

PRESS RELEASE

EU Council set to backtrack on retail investor protection and CMU, contrary to SEC's US capital markets reforms

19 December 2022 – On Wednesday 14 December, the United Securities and Exchange Commission (SEC) proposed Regulation Best Execution, seeking to establish a best execution regulatory framework mandating that securities brokers and dealers execute deals at the best price available.

BETTER FINANCE, which itself has been highlighting the need for more transparent and fair European stock markets, applauds the SEC for this push that would produce the biggest changes to US equity trading rules since 2005.

Like BETTER FINANCE, the SEC believes PFOF does not lead to the best deals for investors, and estimates that the practice causes as much as 1.5 bn dollars in damages for US individual investors every year

The SEC stops short of an outright ban on Payment for Order Flow (PFOF) but, in the same vein as BETTER FINANCE, proposes a “plan B” to ensure individual investors are adequately protected, by forcing brokers to offer a wider choice of trading venues.

Whereas the SEC recognises the growing problems of fragmentation and opacity in markets and the detrimental costs of certain practices to retail investors, the EU is revising MiFID II/R and moving in the opposite direction, with some of the latest proposals considered by both the Council and the European Parliament that would water down limits on dark trading and eliminate best execution reporting obligations.

On multiple occasions, and as recently as [on 17 November 2022](#), BETTER FINANCE has advised EU authorities to consider:

- ensuring adequate, fair, clear, not misleading, and publicly available reporting on commissions received by retail brokers from “dark” operators
- prohibiting systematic internalisers from dealing and executing trades that are below the “large-in-scale” size (compared to the standard market size),
- imposing an adequate definition for best execution primarily as obtaining the best price, net of commissions and other costs, for retail trades,
- requiring brokers dealing with “retail” clients to offer at least one “lit” trading venue.

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