

SUBMITTED VIA SURVEY

To whom it may concern,

Re: The IOSCO Consultation Report on Neo-Brokers

About Global Digital Finance (GDF)

GDF is the leading global members association advocating and accelerating the adoption of best practices for crypto and digital assets. GDF's mission is to promote and facilitate greater adoption of market standards for digital assets through the development of best practices and governance standards by convening industry, policymakers, and regulators.

The input to this response has been written and submitted on behalf of the GDF board.

As always, GDF remains at your disposal for any further questions or clarifications you may have, and we would welcome a meeting with you to further discuss these matters in more detail should that be beneficial as IOSCO continues its work.

Yours faithfully,

Elise Soucie Watts– Executive Director, Board Member – GDF



Response to the Public Consultations: Executive Summary

GDF was grateful for the opportunity to engage with IOSCO through their consultations as well as through our membership of the IOSCO AMCC.

Overall, GDF is supportive of the aim of the proposals within Consultation Report on Neo-Brokers. GDF developed this response on behalf of our board and board advisors as part of our ongoing commitment to supporting the work of IOSCO, as well as the GDF mission to support the development of best practices and governance standards across the digital finance industry.

We appreciate IOSCO's focus on the evolving nature of online trading platforms and submit the following response to the eight questions posed, reflecting the experience and perspective of our members operating in the digital ecosystem. As such our response focuses on how the evolving approach to neo-brokers would apply to neo-brokers dealing with crypto or digital assets.

The following letter summarises the response submitted in the survey and highlights the key points of feedback that the board would wish to provide to IOSCO. The executive summary concisely sets out our key points of feedback on the package of proposals, and the following sections set out the key survey questions responded to by the board. Our overarching feedback is as follows:

- 1. Greater consideration of how a framework or principles for neo-brokers would converge with existing principles and framework for crypto and digital assets;**
- 2. Consideration that many of the differences of neo-brokers, and or those falling in the crypto and digital asset space offer opportunities to enhance market access, transparency, and operational efficiency;**
- 3. Consideration of the activities unique to crypto asset markets such as staking and yield-bearing products;**
- 4. Development of risk-based categorisation of platforms and services, allowing for more calibrated regulatory engagement that encourages responsible innovation; and**
- 5. Greater use of regulatory passports, mutual recognition arrangements, or equivalence regimes where appropriate to reduce regulatory fragmentation due to the global nature of many neo-brokers.**

Responses to Survey Questions

Q1: Do commenters agree with the current definition of neo-brokers as set out in this report? Please, elaborate.

GDF broadly agrees with the working definition of neo-brokers presented in the report. IOSCO's consideration of digital-first, execution-only, low-cost platforms with retail-facing models reflects the evolution of both traditional and emerging financial services. However, we suggest that the definition could be further delineated to acknowledge the difference between neo-brokers in general and crypto/digital assets exchanges. This is particularly pertinent as many IOSCO members are now developing their frameworks for crypto assets. Many crypto platforms share these same digital-only characteristics set out by IOSCO in relation to neo-brokers, particularly in offering app-based access, low fees, and simplified user experiences, but operate within materially different infrastructure and risk environments. GDF recommends that any final definition with regards to neo-brokers considers the evolving frameworks for crypto assets, as well as global standards and principles such as those already being developed by IOSCO and the FSB.

Q2: Do commenters agree with the proposed characteristics of the neo-brokers' business model? If not, please explain. Does the neo-broker business model merit specific focus and evaluation relative to other broker-dealers? If so, why?

We agree with the general characteristics identified, such as mobile-first interfaces, low-cost trading, high automation, and simplified onboarding. However, we urge caution in applying these characteristics too narrowly or prescriptively, particularly given the emergence of platforms such as crypto exchanges that exhibit similar traits but with different underlying mechanics (e.g., decentralised order books, token-based markets, and 24/7 trading). The more general neo-broker model may merit distinct regulatory attention due to its ability to significantly influence retail investor behaviour at scale, its use of behavioural design, and the reduced role of traditional intermediation and advice. However, this should not supersede emerging frameworks which have been purpose built for crypto exchanges, that consider the unique nuances of crypto asset markets.

