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## Execution service launched

By Steve Johnson  
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Japaninvest, an independent research house, has launched an execution service that it hopes will help smaller boutiques compete with the big investment banks.

The company, listed in Tokyo, has invited other independent research providers to join IND-X, which went live last week.

### EDITOR'S CHOICE

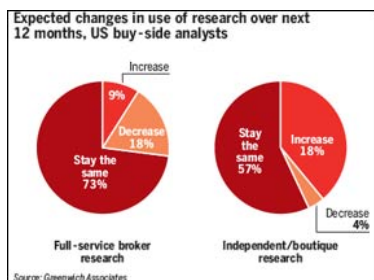
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"We want to have dealing capacity that we can share with other independents. This makes independents more viable," said Mark Burges Watson, chief operating officer of Japaninvest.

With few asset management houses willing to pay outright for research, boutique research providers rely on mechanisms such as commission sharing arrangements (CSAs) and directed trades for their income.



These allow asset managers to pay an investment bank to execute a trade, but stipulate a proportion of the money should be passed to third parties that have provided them with the most valuable research. However, stories abound of independent houses struggling to receive monies due to them.

"There are substantial delays in payments. It can be three to six months before the banks tell us there is money there allocated to us and actually pay it," said Richard Kramer, managing director of Arete Research and a board member of the European Association of Independent Research Providers. "CSAs were a big step forward, but the administration of them has been a mixed bag."

The IND-X order routing hub would reverse this process by allowing a fund manager to pass a payment straight to Japaninvest or any other research boutique signed up to the system, but with some of this cash earmarked to cover execution by either a stipulated broker or the bank that IND-X believes is able to demonstrate best execution.

"The independent research sector would benefit from having more options," said Mr Burges Watson. "There have been huge problems with being paid on time, being paid the right amount and being paid at all. Understandably it is not at the top of investment banks' agenda to pay their competitors. Our feeling was we needed to have an execution venue of our own."

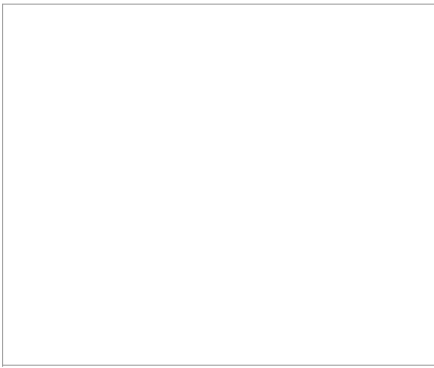
"Independent research cannot grow up until its dependence on external execution venues is lessened."

Initially IND-X will only cover Japanese stocks, but Japaninvest plans to expand to major European and Asian markets by the spring.

Boutiques take on global Goliaths, Page 3

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