

1 July 2026

Circular in relation to Commission Delegated Directive (EU) 2026/374 of 20 February 2026 amending Delegated Directive (EU) 2017/593 as regards the conditions for the provision of third-party execution and research services to investment firms that provide portfolio management or other investment or ancillary services, and its transposition to the Conduct of Business Rulebook (Investment Firms)

(A) Introduction

This Circular is addressed to Regulated Persons specifically indicated in **point (i)** on page 2 of the Conduct of Business Rulebook (hereinafter referred to as Investment Firms for ease of reference) originally issued by the Malta Financial Services Authority (“the Authority”) on 20 December 2017 and as amended thereafter.

This Circular seeks to highlight the main changes, which are being introduced by virtue of [Commission Delegated Directive \(EU\) 2026/374](#) (hereinafter referred to as the Directive for ease of reference) within the Conduct of Business Rulebook (herein referred to as “the COBR”) and which come into force, with immediate effect.

(B) Commission Delegated Directive (EU) 2026/374

(i) Background

The purpose behind the captioned Directive is to update the MiFID II framework governing how investment firms obtain and pay for third-party research and execution services. The captioned Directive’s primary objectives are to revitalise investment research, especially for Small and Medium Size and mid-cap companies, increase flexibility in how investment firms pay for research whilst maintaining investor protection and oversight standards. The reform brought about by captioned Directive forms part of the broader EU Listing Act package (2024) aimed at strengthening EU capital markets.

The Directive only amends one article, namely Article 13 of Delegated Directive (EU) 2017/593), which article had been in the past, transposed in the COBR Rules R.3.49 to R.3.56.

(ii) Main Changes

This section briefly explains the main changes and concepts introduced by the captioned Directive. The Directive permits flexibility in payment models. It enhances, quality and governance requirements, and rules for research payment arrangements. Besides this, the captioned Directive maintains investor protection safeguards and enhances transparency requirements:

- (1) Flexibility in payment models – The captioned Directive brought forward a major shift away from strict “unbundling”. Investment firms can now pay for research and execution separately (unbundled) or otherwise still opt to pay jointly (bundled). The previous restrictions which existed under MiFID II (such as for example: SME-only bundling thresholds) have been removed effectively. In this regard, investment firms as specified above can gain operational flexibility and reduced administrative burden, addressing a key criticism of MiFID II.
- (2) Strengthened quality and governance requirements – The flexibility in payment models is in turn balanced out by enhanced conduct and oversight obligations. Investment Firms are now required to conduct mandatory research quality assessment. They must systematically assess research quality and the assessment must consider value and usefulness as well as contribution to investment decisions. The mandatory research quality assessment must be conducted at least annually. Captioned investment firms are hereby being rendered more accountable as they need to demonstrate that research adds value for their clients and are also responsible to take remedial actions where quality is inadequate. By virtue of such requirements the captioned Directive has shifted more towards substance and outcomes of research.
- (3) Enhanced Rules for Research Payment Arrangements - Where Investment Firms use research payment accounts or structured payments, they need to set pre-defined research budgets, have strong internal controls and governance and compile clear audit trails. Furthermore, research costs must not be linked to transaction volumes. This means that the captioned Directive prevents hidden inducements and reinforces cost transparency.
- (4) Investor protection safeguards still being maintained - Despite increased flexibility in payment models, the captioned Directive still reinforces that Investment Firms must act honestly, fairly and professionally and should also continue to comply with best execution and conflict-of-interest rules. This means that more flexibility in payment models does not in any way weaken fiduciary duties or client protection standards.
- (5) Transparency requirements upheld – Investment Firms are responsible to ensure clear disclosure to clients, including clarification as to whether research and execution are paid Jointly or separately and how costs are structured (where relevant). Transparency requirements support informed client decision-making and oversight.

Overall, the Directive brings about reduced administrative burden, greater commercial flexibility in sourcing research and need for stronger governance frameworks and documentation for investment firms. On the other hand, for investor clients this means greater focus on quality and value of research and improved transparency on how research costs are incurred. For the research market, the Directive is leading the way to expected increase in research coverage especially for Small and Medium sized companies and potential recovery for investment firms that both produce investment research, and distribute it to their clients as part of their services.

(C) Transposition into Maltese Law – Changes to the Conduct of Business Rulebook

The Directive is being transposed into Maltese law to the extent that it applies to Investment Firms with immediate effect, via the COBR. In this regard, COBR Rules R.3.49 to R.3.56 are being amended / replaced accordingly.

For the avoidance of doubt, it is being clarified that the Directive does not provide for Member State options and hence does not raise the need for public consultation thereon. The transposition into the COBR is hence, a mere reflection of the requirements emanating from the Directive.

(D) Conclusion and the Way Forward

The Directive had a transposition deadline of 5 June 2026 and came in force on 6 June 2026. In this regard, the amendments to the COBR which can be [here](#) are applicable with immediate effect. Hence Investment Firms are being encouraged to update their processes in line with the requirements of the Directive with immediate effect.