Q3: Are there any other types of activities engaged in by neo-brokers, that are not covered in this report? Please explain, providing examples and describing their impact on retail investors.

Yes. GDF would highlight the following additional activities increasingly undertaken by crypto exchanges as they would currently fall under IOSCO's broad definition of neo-broker:

- Offering staking, yield-bearing, or lending products;
- Operating proprietary trading desks or providing internal liquidity; and
- Issuing proprietary tokens.

These activities will need a unique approach tailored to the specificity of crypto asset markets. Such frameworks are already being developed by many IOSCO members.

Q4: Do commenters believe that certain characteristics are substantially different between neo-brokers and other broker-dealers? If so, identify the characteristics of the business model of neo-brokers that differ substantially from that of traditional brokers.

Yes, GDF would agree with IOSCO that as the market evolves, neo-brokers and similarly structured crypto exchanges may differ meaningfully from traditional broker-dealers.

Importantly, many of these differences offer opportunities to enhance market access, transparency, and operational efficiency. For instance:

- Crypto exchanges operate on a 24/7 basis, enabling continuous access to markets across jurisdictions and time zones. This increases global liquidity and facilitates retail participation without the constraints of legacy market hours;
- The underlying infrastructure is often built on transparent, auditable blockchain technology, which enables real-time settlement, data immutability, and auditability of trades;
- Many exchanges employ innovative market models such as automated market makers (AMMs), reducing some intermediaries risk; and
- The ability to integrate digital custody, trading, and token issuance into a single platform can allow for more efficient service delivery, particularly for new asset classes if the appropriate governance and safeguards are implemented.

These differentiators may require a regulatory approach that is both technologically informed and innovation friendly. Rather than retrofitting traditional broker-dealer rules, regulatory frameworks could instead consider the unique operational features of crypto markets by:

- Applying activity-based regulation that reflects the functions performed rather than the entity's institutional label;
- Supporting real-time disclosure and transparency tools that align with blockchain-native capabilities and support faster and enhanced supervisory models; and
- Encouraging modular, risk-proportionate oversight that allows firms to innovate responsibly while addressing material risks to consumer protection and market integrity.

By recognising and harnessing these distinctions, regulators can help foster a future-proofed environment that encourages competition, inclusivity, and continued responsible innovation.

Q5: Do commenters agree with the envisaged potential benefits and risks stemming from the neo-brokers' business model, as identified in this consultation report? Do you think there are additional benefits and risks that should be considered? Do you think these potential benefits and risks also apply to broker-dealers in general? Does the existing regulatory framework sufficiently address the potential risks or are new regulatory measures needed? Please explain.

GDF agrees in general with the risks and benefits set out for neo-brokers. Yet as set out in our response to Q4, we firmly believe that digital-first crypto exchanges while distinct from traditional models have introduced several compelling benefits that merit further recognition including:

- Greater financial inclusion, particularly for users in underbanked or underserved regions, due to mobile-native platforms and simplified onboarding processes;
- Near-instant, blockchain-based settlement infrastructure that reduces settlement risk, improves post-trade transparency, and enhances operational efficiency;
- Programmable financial instruments, such as tokenised assets and smart contracts, which open up new opportunities for customisation, interoperability, and automation; and
- Enhanced autonomy for clients over assets through self-custody and decentralised protocols, offering an alternative to traditional custodial risk models.

Of course, we do acknowledge that there are also evolving risks as with any evolution and migration to new technology including those related to product complexity, cybersecurity, and financial literacy. However, many of these risks can be managed effectively through proportionate, technology-informed regulatory measures. GDF encourages a regulatory shift toward:

- Enhanced disclosure requirements tailored to digital assets and crypto-native products some of which are already being developed in IOSCO member jurisdictions;
- Risk-based categorisation of platforms and services, allowing for more calibrated regulatory engagement that encourages responsible innovation; and
- Support for industry led standards and supervisory sandboxes to facilitate early regulatory dialogue around emerging business models.

