget til at komme på listen på den måde. Men det er ikke min beslutning. Det kan i jo prøve at spørge dem om. Men jeg kunne godt forestille mig at det var noget der lå ret langt fremme i deres bevidsthed. Det er klart at survival of the fittest er en mulighed. Jeg tror ihvertfald det bliver et mere segmenteret marked, da konkurrencen er blevet skærpet som følge af MiFID II.

15.9 Interview with buy-side respondent 6

Interviewer: Hvad er dit generelle indtryk af MiFID og markedet - nu sagde du, at i ikke var berørt af det. Men kan du prøve at sætte lidt ord på det

Buy-side respondent 6: Den generelle ift MifID og os, så er det at vi som sagt, det er lidt en sag der er kørt, hvor vi er tilskuere og ikke en del af forestillingen. Langt hen af vejen fordi det er (og det gør at jeg ikke er specialist, da vi er undtget fordi vi er en XX).. Første gang jeg hørte om det, det var December 2016, der hørte jeg at de første banker begyndte at overveje hvad de skulle gøre, og hele deres research produkt, pris-sætningen og hvordan det skulle slices. Der sad folk jo og spekulerede i utallige måder at gøre det på. Du kan lave deep-dive, du kan lave overfladisk analyse. Du har alle de her research ouput, og så sælger du det som fuld adgang til det hele, her og nu. Ellers får de adgang til noget. Eller de de får kun adgang til fast-comment, eller adgang til alt materialet med forsinkelse osv. Hvor man tænkte lidt, bare i Danmark er der 5-6 banker, der begynder at lave et research produkt og sliced på 100 forskellige måder. Så bliver det totalt uigennemskueligt. Og bankerne sad jo og lugtede ekstra penge, fordi nu kunne de rigtig få lov at charge det de gerne ville. Og det var også lidt det man vidste - at alle dem som var free-ridere (analytikere), som måske rendte rundt til forskellige events og fik analyse fra analytikere, det var slut. De skulle betale ved kasse 1. Der lugtede bankerne penge. Det der så sker i løbet af 2017 var at Nordea AM ud og sagde at de brugte det her til at lave en kost øvelse. Og få ryddet ud i alt det de ikke skulle bruge, og de havde ikke tænkt sig at sende regningen videre til deres kunder. Så ændrede hele oplevelsen i branchen sig, fra at sell-side troede de skumme fløden, til at nu vidste de, at nu kom alle de store og ville have besparelser. Og få puttet mere ind i pakken end sell-side havde regnet med. Vi sidder stadig bare og siger hvad er vores kommission (unbundlet). Der har vi fra XX's måde sagt: Hvilken sats betaler vi for vores handler - og det finansierer så det hele, og så skal vi bare have en pulje der er stor nok hos hver bank, til at vi er en af de største kunder hos dem. For så får vi den service vi gerne vil have. Så er vi også med på at i og med at vi har så stor en portefølje vi har, hvis vi betalte fuld pris for det hele, så ville vi betale utrolig mange penge hos bankerne. Og derfor går vi ind og siger, at noget af det skal vi køre som ren elektronisk handel til en 10'del af prisen, i stedet for at køre det over sell-sides trading desk. Den måde vi styrer det på, hvad er det for en samlet kommission-pulje vi ønsker at have, og hvis vi nu siger et fiktivt tal: Den var 5 millioner kroner for, som vi så fordeler ud på alle bankerne, så vil vi sidde og handle via trading desk op til 4.5 millioner, og så vil vi køre resten rent elektronisk. Det er sådan vi styrer det. Det vil sige at i forhold til at begynde at sidde og snakke prisning af produkter og sådan noget, i og med vi er undtaget for det, så har vi ikke behov for at få en pris, og derfor har vi

