Frankfurt,

28 January 2025

**BVI comments on the ESMA consultation on the technical Advice to the European Commission on the amendments to the research provisions in the MiFID II Delegated Directive**

We [[1]](#footnote-1) take the opportunity to present our views on the objectives of the Listing Act to enhance market transparency and investor protection**.** We welcome the option of joint payments for execution services and research within in the context of the Listing Act.

The unbundling of research costs from trading commissions leads in the past to a reduction in the availability and quality of research, particularly for small and mid-cap companies. This impacted investment decisions and market efficiency. Therefore, we welcome that also research and execution (trading) cost rebundling will be made possible irrespective of the market capitalization of issuers.

The new possibility of research bundling under the Listing Act, allows investment firms more flexibility in the way they choose to organize their payments for execution services and research. We also support ESMA's assessment that the joint payments resulting from research bundling are explicitly not considered inducements within the meaning of MiFID (ESMA’s consultation paper, p. 13).

In particular, we would like to emphasize that the requirement to establish a methodology for remuneration laid out by ESMA (Option 3b the consultation paper) allow simply and clear principles based methodology. This provision is particularly crucial in the context of the ongoing debate on strengthening Europe's competitiveness in the global environment. Therefore, we welcome the proposed draft amendments by ESMA on Art. 13 of Commission Delegated Directive (EU) 2017/593.

In this context we would like to make to following specific comment:

**Question 1: Do you agree with the proposed approach? Or would you prefer a more or less detailed approach? Please state the reasons for your answer.**

Yes, principally we agree with the approach for option 3 to introduce some high-level requirements applicable to the three different payment options now available to investment firms.

However, in respect to Art. 13 para 5,

*„5. The investment firm shall agree with clients, in the firm's investment management agreement or general terms of business, the research charge as budgeted by the firm and the frequency with which the specific research charge will be deducted from the resources of the client over the year. Increases in the research budget shall only take place after the provision of clear information to clients about such intended increases. If there is a surplus in the research payment account at the end of a period, the firm should have a process to rebate those funds to the client or to offset it against the research budget and charge calculated for the following period.“*

We believe Art. 13 para 5 should not be interpretated as a legal requirement to set up a research account for every single investment fund (UCITS/AIF) or -even more cumbersome from an administration point of view at each subfund/segment within an investment fund. Such requirement would in practice severely limit the possibility of (re)introducing research and trading cost bundling. It should be sufficient to maintain a research budget account at the strategy level of the investment firm, e.g. its equity investment strategy.

We encourage ESMA to clarify the situation and not to increase the legal burden for highly regulated investment funds which would like to use the research and trading cost bundling option.

1. BVI represents the interests of the German fund industry at national and international level. The association promotes sensible regulation of the fund business as well as fair competition vis-à-vis policy makers and regulators. Asset managers act as trustees in the sole interest of the investor and are subject to strict regulation. Funds match funding investors and the capital demands of companies and governments, thus fulfilling an important macro-economic function. BVI’s 115 members manage assets of EUR 4.4 trillion for retail investors, insurance companies, pension and retirement schemes, banks, churches and foundations. With a share of 27%, Germany represents the largest fund market in the EU. BVI’s ID number in the EU Transparency Register is 96816064173-47. For more information, please visit www.bvi.de/en. [↑](#footnote-ref-1)