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Foreword

The Board of the International Organization of Securities Commissions (IOSCO) is seeking comments on this [Consultation Report on Neo-brokers](#)

Important: All comments will be made available publicly, unless anonymity is specifically requested. Comments will be converted to PDF format and posted on the IOSCO website. Personal identifying information will not be edited from submissions

If you have questions about the report or the consultation, please contact Alp Eroglu (a.eroglu@iosco.org), Flavio Bongiovanni (f.bongiovanni@iosco.org) and Devid Mazzonetto (d.mazzonetto@iosco.org).

Name of
Respondent:

Email:

Organization:

Jurisdiction

1. Do commenters agree with the current definition of neo-brokers as set out in this report? Please, elaborate.

Deutsche Börse Group (DBG) agrees with the proposed definition, emphasizing the online-only nature, lack of physical branches, and focus on execution-only services with limited human interaction. However, we believe the definition should not be overly narrow and should encompass the evolving nature of these business models. Specifically, it should include brokers that might offer additional services like CFDs or crypto asset trading through affiliated entities, as these offerings are becoming increasingly common among firms targeting similar clients. This broader definition recognizes the potential for neo-brokers to expand their offerings and blur the lines between traditional brokerage and other financial services.

2. Do commenters agree with the proposed characteristics of the neo-brokers' business model? If not, please explain. Does the neo-broker business model merit specific focus and evaluation relative to other broker-dealers? If so, why?

DBG agrees with the characteristics outlined in the report. The low/zero-commission model, focus on digital channels, and younger, less experienced target audience are all key characteristics. However, it is the low/zero commission model, coupled with the practice of Payment for Order Flow (PFOF), that creates inherent conflicts of interest and distinguishes neo-brokers from traditional broker-dealers. This dependence on PFOF raises concerns about order routing transparency and best execution. Also, we would like to highlight the evolving nature of these models, particularly the emergence of more concerning and tightly integrated structures, where single market-maker venues are directly linked with affiliated brokers. The European Commission defines single market maker venues as where the venue operator limits market making to one participant (cf Targeted consultation on integration of EU capital markets, European Commission, 15 April 2025, page 22). Those models are basically a straight line between the broker receiving the client's order, the execution venue where the order is executed and the single counterpart of all orders. Pushed to the more extreme case where brokers would own the execution venue, those models can negate best execution considerations and at the same time avoid any regulation of PFOF because of the integration of the different steps of the value chain. These arrangements concentrate order flow even more than traditional PFOF and pose significant risks to best execution and competition. There is no competition to get the order flow and potentially no regulatory requirements on best execution like price improvement.

3. Are there any other types of activities engaged in by neo-brokers, that are not covered in this report? Please explain, providing examples and describing their impact on retail investors.

Beyond the activities described, some neo-brokers are expanding and diversifying their services through partnerships or affiliations to include robo-advisory, portfolio management, and lending. This diversification necessitates careful consideration of the impact on retail investors, particularly those new to investing, where clear and transparent communication, regular knowledge checks and appropriate education support are necessary to guarantee retail investors are well informed on all risks related to investing.

4. Do commenters believe that certain characteristics are substantially different between neobrokers and other broker-dealers? If so, identify the characteristics of the business model of neo-brokers that differ substantially from that of traditional brokers.

The core differentiator, driven by their low/zero commission model, which should also be the source of significant regulatory concern, is the reliance on indirect revenue streams, primarily PFOF and the associated potential for conflicts of interest and impacts on order routing transparency. While the digital-first approach and focus on a specific demographic are notable, they are not unique to neobrokers, with traditional firms increasingly adopting similar strategies. The emergence of vertically integrated single market maker models where affiliated brokers direct orders to affiliated venues further increases the difference. This concentrates order flow, limits competition and potentially harms retail investors. This structure, where brokers effectively control the execution venue, represents a significant departure from the traditional broker-dealer model.

5. Do commenters agree with the envisaged potential benefits and risks stemming from the neo-broker business model, as identified in this consultation report? Do you think there are additional benefits and risks that should be considered? Do you think these potential benefits and risks also apply to broker-dealers in general? Does the existing regulatory framework sufficiently address the potential risks or are new regulatory measures needed? Please explain.