ikke indgået i en dialog fra starten. Vi har ikke opsøgt dem, vi har bare sagt at vi er tilfredse med hvordan verden er. Da vi så hører at det bliver en kost øvelse ude blandt alle Asset managers, så har vi jo selvfølgelig sagt at hvis vi har skulle se os selv i spejlet, og offentligt stå model til hvordan vi kører tingene, så nytter det ikke noget at vi sidder og siger at vores kommissions-pulje er uændret, når alle andre formentlig har reduceret den. Så vi har taget en dialog her i foråret med sell-side og sagt at vores pulje bliver mindre fremadrettet. Og i og med at de har fået det pres fra alle kunder, så er den bare blevet slugt. Og så er kunsten for os at sørge for at vi ikke udvander os selv. Og hvis vi ville det, så kunne vi jo sådan set bare køre alt elektronisk. I og med elektronisk kun er execution, så ville vi jo til at skulle betale for research produkterne stand-alone. Men det vil sådan lige her og nu, gøre det mega komplekst for os, og begynde at sidde og vælge hos 5-6 banker som vi bruger i Danmark og sidde og sige, hvad er det for et produkt i har, hvilke analytikere vil vi snakke med osv osv - alt det som andre sidder med, det er der ingen grund til for os at sidde med, når vi bare kan sige: det her det er hvad i får, og så længe de er tilfredse, så vil vi gerne have en simpel verden. Derfor ender vi op i: hvad har MifID betydet for os, andet ene et meget stor aktivitet på sell-side og for deres andre kunder, ikke for os, og det har vi kunne mærke at vores servicering er faldet i andet halvår af 2017 fordi alle banker har hevet resourcer ud fra telefonen, som så skulle sidde og lave beregninger, og lave kontakter og forhandle med deres kunder, i stedet for at ringe til os og give opdateringer. Vi har derfor kunne mærke at der har været en stor arbejdsbyrde på sell-side, og så har vi fundet ud af det er en kost øvelse, og den er vi hoppet med på, ikke fordi vi ønsker at vride armet om på sell-side, men fordi vi skal kunne forsvare den måde vi driver forretningen på.

Interviewer: Bare for at forstå det helt korrekt. Det vil sige at stadig betaler en samlet kommissionspulje på eks. 10 basis punkter, og det inkluderer så research, og så er det op til sell-side at klassificere hvad der er betaling for execution og hvad der er betaling for research

Buy-side respondent 6: Det ved jeg ikke om de gør - det eneste vi har gjort er at aftale en fast sats. Hvis vi har sagt 10 basis punkter, så er den den vi kører med. Og der sidder vi og siger. I det ene ekstreme kører vi 100% elektronisk, hvis vi siger det er en 10 del, så er det 1 basis punkt, jamen med alt den volume vi har, så vil vi måske ende op på en samlet kommissions pulje der vil gøre at vi var for små hos bankerne, til at få den service vi gerne vil have, og derfor vælger vi at sige vi kører noget over trading desk, og ikke kun elektronisk. Og det betaler vi så for. Hvilket gør at vores samlet kommission bliver et million beløb, som gør os relevante hos bankerne.

Interviewer: Du nævnte selv at i følte at serviceringen var blevet dårligere i H2 2017. Hvordan har det været i de første par måneder af 2018?

Buy-side respondent 6: Åbenlyst bedre. Fordi nu var aftalerne forhandlet på plads, og nu har vi den "nye verden". Man kunne fornemme at sell-side var spændt på at se reaktionen fra kunderne. Taber man nogle kunder osv osv. Man kunne fornemme de var spændt, men de havde tid til at servicere os igen. Fordi nu skulle de ikke sidde og forhandle med kunder om nye aftaler mm.

Interviewer: Som følge af det her, (nu nævnte du selv at det har været en spare-øvelse for jer pga. pres udefra). har en del af overvejelserne været at få mere analyse in-house?

Buy-side respondent 6: (lang pause) Ja. Hvis du kigger på vores bemanding, så er der blevet ansat 3 unge, primært som analytikere, så kan man jo sige at har mandet op og fået mere in-house analyse. Det er egentlig et valg der blev truffet før MiFID kom ind i billedet. MiFID har ikke været et tema hos os, eller noget vi har styret efter. Vi er tilfredse. eller ej, vi rater jo bankerne, og vi giver jo ikke point for noget der er spild af penge. Så det er egentlig.. vi betaler for det vis ynes der er værd at betale for, og der ender vi meget simpelt op med en model hvor vi kan sige. hvor mange point fik bank 1,2,3,5,6 og så har vi en kommissionspulje på X antal millioner, og så fordeler vi dem ud fra det rating system. Der har vi så sideløbende mandet op med in-house analyse,. men det har ikke været MiFID drevet. Så har det været noget XX har gjort, men det er ikke blevet kommunikeret ud, og jeg har meget svært ved at tro at det har været baggrunden.

Interviewer: Nu nævte du selv med at jeres budget har ændret sig - hvordan forventer du at det kommer til at ske going-forward? Det her er måske første runde af spare øvelsen, nu skal der jo genforhandles på et tidspunkt. Hvad tror du der bliver next-step for jer, og for branchen?

