

Are

**Neobrokers**

Too Good to

Be True for

EU Investors?

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**While neobrokers advertise a zero-commission model, this can be misleading due to both **implicit** and **explicit** costs.**

tangible expenses that are disclosed to investors, such as subscription fees or transaction charges.

indirect expenses often related to the bid-ask spreads of trade.

They may go unnoticed or be undisclosed, potentially affecting investor awareness and the overall impact on their investments.

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Neobrokers receive compensation for directing retail orders to specific market makers or trading venues.

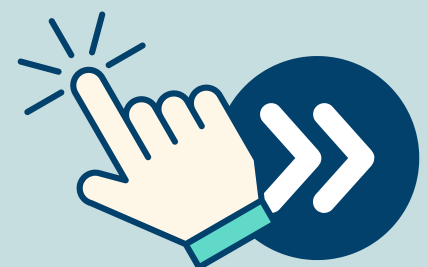
**Payment for Order Flow (PFOF) and rebates from ETF providers are key financial incentives for neobrokers.**

ETF providers and asset managers may pay premiums for product listings.

Inducements or financial subsidies often form a significant part of neobrokers' revenue, helping to keep ETF costs low.

However, such practices can raise concerns about **investor choice** and **market transparency**.

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lending clients' securities and  
reinvesting the collateral

Neobrokers engage in **securities lending** to generate additional revenue.

While this practice can increase their income, it also introduces risks for retail clients, including counterparty risk and collateral shortfall risk.

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## Transparent Marketing:

Implement strategies that clearly disclose the risks involved.

## Retail Investment Strategy

Consider partial bans on inducements.

**The innovative nature of neobrokers challenges existing regulatory frameworks and requires continuous adaptation to ensure investor protection and market integrity.**

## Regulation of Marketing:

Address marketing practices, gamification tactics, and behavioural prompts that may mislead investors.

## PFOF Ban

The MiFID/R regulations aim to address and potentially prohibit Payment for Order Flow (PFOF) practices.

## Enhance Investor Awareness

Improve understanding of high-risk options and closely examine the ecosystem of digital platforms.

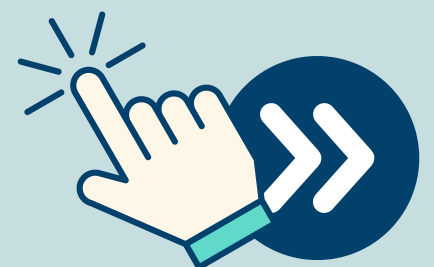


## Is an integrated financial platform the solution?

Neobrokers are merging brokerage services with banking and payment options (also known as platformisation), which introduces challenges such as:

- **Increased Complexity:** Integrated platforms can make it difficult for clients to grasp the full scope of services.
- **Gamification Risks:** Digital engagement tactics, like gamification and nudges, may lead to excessive trading or risky behaviour.
- **Regulatory Hurdles:** Careful regulatory oversight is needed to ensure compliance, protect investors, and maintain market integrity.
- **Risk Management:** Users should understand the compounded risks of integrated services.
- **Transparent Communication:** Neobrokers must clearly explain the risks, costs, and benefits of combined services so that users can make informed choices.

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