By Simon Lewis

One of the biggest tasks faced by EU Commission President Jean-Claude Juncker and the European Parliament is to progress the package of reforms known as the Markets in Financial Instruments Directive II (MiFID II) and the Markets in Financial Instruments Regulation (MiFIR).

AFME shares MiFID II’s overarching objectives to establish safer, more transparent financial markets. We recognise the challenges of Level 2 rule-making in this legislation and commend the European Securities and Markets Authority (ESMA) for the detailed analysis put forward in its Consultation Paper (CP) and Discussion Paper (DP) consultations, published in May 2014.

The MiFID/R Level 2 legislative process has now reached the end of the first – and for some areas the only – consultation period on the proposals.

Time is short. By December, ESMA must deliver its Technical Advice (TA) document on issues covered by a MiFID/R CP to the European Commission. Simultaneously, industry responses to the related DP will lead to another CP on the draft Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) by late 2014 or in 2015.

While AFME supported many of ESMA’s initial proposals, we believe that several priority issues need further consideration to ensure consistency with the objectives set by EU legislators, and ESMA’s obligation to “analyse the potential related costs and benefits” of its proposals. Our priority issues can be summarised as follows:

- Liquid market definition and calibration for non-equities instruments;
- Post- and pre-trade transparency provisions on information to be made public and post-trade on deferral periods (including volume omission) for non-equities instruments;
- Systematic internalisers thresholds for non-equities instruments;
- Large in scale and size specific thresholds for non-equities instruments;
- Liquidity parameters and volume caps on the RPW and NTW for equities instruments;
• Direct electronic access and high-frequency trading definition;
• Key commodities derivatives priority issues;
• Treatment of investment research for the purpose of MiFID investor protection rules;
• Conflicts of interest on underwriting and placing of securities

We are producing Level 2 MiFID materials based on these issues to support advocacy actions and engagement, at both senior and technical level. Our responses to ESMA include evidence-based analysis of the issues, and alternative proposals where appropriate.

The final opportunity to influence the form of key MiFID issues will be around mid-November. This is particularly relevant for issues covered by the TA referred to above, as there will be no further consultations regarding those. ESMA's 6 November meeting will set quasi-final policy directions on priority issues, making the timeline even tighter.

**New EU Commission**

The nomination of Jonathan Hill as Commissioner for Financial Stability, Financial Services and Capital Markets Union indicates the centrality of finance and financial markets to the future of Europe. President-elect Juncker has insisted that the overarching priority for the new Commission is to unlock economic growth and help create the conditions for generating new jobs. Financial markets, for too long regarded in parts of Europe as disassociated from creating wealth and jobs, can help with this agenda.

It is increasingly recognised in Brussels that Europe needs deep, healthy diverse financial markets, if it is to deliver on the promise of growth. Bank lending still constitutes the greater part of Europe's finance, while markets deliver a much smaller part: almost the inverse of the position in the US.

A related announcement from the [then] President-elect focused on Capital Markets Union (CMU) in Europe, making it a policy priority. While the details need to be worked out, AFME supports an efficient CMU, as this would offer competition and choice to savers, investors and firms throughout Europe. For many years, we have worked with policymakers and the industry to identify practical measures to plug gaps that impede growth in areas such as securitisation and SME funding. CMU should have a broad scope, encompassing capital markets instruments, investment business and market infrastructure.

**AFME/ICMA Capital Markets Roundtable**

AFME and the International Capital Market Association (ICMA) organised a high-level roundtable and dinner discussion on capital markets and growth at the European Parliament in Brussels on 30 September. The event was a timely and important one, and attended by a high-quality group of participants. Markus Ferber, MEP and Vice-Chair of the Committee on Economic and Monetary Affairs,
hosted the evening, while Gunnar Hökmark, MEP and rapporteur on the Bank Structural Reform file, chaired the discussions.

The evening generated many interesting and rich exchanges between MEPs, senior European Commission and Council officials, and industry representatives – including members of the boards of AFME and ICMA – with the focus on identifying actions and initiatives that can be taken over the coming legislative period to improve the way capital markets support the European economy.