Buy-side respondent 6: Altså, min forhåbninger og det jeg tror er... og teamets forhåbninger... så det er egentlig dybt irrelevant i vores henseende, og er virkelig bare holdt til at man har valgt at reducere den sats (kommission) vi betaler. Så vi også får en del af den besparelse andre AM'ere får. Så hvis jeg skal sige hvordan det ser ud fremadrettet, så tror jeg vi vil være lykkelige ved status quo, jo mere tid vi kan bruge på at forvalte vores portefølje, frem for at sidde og mappe op hvem vi kan snakke med, og om vi kan få en real-time analyse på det her selskab osv, så er det godt. Men det jo selvfølgelig også fordi vi har den størrelse vi nu engang har, og den bemanding. Hvis man nu sad og var et mindre selskab, og hvor man sagde at man havde en aftale med 2-3 banker, så ville det selvfølgelig være mere relevant. Men vi tager ligsom hvad der er i Danmark. Og så længe vi har den

size og er så mange folk, så tror jeg vi har det godt lige nu. Skal man spekulere i hvordan verden kan se ud jamen så en eller anden dag så vil os eller bankerne komme og pushe hvad de har brugt på de her pris-modeller, hvor vi begynder at betale særskilt for de her ting. Det tror jeg ikke er noget vi på nærværende tidspunkt vil lave et push for (ændret pris-modeller), fordi vi synes det er en unødig kompleksitet, og jeg tror at hele branchen både sell-side og buy-side som sådan havde egentlig gerne været foruden MiFID II, som jo i sidste ende bunder sig i et ønske om øget transparens. Det har måske været sundt nok nogle steder, da man bliver nødt til at kigge meget specifikt hvad pengene bliver brugt på. Vi har en god fornemmelse af at vi bruger pengne fornuftigt, og vi har ikke et kæmpe behov, men det skyldes også at vi laver en ret grundign broker-evaluering hvert halve år, som vi bruger meget meget tid på. Der kan vi jo se meget tydligt, hvad de forskellige PM'ere bruger af tid, og hvor. Sidder du f.eks et sted hvor der er en eller to PM'ere og en chef, der bare får et budget. De har heller ikke samme tid til at lave den samme dybdegående broker vurdering, og det gør at de måske ikke er helt klar over hvor pengene ryger hen og hvorfor. Og hvad jeg også hører på sell-side er at nogle ringer op og siger: Du får X antal millioner eller x antal % af min kommissions, og det er bare subjektivt vurderet. Det var dagsformen i morges ikke.. (grin). Det er jo den simple måde at gøre det på. vi har valgt en ret metodisk og grundig broker evaluering, og nok også mere grundig end mange andre, og det gør at den vej har vi vores transparens, hvor andre ikke har haft den samme. Hvis summerer muligheden op for os, så kan man også sige: hvad bruger vi af penge på events hos de forskellige banker, og dit ubud består primært at nogle virksomhedspræsentationer, og der har vi jo en size hvor vi har 1-1 møder med de pågældende selskaber udenfor regnskabspræsentationer med samtlige selskaber i Danmark. Muligheden for os er at vi bliver en del af MiFID, og den anden er at vi trækker os længere væk. Vi siger, det er fine events i arrangerer - alt hvad i har af uddannende events hopper vi med på, men alt hvad der hedder selskabspræsentationer, der har vi valgt at ansatte en sekretær der sætter det op for os. men det er jo en muluighed vi har haft i mange år, som vi har valgt ikke at gøre brug af, men som man jo potentielt kan vælge at gøre. Med de penge vi ligger for events, kan det muligvis sagtens gå op. Men der er også nogle skjulte goder ved at være en god kunde. Det er fint at have en god relation til dine banker. Hvis du begynder at skabe en relation hvor du siger at du skærer alt væk, og du har en relation hvor alt bygger på at skulle spare lidt på budgettet. Altså har et økonomisk fokus. Så skal du sidde og kæmpe med dine leverandører, i stedet for at have en god relation til dem. Vi har egentlig mange muligheder på den front

Interviewer: Du var inde på det her med broker evaluering - kan du komme ind på hvordan i vurderer de forskellige parametre, indenfor research delen?