Neo-brokers have undoubtedly broadened access to financial markets and reduced costs for some investors. However, DBG believes that the risks related to PFOF, in connection with the emergence of integrated single market maker models, outweigh these benefits. The potential for conflicts of interest, lack of transparency in order routing warrant close regulatory scrutiny. These risks are not unique to neo-brokers but are exacerbated by their business model. While the existing regulatory framework, including the impending ban on PFOF in Europe, represents an important step, we believe it's insufficient to fully address these concerns. Continued monitoring and increased transparency measures, while helpful, do not eliminate the underlying market structure issues and risks previously associated with traditional PFOF. Furthermore, single market maker models with affiliated brokers may require specific regulatory consideration, as they represent a more concentrated and potentially less transparent form of order flow control. These models necessitate close regulatory scrutiny and potentially stricter rules and enforcement than those addressing traditional PFOF.

6. How should neo-brokers best address potential conflicts of interests? What should the best practices be in this respect? Are any of these potential conflicts of interest unique to neobrokers? Please explain by highlighting the areas of conflicts of interests and how they can best be addressed. Does the existing regulatory framework sufficiently address the potential conflicts of interest or are new regulatory measures needed? Please explain.

Neo-brokers must prioritize best execution and provide comprehensive, transparent disclosure of all costs, fees, and revenue streams. Prohibitions, stricter limitations on and enforcement of PFOF are necessary to mitigate inherent conflicts, since simply highlighting the conflicts is insufficient to protect retail investors. We would also underline that as described in the report, not all jurisdictions are putting the same level of transparency on PFOF, with the consequence that whereas the practice of PFOF requires declarations, reporting and publications in the US for example, no such transparency exist in Europe; this means that the practice of PFOF itself is sometimes disguised and that the transfer of payment from the execution venue to the broker is opaque to both the broker's clients and the regulators. Regulatory measures should also address the potential for biased order routing in single market maker models. This might involve requiring brokers operating within such models to demonstrate that they achieve best execution for their clients or mandating connections to multiple execution venues to ensure competition. Publication of reports on engagement in PFOF practices, amounts paid by the execution venues, and thorough execution reporting shall be made mandatory. Furthermore, regulators should consider guidance or rules regarding the use of DEPs, particularly those that might encourage excessive trading, to ensure these practices do not exploit behavioral biases. Overall, robust regulatory oversight and enforcement are crucial.

7. Bearing in mind that for the purpose of this consultation report neo-brokers only provide services and offer products online and do not have physical operating branches, is better coordination by global regulators across jurisdictions necessary? If so, (1) how can regulators better coordinate across jurisdictions where different regulatory standards apply? (2) what mechanisms could enhance global regulatory coordination? and (3) would this coordination be different for neo-brokers than for broker-dealers in general that may operate across jurisdictions? Please explain.

Given the online nature of neo-brokers, better coordination among regulators is essential to prevent regulatory arbitrage and ensure consistent investor protection. Harmonized rules, information sharing, and joint enforcement actions are necessary across multiple jurisdictions. A clear identification of the different practices from (neo-)brokers shall be available to regulators worldwide for them to be able to recognise easily risky practices from an investor protection point of view, and to establish the relevant transparency and protection mechanisms.

8. Do commenters agree with the consultation report and the proposed recommendations as guidance? Does the report miss any key recommendations for regulators and for market intermediaries to consider? Does the report accurately describe issues related to neobrokers as opposed to broker-dealers more generally? Are there any significant issues, gaps, or emerging risks that should be further explored in the report? Please explain.

DBG agrees with the report's overall direction and recommendations, particularly the emphasis on disclosure and best execution. However, we strongly believe that enforcement regarding PFOF is necessary, going beyond mere disclosure. We believe that transfer of payments from an execution venue to the broker should be made public, actively provided to the investors and amounts shall be published. Special arrangements between an execution venue and a broker shall be disclosed, particularly in terms of PFOF and best execution, and it shall be clear as well how the execution venue is structured, especially in the case of single dealer models. DBG urges IOSCO to prioritize the investigation and regulation of single market maker models with affiliated brokers. These arrangements represent a significant evolution of PFOF and potentially pose greater risks to retail investors than traditional PFOF. The potential for market distortion and reduced investor protection warrants exploring targeted regulatory measures to mitigate these risks. Further research and potentially specific regulatory measures are needed to address these structures.