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Do Not Disadvantage US Investors on Research, CII Asks SEC

Washington, D.C., September 22, 2017 — The Council of Institutional Investors on September 22 sent a [letter](#) to Securities and Exchange Commission Chairman Jay Clayton, requesting that the Commission work to permit U.S. investment managers and asset owners to “unbundle” their trade execution from research. Effective January, the European Union’s MiFID II directive will require investment managers to pay for research services directly, either from their own funds or from an account funded by clients.

CII understands that some broker-dealers are seeking SEC relief for European clients, permitting them to directly pay for research. These broker-dealers apparently will continue to force bundling of research for U.S. investors.

“The SEC should seek to create a clear path for unbundling of research from trade execution, for all investors, including those domiciled in the United States” said CII General Counsel Jeff Mahoney. Mahoney said that separation of cost of trade execution from research would increase transparency and price discovery for trade execution and the cost of research, reduce investor costs through more efficient markets for research, and encourage independent research. He added that if universal no-action relief consistent with CII’s approach is not feasible at this time, it is important that any no-action relief granted be temporary and “promptly followed” by Commission action with appropriate public due process that results in a better approach for all investors.

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The Council of Institutional Investors (CII) is a nonprofit association of pension funds, other employee benefit funds, endowments and foundations, with combined assets that exceed \$3 trillion. CII’s non-voting members include asset management firms with more than \$20 trillion under management. CII is a leading voice for effective corporate governance and strong shareowner rights. CII educates its members, policymakers and the public about corporate governance, shareowner rights and related investment issues, and advocates on its members’ behalf.