We believe that, with the right guardrails in place, the innovation emerging from digital-first platforms, including crypto exchanges, can strengthen market integrity, expand investor choice, and modernise global capital markets. Rather than viewing these models as inherently high-risk, GDF encourages IOSCO and its members to take a forward-looking approach that supports responsible experimentation, guided by core principles of transparency, fairness, and investor protection.

Q6: How should neo-brokers best address potential conflicts of interests? What should the best practices be in this respect? Are any of these potential conflicts of interest unique to neo-brokers? Please explain by highlighting the areas of conflicts of interests and how they can best be addressed. Does the existing regulatory framework sufficiently address the potential conflicts of interest or are new regulatory measures needed? Please explain.

First, GDF would encourage risks be managed via emerging crypto asset frameworks (such as the EU's MICA) which are specifically tailored to new industry models such as crypto exchanges. In general, best practices for managing conflicts of interest could include:

- Appropriate transparency measures around order routing, payment for order flow (where applicable), and internalisation of client orders;
- Clear separation of proprietary and client-facing operations, including disclosures where market-making or trading occurs on the same platform; and
- Appropriate disclosure to regulators of business activities and revenue sources beyond commissions, including data monetisation and token incentives.

Q7: Bearing in mind that for the purpose of this consultation report neo-brokers only provide services and offer products online and do not have physical operating branches, is better coordination by global regulators across jurisdictions necessary? If so, (1) how can regulators better coordinate across jurisdictions where different regulatory standards apply? (2) what mechanisms could enhance global regulatory coordination? and (3) would this coordination be different for neo-brokers than for broker-dealers in general that may operate across jurisdictions? Please explain.

Yes, greater regulatory coordination is essential. Crypto exchanges and neo-brokers operate cross-border by design, and divergent standards create both regulatory arbitrage risks and burdensome compliance complexity. Global coordination should prioritise:

1. Development of baseline conduct standards through bodies such as IOSCO, the FSB, and the BIS;



2. Greater use of regulatory passports, mutual recognition arrangements, or equivalence regimes where appropriate;
3. Greater use of information-sharing protocols to support cross-border enforcement and risk identification; and
4. Further evolution for regulators and standard setters in continuing to evolve their knowledge and expertise, including in how they regulate and the tools and technology that they use.

This coordination may differ in emphasis for neo-brokers and crypto exchanges compared to traditional firms, due to their digital-native nature and typically non-jurisdictional service models. A functional, activity-based approach may better suit these models and support regulators in working towards appropriate regulatory outcomes.

Q8: Do commenters agree with the consultation report and the proposed recommendations as guidance? Does the report miss any key recommendations for regulators and for market intermediaries to consider? Does the report accurately describe issues related to neo-brokers as opposed to broker-dealers more generally? Are there any significant issues, gaps, or emerging risks that should be further explored in the report? Please explain.

GDF broadly supports the consultation's conclusions and welcomes IOSCO's continued leadership in working towards developing appropriate standards for new and emerging areas of financial services. However, we encourage greater consideration of the already evolving frameworks for crypto digital asset exchanges within the definitional and regulatory scope of this work, as well as greater consideration of the unique nuances of these markets.

GDF recommends that future work explore:

- How a framework or principles for neo-brokers would converge with existing principles and framework for crypto and digital assets;
- The unique aspects and role of decentralised exchanges and protocols in facilitating retail access to financial markets (also related to IOSCO's policy approach to DeFi); and
- Market fragmentation risks arising from global digital platforms with inconsistent regulatory oversight.

We would be pleased to contribute further to this work through our technical working groups and public-private policy dialogues.