BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

Feedback on the Draft Delegated Directive amending MiFID II: Rules on Payment for Research and Execution Services (Listing Act – "Re-bundling")

23 December 2025

Executive Summary

The European Commission is setting forth its delegated act that specifies new governance and transparency requirements for investment firms choosing between two distinct research payment models. These rules enact a choice: firms may continue to pay for research separately from trading costs (the "unbundled" model), or opt for the newly re-introduced possibility of paying for research jointly with execution fees (the "re-bundled" model of joint payment accounts). This latter option, introduced as part of a MiFID II review under the Listing Act, risks diminishing cost transparency for clients by broadly re-allowing joint payment practices.
Although "re-bundling" was initially proposed to revitalise SME research, the final legislation expanded this option to all issuers, regardless of market capitalisation. This shift effectively reverses the 2018 "unbundling" mandate aimed at curbing hidden fees and trade-routing bias. It also bypasses the 2021 amendments, which treated joint payments as a strictly limited derogation for issuers below a €1 billion market cap.

BETTER FINANCE warns that current draft rules risk making joint payments the new "standard model", eroding transparency through loose procedural checks as currently drafted. Without rigorous safeguards, retail investors may unknowingly subsidise research via inflated trading fees (reviving so-called 'soft commissions' methods) while failing to actually boost research coverage for the SME issuers that need it most. Overall, we align with ESMA's initial analysis.

To protect retail investors, BETTER FINANCE to enhance three essential safeguards to ensure fairness, best interest, and transparency:

- Transparency: The delegated rules must be more specific in requiring firms to meet actual stringent standards for disclosing and calculating research charges. This should entail defining "quality" value before charging clients. Investors must be able to see that their money pays for rather than simply bearing increased trading fees. Joint payment account methods should thus be formalised and explicitly detailed in firm policies.

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- Comparability: Even where research and execution fees are bundled, firms should always be required to provide an estimated split between trading and research costs. Without this, investors cannot effectively compare prices between firms or against brokers who charge separately. The Commission should consider this essential for a level playing field.
- Conflict of Interest & Assessment: The delegated act must be more prescriptive in ensuring that re-bundling does not sideline independent research providers. Provisions should strictly mandate that research agreements never influence execution venue selection, thereby upholding both MiFID "best interest" and "best execution" duties. Finally, a review clause shall assess the actual impact of these rules on market practices and whether the visibility of smaller issuers has improved.

Feedback

BETTER FINANCE acknowledges the EC's work to operationalise the political choice made at Level 1 to allow investment firms to pay for research either jointly with execution services or separately (as per current separate, unbundled model). While intended to revitalise research and support SMEs, this flexibility constitutes a material departure from the original MiFID II unbundling framework. Therefore, the Delegated Directive must serve as a rigorous basis to mitigate risks. We recall that unbundling was explicitly designed as a structural safeguard to strengthen cost transparency and prevent conflicts of interest. By treating joint and separate payments as quasi-equivalent options, the draft Delegated Act effectively replaces this structural barrier with procedural safeguards based mostly on internal governance checks. From a retail investor protection perspective, the Commission's draft risks implicitly normalising joint payments without acknowledging that bundled payments inherently carry a higher risk of inducements and opaque costs compared to unbundled models. Therefore, we argue that the procedural rules replacing unbundling must be significantly more rigorous (standardised) to prevent a regression to the pre-MiFID II era of soft commissions and inherent conflicts of interest, aligning closer with ESMA's initial risk analysis.

Against this backdrop, targeted refinements are warranted. Regarding the annual quality assessment (Article 13(10)), relying solely on ex-post internal governance is insufficient for inherent ex-ante conflicts. For this to be a genuine safeguard, the "robust quality criteria" must not remain a "black box". We urge the Commission to specify that both the quality criteria and the remuneration methodology (i.e. how the research charge is calculated relative to execution) be disclosed to clients ex-ante, for instance in the firm's Research Policy (updating evaluation/estimates). Without this transparency, the assessment becomes a compliance exercise justifying bulk payments to large brokers, potentially crowding out independent SME-focused providers. Retail investors must be able to verify their funds pay for substantive research, not subsidised execution flows.

Furthermore, transparency requires meaningful comparability. While Article 13(1a) introduces welcome cost disclosures, raw figures in isolation prevent assessing value for money. A retail investor cannot effectively compare a broker charging a

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"bundled" fee against one charging an "unbundled" execution fee plus separate research charges. To ensure true comparability, we recommend refining Article 13(1a) to require that firms using joint payments disclose an estimated allocation of the bundled fee, distinguishing between execution and research components. Without this granular breakdown, the link between price and service quality is severed, preventing clients from assessing the "Total Cost of Ownership."

Finally, this flexibility must not dilute strict Best Execution obligations, especially as rules apply universally to all issuers. We suggest at least a recital clarifying that payment choices must remain based on client interest, with order routing insulated from research targets. Consequently, the Article 13(10) assessment should confirm that research payments have not influenced execution venue selection. Moreover, given the shift in regulatory philosophy, we strongly recommend mandating the monitoring of this reform's impact on retail total costs and independent research availability, ensuring that if retail detriment emerges without increased SME coverage, the framework must be reviewed.

About BETTER FINANCE

BETTER FINANCE — the European Federation of Investors and Financial Services Users — is the voice of European citizens as savers, investors, and financial users at the EU level. Working independently from the industry, BETTER FINANCE serves as an independent hub of financial expertise for the direct benefit of individual shareholders, investors, savers, life insurance policyholders, pension fund participants, and mortgage borrowers across Europe. Their work aims to promote research, information, and training on investments, savings, and personal finances to lawmakers and the public. BETTER FINANCE counts 40 independent, national, and international member organisations, sharing similar objectives from the EU Member States as well as Iceland, Norway, Turkey, Lebanon, and Cameroon.

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