Buy-side respondent 6: Vi har 3 parametre vi opdeler research på. På de første indeler vi alle selskaber, så vi har rratet hvor stor en vægt det enkelte selskab har. Den vægtning har indflydelse på hvor meget vi vil betale for dækning af et givent selskab. eks. Novo Nordisk. Der siger vi så at vi har 1 million kroner til dækning af Novo Nordisk. (det er formentlig højt sat). Så går man ind og siger: de analytikere dækker dem, det er der 5 banker der gør, de fem analytikere/banker dem vurderer vi så individuelt på det skrevne produkt, og det er i sidste ende et subjektiv vurdering - er det en analyse man kan bruge, er der nogle vinkler der er spændende, Er der noget de andre ikke har fanget, er model arbejdet i orden, kommer det ud til tiden. Er man med på nyhedsflowet osv. Så er der analytiker dialogen - bliver man kontaktet når der er nyt, får man dybdegående forklaringer, er man en af de første eller er man en af de sidste (timing). Den tredje ting er bespoke work - har vi haft et eller andet vi har bedt dem om at lave, så får de selvfølgelig nogle point på det.

Interviewer: Du har ganske kort været inde på det - i bruger alle de store banker i Danmark

Buy-side respondent 6: Ja.

Interviewer: Hvordan med udenlandske broker huse. Bruger i dem til at danne et sektor billede?

Buy-side respondent 6: Ja. Det gør vi. I stor grad. Hvis vi tager for mig selv, så på Carlsberg. Der sidder danske analytikere godt ift royal unibrew og tager de den rigtig langt så tager de i forhold til andre beverages - og det er sådan set det. Det er en analyse som jeg nærmest ikke ser. Så det er primært bare at sige i forhold royal unibrew og kan den regnes hjem på en DCF. Hvor de udenlandske huse, der kommer analytikerne med et team der dækker europæiske food and beverage selskaber, hvor hans så også har heineken, AB-inBev og Efes på bryggerierne plus de har alle spiritus selskaberne også, og så fortæller de hvad der sker på den front. Der får du hele sektor delen med, og det får du ikke i Danmark. Og der må du bare sige at i de store selskaber i Danmark, der er det ikke danske investorer der driver aktie kursen. Der er det udlandet, og om de er hooked på den eller ej. Køber de ind i C'ees de Hart. Når man så tager til London og hører at folk stadig synes at Carlsberg er noget lort fordi det var den i gamle dage, det er den stadigvæk - og de slet ikke er klar over at den nærmest stadigvæk er skiftet. Eller de stadigvæk ikke har forstået helt basale ting, omkring hvad det er Carlsberg kommunikerer i dag, jamen så må man bare sætte sig og sige - så går der nok lidt tid før der kommer momentum i det selskab.

Interviewer: Hvordan i forhold til udenlandske aktier - der har i jo også skulle lave en øvelse. De har vel også haft nogle krav til jeres volume. Jeg går ud fra at i også har haft ubegrænset adgang til udenlandske sell-side huse?

Buy-side respondent 6: Der er vi nok ikke den rigtige at snakke med. Vi haft nogle enkelte banker der havde glemt det, og som vælger at ringe og sige at nu har de lavet MiFID priser, og det betyder at alt adgang til research fremadrettet koster 100k euro. Og så siger vi til dem - det er fint, om de har kigget på hvor meget vi bruger deres research, og så vender de tilbage og siger: vi finder lige en ny pris. Og så har vi ikke hørt mere for dem, og så er verden uændret. Så der tror jeg.. Der har vi vores size i XX der gør at vi lukrerer på nogle af de store. Og hos dem der ligger lige under de 5 største der.. Når man har 5 danske huse og du bruger 2-3 største udenlandske huse.. så sådan noget som et top 5-15 udenlandsk hus der leverer et udemærket produkt, det er jo bare ikke det vi sidder og læser og bruger og jagter med næb og klør. Så de har forsøgt sig, og har også erkendt at vi var måske lidt for stor en kunde, som de måske troede. Indtil videre har det ikke ændret serviceringen, men også fordi vi ikke service på ret højt niveau.

Interviewer: Hvis man kigger på noget af det kvalitetsvurdering, hvilke faktorerer anser du for at være de vigtigste?

