

IOSCO publishes Consultation Report on Neo-Brokers

Report marks next phase of IOSCO's overarching Roadmap to enhance Retail Investor Online Safety

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IOSCO has today published a [***Consultation Report on Neo-Brokers***](#) which forms part of its overarching initiative to address the rise in retail investor fraud and manage the risks posed by technological advancements.

IOSCO's Roadmap for Retail Investor Online Safety (the 'Roadmap') was launched last November with the introduction of three Consultation Reports addressing Finfluencers, Copy Trading and Digital Engagement Practices. This latest Consultation Report on Neo-Brokers introduces the second wave of activity.

Neo-brokers are a subset of brokers, characterized by providing online-only investment services and by the absence of physical operating branches, thereby using technology to facilitate those services and access to financial markets. Neo-brokers have very limited or no human interaction with retail investors who use their services. Their selling point is immediate and user-friendly, mostly with access via mobile apps and websites, often advertised as providing no or low-commission trading.

Neo-brokers have experienced growth in recent years, driven by a confluence of technological advancements, which have made investing more accessible, and changed investor demographics.

The Consultation Report considers feedback from IOSCO members who provided information on the activities of neo-brokers in their jurisdiction.

There was a good level of agreement around the core characteristics of neo-brokers' business models, namely:

- The provision of trading services with low or zero commissions and, as a result, the dependence on other sources of revenues.
- A target audience which is typically retail investors, including those that may be younger and less experienced and seeking easy and affordable access to financial markets.
- A bespoke service delivery, since neo-brokers typically offer a limited array of services, seeking to distinguish themselves from other market players on the basis of accessibility, innovation and efficiency.

The Report identifies two areas which require specific action:

1. Potential risk of conflicts of interest mainly due to business models inducing retail clients to trade more frequently; and
2. Need for solid IT infrastructure, given the online-only business model.

The Report also sets out recommendations that member jurisdictions may consider to apply, consistent with their relevant legal and regulatory framework. These recommendations relate to the provision of appropriate disclosure of fees and charges from neo-brokers to retail investors and the way neo-brokers advertise themselves; the disclosure and consent that neo-brokers should provide and obtain from clients when offering them ancillary services to core trade execution services; the potential impact of non-commission related trading revenue (such as Payment for Order Flow) on the best execution of neo-brokers' customer orders; and the robustness of neo-brokers' IT infrastructure.

Jean-Paul Servais, Chair of IOSCO's Board and Chairman of the Belgian Financial Services & Markets Authority (FSMA), said: "With this Consultation Report on neo-brokers, IOSCO takes another decisive step in strengthening investor protection. The Report elaborates recommendations to address potential risks of conflicts of interests, improve disclosures to investors, and the necessity for neo-brokers to rely on resilient IT infrastructures. Building on our recent work on Finfluencers, Copy Trading, and Digital Engagement Practices, we aim to encourage an environment where retail market trading occurs in a safer environment."

Derville Rowland, Chair of the Retail Investor Coordination Group tasked with overseeing this work at IOSCO, added: "Today's Report notes the growing relevance of neo-brokers in the context of the increasingly popular online provision and offering of financial services and investment products. The Report aims to highlight the changes to the business models of neo-brokers because of technological advancements and to provide retail clients and the public with critical insights into this growing subset of broker dealers, including potential risks from their business models and measures that can alleviate such risks."

IOSCO invites feedback on this Consultation Report by **12 May, 2025**.

Notes to Editors

1. IOSCO is the leading international policy forum for securities regulators and the global standard setter for financial markets regulation. It develops, implements and promotes adherence to internationally recognized standards for financial markets regulation and works closely with other international organizations on the global regulatory reform agenda.

2. The organization's membership regulates more than 95% of the world's securities markets in some 130 jurisdictions. By providing high quality technical assistance, education and training, IOSCO supports its members to come together to achieve the following three objectives.

- Enhance investor protection;
- Ensure markets are fair and efficient;
- Promote financial stability by reducing systemic risk.

3. The IOSCO Board is the governing and standard-setting body of IOSCO and is made up of 35 securities regulators. Mr. Jean-Paul Servais, the Chair of Belgium's Financial Services and Markets Authority (FSMA) is the Chair of the IOSCO Board. Shigeru Ariizumi, Vice Minister for International Affairs, Financial Services Agency, Japan, and Dr Mohamed Farid Saleh, Executive Chairman of the Financial Regulatory Authority, Egypt, are the Vice-Chairs of IOSCO Board.

4. The Growth and Emerging Markets (GEM) Committee is the largest Committee within IOSCO, representing more than 75% of the IOSCO membership, including ten of the G20 members. Dr Mohamed Farid Saleh is Chair of the GEM Committee. The Committee unites members from four growth and emerging markets and communicates their views at other global regulatory discussions.

5. IOSCO counts four regional committees: (1) Africa / Middle-East (AMERC) chaired by Ms. Nezha Hayat Chairperson and CEO of the Moroccan Autorité Marocaine du Marché des Capitaux, (2) Asia & Pacific (APRC) chaired by Ms. Julia Leung Chief Executive Officer of the Hong-Kong Securities and Futures Commission, (3) European Regional Committee (ERC) chaired by Mr. Jean-Paul Servais, and (4) Inter-American Regional Committee (IARC) chaired by Ms. Lucia Buenrostro Vice President of Regulatory Policy at the Mexican Comisión Nacional Bancaria y de Valores.

6. IOSCO's General Secretariat is headquartered in Madrid, Spain. The Secretariat supports and coordinates the work of IOSCO and is comprised of permanent staff and member secondees. It is led by Rodrigo Buenaventura who was appointed IOSCO's Secretary General in January 2025.

7. In June 2023, IOSCO's Board established the Retail Investor Coordination Group (RICG) which coordinates IOSCO's activities across policy, enforcement and investor education under a holistic umbrella of investor protection. The RICG is chaired by Derville Rowland, Deputy Governor of the Central Bank of Ireland. The RICG's work is focussed on identifying and mitigating emerging retail conduct issues on the one hand, with both policy and financial education sets of initiatives focused on (a) influencers; (b) copy trading; (c) broker-dealer conflicts of interest; (d) fractional asset trading; and (e) digital engagement practices (DEPs).

8. In a new, emboldened effort to address the rise in retail investor fraud and manage the risks posed by technological advancements, IOSCO launched a strategic initiative last November which aims to safeguard retail investors worldwide from fraud, excessive risk and misinformation as digital trading and social media reshape the retail financial market. You can learn more about IOSCO's Roadmap for Retail Investor Online Safety (the 'Roadmap') by visiting the website.

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