3 February 2011

MiFID Post Trade Regime Would Reduce Competition, says AFME Fixed Income Survey

A majority of investors (74%) and dealers (67%) in an AFME survey say that a mandatory post-trade regime¹ introduced in Europe for fixed income products, as proposed by the MiFID review, would reduce competition, despite providing greater access to executed prices.

These are the main findings from the latest Market Liquidity Fixed Income Survey, due to be reported today at AFME’s Market Liquidity conference in London. The research also finds that 100% of investors and 62% of dealers surveyed believe that such a regime would also result in worse pricing for investors.

These findings, coupled with AFME’s latest Price Discovery Guide - which shows that significant levels of pre-trade transparency already exist in fixed income markets - suggest that the European Commission’s proposals in the Markets in Financial Instruments Directive (MiFID) review are potentially disproportionate and will increase costs to financial market end-users such as corporates and pension funds, without bringing significant benefit.

In its submission to the MiFID review consultation, also published today, AFME argues that forcing non-equity products to be traded on exchanges without the appropriate flexibility and exemptions could result in less competition, a lack of innovation to meet end-user needs, less liquidity during periods of market stress and reduced market efficiency.

Commenting on the MiFID review, Simon Lewis, AFME’s Chief Executive said:

“AFME’s research and latest Price Discovery Guide show that non-equity markets already have excellent levels of pre-trade transparency, as appropriate for the product, and investors can get prices from a variety of sources.

“We agree with the Commission that, in light of changing market practices and technological developments, MiFID should be revised to ensure all types of trading venues are appropriately regulated.

User-choice and flexibility are essential to well-functioning markets. Despite the short timescale, we must ensure we get this right, as the MiFID review will be a major factor in determining the efficiency of the European markets.”

-ENDS-

¹which publishes prices at which trades have been executed.
Contact

AFME
James White +44 (0)20 7743 9367

Notes:

1. AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association through the GFMA (Global Financial Markets Association). For more information please visit the AFME website, www.afme.eu

2. AFME’s 6th Annual Market Liquidity Fixed Income Survey interviewed 61 investors, 10 Dealers and 6 Trading Platforms between December 2010 and January 2011. The headline findings are being reported at AFME’s Annual Market Liquidity Conference on 3 February 2011.

3. AFME’s Credit Price Discovery and Market Data Guide provides investors and other interested parties with an overview of the trading venues and prices and data providers. It can be found at http://www.afme.eu/document.aspx?id=4672

4. AFME’s response to the MiFID review can be found at http://www.afme.eu/AFME/Policy_and_Advocacy/MiFIDresponse1211.pdf