Buy-side respondent 6: Altså, en god analytiker, det er en analytiker der tør have en holdning. Jeg kan ikke bruge en analytiker der bare fortæller mig der selskabet siger. Jo, det kan jeg nogen steder, hvis det er et selskab der ikke er dækket særlig bredt og han så laver en model, så er det jo meget godt til lige at se. Men ligeså snart jeg har mødt selskabet 3-4 gange og har lavet enmodel selv, så er der jo ikke meget information i den grundlæggende model, og intet nyt tilgang. Så det er en god starter, men forsvinder ret hurtigt. Værdien forsvinder ret ghurtigt i den tilgang. Der hvor der er værdi, det er hvor der er en der sætter sig ned og siger: enten skal jeg have en holdning der går imod strømmen, og bygge den på et eller andet. Selvfølgelig skal det give mening og være overbevisende, og ikke bare har for at have. Og det er faktisk overrasskende, hvor bange analytikere er for at ligge sig lidt ud fra mængden. Det er faktisk ret overraskende. Der er rigtig mange ligger sig på hvad selskaberne siger plus/minus en ligegyldighed. Så kan man selvfølgelig sige. Det handler jo om, om de har køb eller salg, de har jo en target pris. Men det handler om at skulle have en historie. Jeg kan ikke købe ind i noget der bare er hvad selskabet siger, plus minus et eller andet ligegyldigt og lidt støj. Kom med en historie der forklarer hvorfor det er en god langsigtet investering.

Interviewer: Det jeg lidt hører dig sige det er at. der er mange børsmæglere meget generisk research-news update og result comment. Men det der er vigtigt for dig, der er dybden i research og kunne fortælle en fin historie - det skal være mere kvalitetsfokuseret?

Buy-side respondent 6: Ja. Altså, der er ikke noget der er helt sort hvidt. Man vil stadig gerne have de hurtige kommentarer. Kan man levere værdi hvis man er en holdningsløs analytiker, der bare sørger for at holde et konstant nyhedsflow - Ja. Det kan du sådan set godt, hvis du har et nyhedsflow der er relevant. Hvor der også er nogle der virker til at sidde og sende mails ud fordi de ikke har andet at lave. Så får du lige en kommentar på et eller andet der er fuldstændig ubetydeligt for selskabet og historien. Det er bare støj. Kan du vibnde point bare på nyhedsflow, tynd model og tynd historie - ja det kan du godt. Hvis du er en analytiker der har en god historie og har en fornemmelse for at finde det de andre ikke har, har flair for det, men ikke har noget nyhedsflow, jamen så er det jo heller ikke helt til top karakter. Du skal jo selvfølgelig have et nyhedsflow der bakker op om den historie der er. Der er også nogle analytikere der siger jeg gider ikke skrive ud med alt hvad der bekræfter min historie. Men jeg skal nok være der ligeså snart der er noget der gør at min historie vakler eller bliver udfordret. Men hvis det bare er 10 produkt lanceringer der bekræfter at selskabet gør hvad jeg har lavet en historie og model omkring, så behøver jeg ikke sidde og sende et review af hver enkelt produtk lancering eller kontrakt der bliver vundet. Og hvad er så den rigtige måde at gøre det på? Det er jo lidt forskelligt fra selskab til selskab. I Carlsberg gider jeg ikke høre om hver kontrakt de vinder fordi det er et eller andet brutto tal. Jeg hører ikke hvad de taber. Og der er så meget lande-mix og alt muligt i det, så det er jo støj i sidste ende. Selvfølgelig, hvis de taber en kontrakt der betyder en procent eller to, så er den så stor at man skal kommentere på den. så det.. det er et svært spørgsmål - hvad der er en god analyse. Det varierer fra selskab til selskab. Og der er også noget der hedder der skal være et fair leje - en small-cap skal ikke dækkes på samme måde som Novo. Omvendt er det jo så på small-cap at du kan gøre differencen, så det er måske mere der du skal gøre det. Det er ihvertfald det jeg kan forstå folk vægter på small-cap aktier. Lav en god small-cap analyse, så får du betaling i Novo Nordisk omsætning.

Interviewer: Hvis man kigger overordnet set - ville du så sige at der er nogle af aktie-husene der har ændret måden de rapporter og analyserer på?

Buy-side respondent 6: Ja. Det er meget tydeligt at se. Folk (sell-side) er kommet med nye kvartalsopdateringer eller helt nye produkter. Jeg kan også sige at der er nogle der begynder at hve selskabsbetalt analyse, fordi du har fået en ramme, hvor hvis du flager det meget tydeligt at det er

selskabsbetalt, jamen så kan det forsvares - hvor før i tiden havde det jo nærmest været et no-go. Så det er nogle af de ting vi ser fordi det er blevet meget nemmere at prise, og det er måden branchen begynder at tænke på. Så det er det der er den mest iøjenfaldende ændring.

