

BVI comments on ESMA`s consultation on the draft RTS for the establishment of an EU Code of conduct for issuer-sponsored research.

We¹ gladly take the opportunity to present our views on the ESMA`s consultation on the draft RTS for the establishment of an EU Code of conduct for issuer-sponsored research.

We would like to make the following specific comments:

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.

No, we are not aware of any further code of conduct which regulates the relationship between issuers and research providers in detail. We consider the existing regulation on issuer-sponsored research as sufficient, particularly as sponsored research must be made transparent as a conflict of interests in the appropriated investment guidelines. Furthermore, we think that well-established national codes of conduct should also be considered as a tool to monitor the compliance of issuer sponsored research. Therefore, we do not see any additional value in introducing an EU wide new code of conduct.

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

Please see our comments to questions 1. We do not see any additional value to introduce a completely new code. Existing national codes should be in practise sufficient beyond the current regulation to encourage more issuer-sponsored research soon.

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.

No, we believe that the current framework for issuer-sponsored research is sufficient, supplemented by local national codes.

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.

¹ BVI represents the interests of the German fund industry at national and international level. The association promotes sensible regulation of the fund business as well as fair competition vis-à-vis policy makers and regulators. Asset managers act as trustees in the sole interest of the investor and are subject to strict regulation. Funds match funding investors and the capital demands of companies and governments, thus fulfilling an important macro-economic function. BVI's 115 members manage assets of EUR 4.5 trillion for retail investors, insurance companies, pension and retirement schemes, banks, churches and foundations. With a share of 27%, Germany represents the largest fund market in the EU. BVI's ID number in the EU Transparency Register is 96816064173-47. For more information, please visit www.bvi.de/en.



We disagree, Issuers and research providers should have the leeway to decide by their own the terms and conditions, including the length of the contract duration. Any legal requirements on the contract terms should be avoided and not regulated in an EU code.

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.

We disagree. Please see our answer to question 6. Issuers and research providers should have the leeway to decide on their own on the upfront payments of the annual remunerations. Any legal requirements on possible upfront payments should be strictly avoided and not regulated in an EU code.

Question 6: Do you agree with the information listed in Clause 7 of the code of conduct that research providers should make available to investment firms? Is there anything missing? Please state the reasons for your answer.

No, we are not in favour of the Clause 7. Any disclosure agreements between the research providers and the issuers are generally not acceptable. It should be sufficient to make transparent in the study/investment recommendation that an agreement exists with the issuer regarding the preparation of investment recommendations at the time of publication of the study.

Question 7: Do you agree that only when the issuer paid fully for the research, it should be made accessible to the public immediately? Or should research partially paid for by the issuer also be made accessible to the public immediately? Please state the reasons for your answer.

We believe that independently, of whether they are not, partially or fully remunerated by issuers, research studies should always be made available to the public immediately to be complaint with the existing market practise in respect to the conflicts of interest. This has been standard practice to date and should not be changed. Research providers and Issuers should have a common understanding that the public should be informed to avoid possible information asymmetries in the market.

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. We believe that existing local codes of conduct should be sufficient to encourage more issuer-sponsored research.