

WHITE PAPER

# HOW TECHNOLOGY CAN HELP FIRMS TACKLE MiFID II REGULATIONS





MiFID II is one of the most complex regulatory efforts in generations, and understanding exactly what it means for relevant stakeholders remains a challenge. The new regulations represent not only a massive operational systems implementation problem, but in some cases, a fundamental change in business models.

In our [last white paper](#), we briefly discussed MiFID II's primary impact on the trade, reporting and research valuation processes for both the Buy-Side and Sell-Side. However, what about corporate access? Although a relatively minor component of the overall legislation, the entire process of meeting with and engaging company management is significantly impacted by MiFID II, especially around the **inability** to use trading commission to pay for research.

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The problem is that while the technical requirements for MiFID II compliance in areas like trade reporting are extraordinarily detailed, the way traditional corporate access will be treated is still somewhat open to debate, in particular how much of it will qualify as "research" under new guidelines.

There is broad consensus that MiFID II is anchored on the concept that anything beyond a "minor benefit" provided to an investor for free is considered an inducement to trade and is thus broadly restricted and subject to both pricing and disclosure requirements, but beyond that the lines are blurry. Additionally, just what qualifies as a "minor benefit?" At the moment, guidance suggests product training, immaterial hospitality, and other non-monetary items provided they are not at a scale likely to influence a recipient's behavior. If you think it's a grey zone, you're right.

It is clear that the way corporate access is organized and consumed will change significantly but here at WeConvene we believe that two things will remain consistent:

1. **Corporate Access will continue to remain highly valued.** For the vast majority of institutional investors, meeting with management teams is still an essential part of their due diligence process and however the rules around disclosure of payment change, this will remain a constant.
2. **The Sell-Side will continue to play a vital role in the Corporate Access landscape.** We are likely to see more direct access between the Buy-Side and corporates and it is also likely that some Corporate Access teams will need to be more selective in the Corporates they can service, but the level of expertise the Sell-Side brings in terms of investor targeting, the capital markets and also the sheer logistics required to organize a successful event will mean their services will continue to be in demand from both the Buy-Side and Investor Relations teams.



To read our last white paper, 'MiFID II: What is it and who does it impact' scan this QR code or visit: <http://bit.ly/2mlDv83>

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Corporate Access under MiFID II will continue to thrive and is likely to become even more relevant despite being removed from under the umbrella of a larger, bundled pricing service offering and given a distinct price tag. Predicting the future is of course fraught with difficulty but we believe that in a post-MiFID II world we will see an acceleration of some of the trends in Corporate Access that we are already starting to see materialize, both as a result of upcoming regulation and also the economic realities facing financial institutions (the rise of passive funds etc.).

1. **Sell-Side taking a harder look at the services they are providing.** Economics will now play a major role in determining what the Sell-Side offers and ensure they are very focused on bringing the right companies to the right investors. Investors will now measure every dollar spent, with a much higher focus on quality and less willingness to take meetings that don't add value to their overall investment process. The result is that Corporate Access teams will focus on providing services with high client demand and as a consequence there will be less coverage of companies, especially smaller and less fashionable ones.
2. **Greater differentiation in the quality of Corporate Access teams.** Certain Sell-Side firms will invest heavily in the corporate access services they provide in an effort to differentiate their offering from their peers. Corporate access service best practices such as wrapping additional services around a meeting (pre-meeting calls with analysts) will become standard practice among the brokers seeking to win in this new environment.
3. **Buy-Side firms will start to allocate more of their research budget to more specialized services.** Paying for a high-value trip to visit a company, accompanied by a leading analyst in the relevant sector will start to make a lot more sense to Portfolio Managers as a value proposition when compared with paying for plain vanilla Corporate Access.

#### 4. **More proactive Investor Relations teams.**

Without the ability to rely so heavily on the expertise of the Sell-Side, Investor Relations teams will continue to build effective investor outreach capabilities and will be more willing to connect directly with Investors. There will also continue to be a greater willingness to have investors come and visit them, as it is easier on management's time and gets the business more exposure.

So, it is clear that the Corporate Access landscape will continue to change and that everyone involved in the organization and booking of meetings will have to adapt their current processes, but WHAT exactly do you need to do and HOW do you do it?

The "WHAT to do" is relatively straightforward and amounts to a couple of clear actions:

1. Establish a clear and accurate reporting and audit trail of all Corporate Access activity.
2. Have the ability to provide evidence of the value of all Corporate Access.

Regarding the "HOW to do", outside of a small handful of large firms most have insufficient systems or manual processes in place to help them comply. As one example, in many of our conversations with institutional asset managers the only method they have in place for producing a record of the Corporate Access meetings they have attended is to do a manual count of entries in their personal calendar - this kind of practice will be completely inadequate in a post-MiFID II world.

Thankfully MiFID II comes at a time where there are emerging technology platforms that make compliance with MiFID II a far simpler proposition. Utilizing a technology platform is by far the easiest and most efficient way to meet the need for accuracy and transparency. When evaluating a system that can cover all your MiFID II Corporate Access needs, it is important to consider the following factors:





## FOR PORTFOLIO MANAGERS

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### Tracking all meetings attended

- Manually recording meetings is both inefficient, costly and prone to error. With the current technology available there is no need to rely on legacy methods of tracking activity such as spreadsheets, email or your personal calendar.
- **Look for** a system that automatically tracks every meeting detail and provides you with real-time consumption reports on all the key metrics that are important from a regulatory standpoint (when was the meeting, who organised the meeting and who attended).