Interviewer: Vil du sige at det er godt eller skidt for jer? Det påvirker vel jer hvis markedet ændrer sig? altså udbudddet.

Buy-side respondent 6: Udvikling er aldrig dårligt - men det er jo klart at hvis det er et eller andet lort.. jeg tror det er tidligt at fælde dom over de nye initiativer, men det skal selvfølgelig evalueres korrekt og tages med i vores broker evalueringer. og hvis det viser sig at være ligeygldigheder, så vil vi selvfølgelig være kede af det over at bankerne vælger at bruge deres analytikeres tid på. Det afhænger af hvel om de fungerer på sigt. Lad os sige at et lille selskab nu har fået en mulighed for at betale en gennemsigtig sats for at få leveret en gennemsigtig analyse der afspejler at der her er betalt analyse, så kan det jo være fint Og hvis det lige pludselig bliver en god case, så er det jo fint at have haft noget dækning på, som gør at folk kan se du har haft en historik. Der er en analytiker derude der kender lidt til selskabet. Det gælder jo både noget af det produkt som blev leveret af ABG - det er jo lidt i den dur, og du kan tage sådan en som SP Group som er ved at blive en anseelig størrelse. Jamen det er måske meget snart at have fulgt dem i en årrække når der nu er ved at komme en volume i den, og der sidder en ejerkreds der skal have afhændt en masse aktier. Så er du den (sell-side hus) der har en relation til selskabet, og kan lave en placering i markedet uden at det dræner sindsygt kræfter fordi det har været en light coverage. Men måske også de selskaber der afspejler allerbedst at her er der faktisk en historie der virkelig kunne være blevet belyst og solgt og en god analytiker historie, men ikke er blevet gjort fordi man ikke gav den en fuld skalle fra start af.

Interviewer: Nu nævnte du selv at nogle vælger at lave et light coverage på nogle small-cap selskaber. Tror du at man kommer til at se en større differentiering af de produkter bankerne tilbyder?

Buy-side respondent 6: Spørgsmålet er om det vil være en årsag eller effekt. Jeg har ikke et godt svar på det, men hvis jeg skal brainstorme lidt, så vil jeg tænke at det afhænger meget af hvilken indflydelse MifID får generelt. Hvis der er et eller andet hus der får.. hvis kost øvelsen fra Nodrea og andre har betydet at man har skåret de to mindste huse fra, så vil der være et par huse der får gevaldige problemer. Og det vil sige at de er nødt til at leverere noget andet for at gøre sig relevante, og ændre sig produkt fordi de er blevet skåret fra nu. Og de må så finde på et eller andet. Det er mere den vej, hvis MiFID har betydet at verden er uændret på sell-side, og de kan hente de samme penge hjem i

dag, som de kunne før, så tror jeg incitamentet til at finde nye produkter og nye strukturerer og nye priser er meget lille.

Interviewer: Hvis man skal prøve at lave mod-argument: du ser allerede nu sponsoreret research - det er vel en tidlig indikation at de netop ikke kan hive de samme penge hjem fordi der er sket ændringer i markedet?

Buy-side respondent 6: Ja... Det sjove er så at det er kommet fra nogle af de store, og ikke nogle af de små.. hvad er betalt analyse. Du kan jo godt have forretning med et selskab hvor.. lad os sige at et eller andet small-cap selskab bruger XX som investeringsbank, så kunne det jo godt være at carnegie siger at nu har vi dem som kunde i vores forretning, og så er det meget smart at vi har en eller andet light coverage. er det betalt analyse? Nej. Der er ikke sendt nogen faktura. Den eneste forskel der er, det er at i dag en konkret mulighed for med MifID, når har du en transparens verden, hvor der i toppen står: selskabsbetalt analyse, men uafhængig. Hvor det før i tiden har eksistreret, men mere som en gentleman agreement mellem selskab og bank. Vil man se mere af sådan noget? ja - du vil se mere differentieret produkter hvis der er nogle der begynder at blive lidt presset. Det tror jeg. Fordi, det her det er jo et spørgsmål om at hente de populære analytikere, der kan hente nogle point hjem i broker evalueringerne hos kunderne. Og hvis du sidder og ikke har de analytikere der skal til, og du ikke får de placeringer der skal til. Så må du jo hente nogle dyrere folk, og det kræver jo en up-front investering. Hvis du ikke vil det, så må du jo til at sælge nogle flere produkter (research).

