

# Best practices of promotional operations for the coverage of brokerage fees for listed structured products

## 1 Introduction

**1.1 Promotional operations** - Issuers and distributors of listed structured products (warrants, certificates, turbos and other barrier products) have been offering regularly, and for several years, in order to promote their commercial offer, promotional operations to **cover brokerage fees** on listed structured product transactions (hereinafter "promotional operations") by which an issuer covers fully or partially the brokerage fees owed by the investor to the distributor.

**1.2 Good practices** - In this note, the Association Française des Produits d'investissement de Détail et de Bourse (AFPDB) recalls certain specificities of **the listed structured products ecosystem** (products, players and market functioning) and sets out **the best practices** followed by issuers and distributors of listed structured products on these promotional operations.

## 2 Market and regulatory framework of listed structured products

**2.1 Specificity of the market model for listed structured products** - In the market for listed structured products, pricing differs from the classic model observed for equities, which is based on the confrontation of supply and demand. It is governed by the quotes posted by market makers or liquidity providers. The latter are generally the issuers of such products or affiliated entities. These quotes are based on the application of traditional derivatives valuation models, fed in real time by market parameters (price of the underlying, interest rate, lending market, borrowing of securities, implied volatility, etc.). Thus the prices continuously disseminated by issuers/market makers for a given product are identical regardless of the trading venues (regulated markets, bilateral trading solution, etc.), subject to possible IT micro-latencies.

**2.2 Competition: plurality of products with identical underlyings** - The competition model also differs from the classic model observed for equities where multiple market makers intervene on the same order books of the same shares. Competition on listed structured products is achieved through the offering of separate but almost identical products by issuers. The listed structured products are each unique because of their specific issuers, and do not appear in the same order book under any circumstances. Once a listed structured product and issuer has been selected, an investor will benefit from buy or sell quotes offered by that issuer on the secondary market for that specific product.

**2.3 Regulatory framework for promotional operations** - These promotional operations are carried out within a regulatory framework **aimed at ensuring the protection of investors** in accordance with the relevant provisions of the MiFID 2 Directive in terms of conflicts of interest, product governance, transparency and best execution.

On 2 March 2026, ESMA published a Q&A clarifying the application of the ban on payment-for-order-flow in specific situations<sup>1</sup>. Following a review, AFPDB has determined that these ESMA clarifications prove consistent with the current AFPDB Best Practices for promotional operations outlined below.

**2.4 Regulatory framework for listed structured products** - More generally, listed structured products are marketed within a regulatory framework that provides investors with the following protections:

1. The issuance of products is carried out within a regulated framework, including the approval of the **issuance documentation**<sup>2</sup> by the national authority<sup>3</sup> or a competent authority within the European Union;
2. Listed structured products are subject to a **Key Information Document (KID)** in accordance with the PRIIPS Regulation, which is made available to retail clients to enable them to understand the operation of the financial instrument and the related risks;
3. The products are marketed to an **appropriate clientele** (positive target market) and according to a distribution strategy appropriate to their characteristics, in accordance with the product governance rules<sup>4</sup> applicable to issuers or affiliated entities acting as producers of the products and distributors.

**2.5 Positions and risk hedging by the issuer** - It is important to remember that when faced with an investor positioning himself to buy or sell a listed structured product, the issuer/market maker does not have an interest opposite to that of the investor. The issuer gives the investor the opportunity to position himself on a market according to his own views. On their side, the issuer hedges its payment obligations related to the issued listed structured product on the markets in a systematic

<sup>1</sup> Q&A 2557, 2558, 2559 and 2560 - available via the [ESMA Questions and Answer Tool](#)

<sup>2</sup> Regulation Prospectus.

<sup>3</sup> In France, the Autorité des marchés financiers (AMF).

<sup>4</sup> MiFID II (product governance, target markets, complaints).

and global manner. Whether the investor invests in rising, falling or stagnant markets has no impact on the issuer and its business model.

### 3 Best practices in promotional operations

In this section, the AFPDB reviews the **best practices** followed by issuers and distributors of listed structured products on these promotional operations for the coverage of brokerage fees. These promotional operations are defined in bilateral agreements between issuers and distributors concluded in compliance with the applicable regulations on investor protection and free competition. Their **objective is to develop the range** of listed structured products offered by issuers and distributors, as part of their **commercial and distribution strategy**. These agreements respect the following principles:

#### 1. Transparency and information

Investors or end customers shall be duly and clearly informed of the existence and conditions of the offers, promotional operations of the issuer and the distributor. The information covers:

- **Transparency on the existence of a financial agreement** between the issuer and the distributor allowing this promotional offer,
- The **amount of brokerage fees covered** (i.e. total or partial) and the terms and conditions (nature, size and number of eligible orders),
- The **scope of the products** concerned (i.e. the entire range of the issuer or only a part),
- The **duration** of the operation (i.e. unlimited period or defined period or until a predefined amount of coverage is exhausted).

#### 2. Execution quality and pricing policy

For each financial instrument active on the secondary market, the issuer/market maker publishes **identical prices**<sup>5</sup> regardless of the place of execution (on a regulated market, MTF or bilateral trading solution), the distributor, the mode of distribution (RTO/execution without advice or investment advice) and whether or not there are promotional operations.

#### 3. For the benefit of the investor

Promotional operations to cover brokerage fees **benefit to investors or distributors' customers in a tangible manner**, as they have access to orders without brokerage fees or with reduced brokerage fees, on all or part of the issuer's listed structured products, without altering the quality of execution.

#### 4. Reasonable basis of coverage

Brokerage fees shall be borne on a **reasonable basis**, taking into account the costs incurred and the fees charged by the distributor for similar products.

#### 5. Product governance / target market

The definition of the target market for the products concerned, particularly in terms of the knowledge and experience of investors, is done independently of these promotional operations. Conversely, promotional operations shall avoid an undue product-targeting that could induce a distribution outside of the regular product target market.

#### 6. Balanced marketing communication

The communication implemented during the marketing campaign and aimed at the investor is **clear, reasonable and balanced**, both in terms of information on costs and risks.

<sup>5</sup> The concept of identical prices is without prejudice to any computer or connectivity latencies.