

PRESS RELEASE

BETTER FINANCE Applauds and Supports Proposed Ban on Sales Commissions Paid to Retail Distributors of Investment Products

25 October 2022 – BETTER FINANCE considers the recent proposal to ban “inducements” (commissions) in “retail” investment services to be a very significant milestone in investor protection and firmly urges EU Member States to also support it.

EU authorities are currently working on the [reform of rules surrounding market structures and execution of client orders](#), namely the EU Regulation and Directive on *Markets in Financial Instruments* (MiFIR/ MiFID II). The EU Commission was brave enough to propose an outright prohibition for investment firms to receive commissions for directing client orders to certain (often “dark”) execution venues.

Members of the European Parliament’s Economic and Monetary Affairs (ECON) Committee took the proposal one step further and proposed an outright, general ban for investment firms to “**solicit or accept**” any remuneration, payment, or benefit for providing a service to a “retail” client, except from the client itself (or on behalf of).

The Amendment proposal to Art. 24 MiFID II is ground-breaking and the most important development in “retail” investor protection standards since the launch of the Capital Markets Union.

Since its inception, BETTER FINANCE has drawn attention to the detrimental effects these commissions or payments generate for individual, non-professional investors. Recently, BETTER FINANCE produced an evidence paper on the topic and sent a letter to the EU Commissioner for Financial Services, Financial Stability, and Capital Markets Union, Mairéad McGuinness, asking for the ban proposal to be included in the forthcoming EU Strategy for Retail Investors.

Guillaume Prache, Managing Director at BETTER FINANCE, highlighted that “*the EU is currently dealing with a huge unbiased advice gap in the distribution market for retail investment products due to the existence and predominance of commissions at the point of sale paid by product manufacturers to so-called “advisors”. The proposals to ban these “inducements” represent a major step in the right direction and we firmly advise both the European Parliament and the Council of the EU to transform it into EU legislation*”.

For more information, see BETTER FINANCE’s:

- [Evidence Paper on the Detrimental Effects of Inducements](#) (February 2022)
- Letter to Commissioner Mairéad McGuinness on “[Bias-Free](#)” Advice for Retail Investors (27 July 2022)
- Response to the European Commission’s [Public Consultation on the EU Strategy for Retail Investors](#) (August 2021)
- BETTER FINANCE [Position Paper on the EU Strategy for Retail Investors](#) (executive summary)

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