

## Press release

# MiFID agreement is a major breakthrough but significant challenges remain

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The agreement between the European Parliament, Council and Commission on the Review of the 2007 Markets in Financial Instruments Directive (MiFID) is a major step towards ending regulatory uncertainty while supporting the ability of Europe's financial markets to meet the needs of investors and issuers.

"This is one of the most important legislative reforms of Europe's capital markets with the potential to enhance transparency, improve price formation, and increase fairness and confidence across a range of markets," comments Simon Lewis, Chief Executive of the Association for Financial Markets in Europe.

The agreement on the primary (Level 1) legislative texts represents a critical milestone of the Review that has been over two years in development since the Commission's proposals were first published.

Major steps forward have been made, including liquidity-sensitive transparency requirements for bonds and a regime for non-European firms that compared to the original proposals maintains more open and accessible EU markets while still protecting investors. However, AFME believes that the agreed text falls short in certain areas, such as the curtailment of execution options for equity investors and the limitations on competition and choice between clearing houses and trading venues. Significant challenges lie immediately ahead in terms of developing the regulatory detail necessary to make these primary provisions operational.

The Level 1 texts envisage nearly 90 separate secondary (Level 2) measures in areas such as the conditions for deferred post-trade transparency for non-equity instruments; the conditions whereby access could be denied or granted by a trading venue; and the data standards and formats related to information that consolidated tape providers publish.

"Key to reaching this point has been policymakers' recognition of the need for careful calibration of transparency and market structure requirements that are sensitive to the liquidity of the instruments concerned and to the trading needs of investors," said Christian Krohn, a managing director at AFME. "As more detail is mapped out, it is important that the agreed policies are implemented in way that ensures their aims are fulfilled and unintended consequences for market users are minimised."

Despite the political challenge, policymakers have broadly made key progress in areas such as non-equity transparency requirements, but in other areas, such as open access for CCPs and trading venues, more can be done to introduce much needed competition. Moreover, the double cap restrictions on the use of equities trading waivers will present significant operational challenges as Level 2 provisions are developed.

AFME looks forward to engaging with European Securities and Markets Authority (ESMA), the Commission and other stakeholders as these Level 2 measures are developed to enable the MiFID Review to achieve its full potential.

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## Notes:

1. The Association for Financial Markets in Europe advocates stable, competitive and sustainable European financial markets, which support economic growth and benefit society. 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](http://www.afme.eu)
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