### Rating and evaluating the value of meetings

- Recording and ultimately being able to justify the value of the interaction is not only important for regulatory compliance but also in a world where Corporate Access is a paid for service, it is critical from a business perspective to be able to assess the value you receive from the services you are paying for.
- **Look for** a system that allows you to easily rate your meetings so you can record the value of each meeting attended and instantly generate reports that enable you to provide a strong rationale for all your Corporate Access consumption.

## FOR CORPORATE ACCESS TEAMS

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### Tracking all meetings provided

- Maintaining a record of all meetings provided to clients is not just good business practice but will be a regulatory requirement and you need to be able to provide correct data on everything that a client has consumed. Additionally with clients becoming more selective over what they do and do not pay for, it is important to be able to target your events at the right clients.
- **Look for** a system that provides you with automatic tracking of everything you provide to clients and that also gives you data that can help you focus your targeting efforts so you are expending your resources on the right clients.

### Demonstrating the value of the meetings provided

- Your clients will be applying greater scrutiny over which meetings they consume and regulations require that you demonstrate the value of the services provided so it is vital that you provide enough information for your clients to justify taking the meeting.
- **Look for** a system that enables you to effectively promote your meetings so that it is easy for your clients to justify the value of the meeting. One example of this would be to include an analyst's ranking from established industry surveys such as Extel or Institutional Investor when organising an analyst marketing event.





## FOR INVESTOR RELATIONS TEAMS

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### Connecting directly with the Buy-Side and managing incoming inquiries

- The number of Buy-Side firms that make direct inquiries to set up meetings is likely to increase and if you are part of the IR team of a small or mid-cap Corporate it is also likely that the number of Sell-Side Corporate Access teams that are able to service you will decrease.
- **Look for** a system that connects you directly with Investors so you are able to organize all your meetings in a centralized place and that also helps you effectively manage the multiple inquiries that come from investors.

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These are some of the challenges and solutions as we see them but there are still some large questions that remain unanswered regarding charging for Corporate Access. We are keeping a close eye on developments in this area and are very interested to see how the landscape develops:

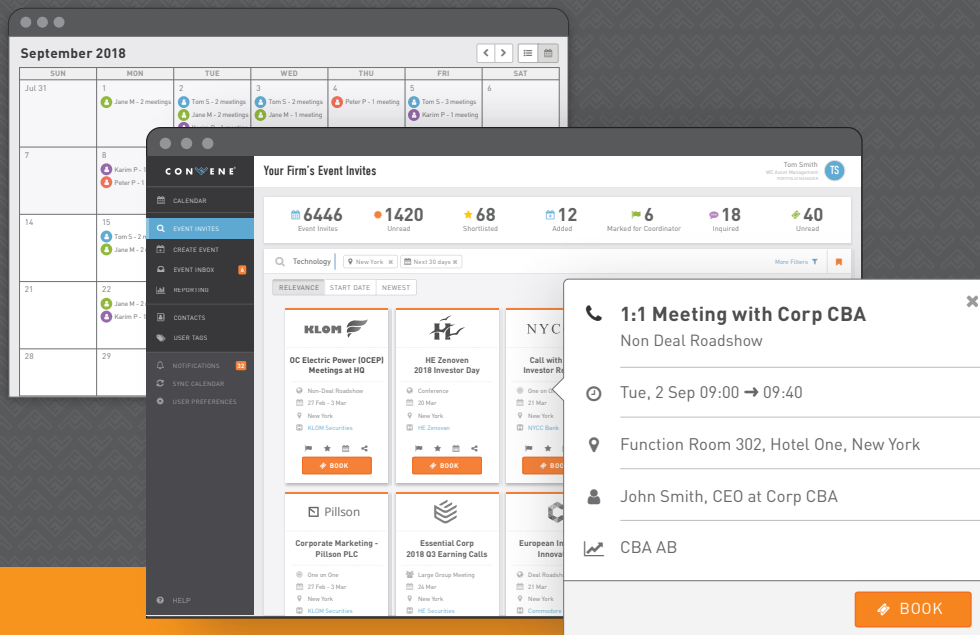
1. Why should Institutional Asset Managers pay to meet with the management for companies where they are significant holders?
2. If Sell-Side firms charge their Buy-Side clients for Corporate Access, will Corporates start to question what benefit they receive if they are essentially providing their management time for free?

Ultimately, MiFID II is the catalyst for a major transformation in Corporate Access that, regardless of its regulatory intent and adoption burden, will result in improved processes around connecting the consumers of capital (companies) with the providers of it (investors). In our next white paper, we will look more closely at the IRO's challenges under MiFID II, and dig into how the new regulations actually represent some exciting new opportunities for Investor Relations professionals.



# ABOUT WECONVENE

**WeConvene** is a global, independently owned web-based platform that automates corporate access consumption and evaluation for the investment community. Events large and small directly impact investment strategies and WeConvene provides value to buy-side, sell-side and corporate organizations by enabling efficient discovery, booking and tracking of meetings.



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