Interviewer: Tror du det kan være et resultat? At man ser nogle aktie-huse vælge at sige nu går vi ud og investerer i nye analytikere fordi vi bliver nødt til at få en højere ranking? analytikerne er jo gavnet af MiFID II. De kan måle deres egen vægt i guld

Buy-side respondent 6: Det vil være en fuldstændig individuel opvejning og en strategisk beslutning fra de individuelle huse. Det vil man se hvis der er nogen der mener at de tror det kan bringe dem tilbage i spillet. Du kan også se... hvad har der været af skifte.. der har været lidt haps fra ABG, hvor man har valgt at tage en analytiker ind som ikke er ligeså højt ratet. Carnegie har mistet nogle, og har ansat purunge fyre i stedet for. Så der har man ikke valgt at lave den investering, hvor det er danske bank og nordea der har hapset og det er jo fordi de har mistet nogle folk, og der vælger man jo så at tage nogle folk med point (ranking) i ryggen i stedet for at bruge 5 år på at bygge dem op. Og det er jo en strategisk beslutning fra ledelsen i de respektive banker hvorimod man vurderede anderledes i Nordea og Danske. Så vil man se det? Ja. Det ser man allerede hos de banker der vælger at gøre det.

og der hvor de ikke vælger at gøre det - der ser man de tikke. Jeg tror ikke der er en entydning konklusion på det.

Interviewer: Hvis du skulle forudsige det - ville du forvente at i kom til at bruge færre eller flere penge på jeres aktie analyse og trading i fremtiden?

Buy-side respondent 6: Under forudsætning af at antallet af selskaber i porteføljen er uændret, så vil jeg tro at der en nedadgående spiral i øjeblikket, som jeg ikke ved hvornår slutter, men det gør det vel den dag hvor der er nogle huse der siger at de ikke kan være med længere. Så kan du diskutere om københavns fondsbørs er stor nok til at have 6 huse? Det er der jo delte meninger om. Det er jo lidt en del af snakken. Vil det egentlig være sundt nok at få koncentreret lidt? Jamen det kan man jo så diskutere.

Interviewer: Din diversitet der er ved at have 6 huse, og sige at 6 hsue er for meget. Det er vel input du kan bruge når du skal analysere selskaberne? Hvis der nu var 2, så var inputs vel også anderledes. Vil det ikke være lidt mere ensidigt?

Buy-side respondent 6: Det er jo klart at 6 folk skulle gerne få flere gode ideer end 6. Men hvis du ender med at have.. på selskaberne generelt set tror jeg godt man sige.. det er ikke så langt at.. på selskaberne er der måske 2-3 analytikere der stikker ud og er virkelig dygtige. Men hvis vi siger at vi har 5-6 huse i københavn, så tror jeg ikke der er et selskab der er dækkes ind med stjerne dygtige analytikere, hvor alle får lige meget af puljen. så er spørgsmålet så - kunne man leve uden de 2 bagerste som er lidt kaikeret sagt, er konsensus analytikere? Det vil vi vel ikke dø af. Tværtimod ville vi være fri for at telefonen ringede med et nyhedsflow vi var opmærksomme på, fordi ham der var stjerne dygtig har ringet. Det er jo meget kynisk. Men konkurrence skærper også. Så det er fint nok at have nogle vandbærer der skal ligge nogle timer og lige pludselig disker op med et eller andet, det er jo sådan set fint nok.. så konkurrence er aldrig dårligt. men man skal også være konkurrence dygtig. Det er klart at nogle huske og har benefittet af MifID II. Hvis et stort buy-side firm har valgt at gå med 2-3 huse i stedet for 6, så får de jo også en større del af kagen. Så kan man diskutere om kagen er blevet mindre. Der har jeg ihvertfald hørt fra nogle personer at de netto er steget i beløb de modtager fra buy-side. Der er også banker der har kunne hente noget af de regionale bankers flow (pga size). Du får et transparent system - men du har også koncentreret det omkring få udbydere. Hvis der er nogle der vinder på det her i længden - så er det de store banker, og du skærer faktisk de små fra. Det tror jeg har været en utilsigtet effekt af MiFID II.

Interviewer: Jeg tror det var det - tak fordi du gad være med.