
Press Release

AFME responds to the FCA's consultation on Payment Optionality for Investment Research

5 June 2024

The Association for Financial Markets in Europe ("AFME") welcomes the opportunity to respond to the consultation by the Financial Conduct Authority ("FCA") on Payment Optionality for Investment Research (FCA CP 24/7***).

The FCA's consultation on payment optionality for investment research seems consistent with our view that the optimal regime allows buy-side firms to have the flexibility to determine how they obtain, and purchase research. However, we have concerns regarding the proportionality and workability of the proposed framework. In our view, it is characterised by unnecessary operational complexity which would result in the UK taking a significantly different approach to other financial centres.

In particular, we are concerned that the guardrails proposed by the FCA are far more detailed than relevant MiFID provisions in EU legislation, or those required in the US. This may deter firms from availing themselves of the new payment optionality and inadvertently create cross-border frictions, rather than reduce them, as intended by the FCA.

Adam Farkas, Chief Executive Officer at AFME, said: *"AFME supports the principle of payment optionality. However, the FCA's proposed framework may not be optimal because it is not sufficiently flexible compared to existing structures or structures available in other jurisdictions. Overall, our view is that the proposed regime would not underpin the Government's wider commitment to enhance the UK's ability to attract companies to list and to grow. While we support the FCA's accelerated timeframe for this policy file, it is equally important that appropriate time is taken to consider industry feedback and that the regime delivers on the intended outcomes".*

We look forward to further engaging with the FCA on this issue.

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Notes:

1. AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities

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