

## **Code of Conduct for Sponsored Research Should Provide Sufficient Flexibility**

Leave More Leeway for Contractual Freedom

## Prevent Bureaucracy in the Application of the Code

To improve their visibility on the capital market and attract investor interest, an increasing number of issuers, especially those with small and medium market capitalisation, are using sponsored research. When issuers pay for the research themselves, it is crucial to ensure that the research is produced independently of any influence by the payer. Otherwise, trust in the research is undermined and acceptance by investors will decline.

A code of conduct, as proposed by ESMA, could bolster the independence, integrity and quality of sponsored research. However, implementing such a code should not introduce additional bureaucracy that in turn would reduce the acceptance of the code by research providers. That would contradict the aim of the code.

In this regard, we see a need for improvement in some areas, particularly in granting issuers and research providers more flexibility when concluding a research agreement.

### Detailed Answers of Deutsches Aktieninstitut on Selected Questions:

**Question 1: Are you aware of or adhering to another code of conduct for issuer-sponsored research that ESMA could take into account? If so, which specific parts of the code of conduct would be of added value to consider for the EU code of conduct? Please state the reasons for your answer.**

We are not aware of any other codes of conduct for sponsored research except the French codes mentioned by ESMA. However, there are general market standards for the preparation of research in various countries in place, such as the [DVFA's Principles of Financial Analysis](#) in Germany, recognised as “best practice” by its competent authority BaFin. These principles, which set out general requirements and do not differentiate between independent and sponsored research, are well established, familiar to and accepted by investors.

We ask ESMA to acknowledge these existing standards as equivalent to the proposed code of conduct. This would also ensure that, besides the French examples which are role models for the ESMA proposal, a broader range of codes is taken into account.

**Question 2: Do you agree with the proposed approach? Please state the reasons for your answer.**

We welcome this approach but suggest acknowledging existing and well-established market standards as equivalent (see our answer to question 1).

**Question 3: Do you agree to mainly focus the requirements on research providers? Or do you think that additional requirements are necessary for issuers? Please state the reasons for your answer.**

The code should primarily focus on research providers. Additional requirements for issuers would increase costs and reduce the attractiveness of stock exchange listings. This would undermine the codes' goal of increasing the attractiveness of listings especially for small- and mid-cap companies, by improving the quality of research.

**Question 4: Do you agree with a minimum initial term of the contract of two years? Or should the initial term be more, or less? Or should the code of conduct allow one-off reports, such as for initial public offerings? Please state the reasons for your answer.**

No, we consider this minimum term to be too rigid and are in favour of leaving the agreement of such a term to the contracting parties. This would better reflect the individual needs of both issuers and research providers and should also be possible for an IPO.

**Question 5: Do you agree with a minimum upfront payment of 50% of the annual remuneration? Or should that percentage be more, or less? Please state the reasons for your answer.**

No, we consider this requirement to be too rigid and are in favour of leaving such an agreement to the contractual partners.

**Question 8: Do you think that any further requirements should be introduced in the code of conduct? Please state the reasons for your answer.**

No, the requirements proposed are sufficient or even too high in the cases mentioned above (see our answers to questions 4 and 5). The latter applies, for example, to the prohibition of variable remuneration that is directly or indirectly linked to the content of the research (see clause 4). It should be made clear that it is not the content but the opinion that may not be linked to variable remuneration.

## Contact

---

Dr. Norbert Kuhn  
Head of Think Tank  
Phone +49 69 92915-20  
kuhn@dai.de

Frankfurt Office:  
Deutsches Aktieninstitut e.V.  
Senckenberganlage 28  
60325 Frankfurt am Main

EU Liaison Office:  
Deutsches Aktieninstitut e.V.  
Rue Marie de Bourgogne 58  
1000 Brussels

Berlin Office:  
Deutsches Aktieninstitut e.V.  
Behrenstraße 73  
10117 Berlin

Lobbying Register German Bundestag: R000613  
Transparency Register: 38064081304-25  
www.dai.de

*We want capital markets to be strong, so that they empower companies to finance great ideas and to contribute to a better future for our communities.*

*We act as the voice of capital markets and represent the interests of our members at national and European level.*

*We promote connections between our members, bringing them closer together and providing them with the most compelling opportunities for exchange.*

*As a think tank, we deliver facts for the leaders of today and develop ideas for a successful capital markets policy. We do this because companies, investors and society alike benefit from strong capital markets*