
Press release

AFME welcomes European Parliament vote on MiFID/R but calls for more ambition to effectively deliver a successful CMU

16 January 2024

Following the conclusion of trilogues on 29 June 2023, and confirmation of final compromise texts by the EU Council on 18 October 2023, the European Parliament has today voted on the latest amendments to the Markets in Financial Instruments Directive/Regulation (MiFID/MiFIR) in its plenary session.

Adam Farkas, CEO of the Association for Financial Markets in Europe (AFME), issued the following comment in response:

"As the 2019-2024 EU legislative cycle concludes, new and pressing challenges have emerged including strained public finances, demographic shifts and an estimated annual transition investment of EUR 700 billion. This context underscores the importance of developing open, deep, and integrated capital markets to support EU corporates and citizens.

"Despite efforts under the EU's Capital Markets Union (CMU) Action Plans, EU capital markets remain underdeveloped in comparison to the size of the EU economy and the EU's global counterparts. Financial integration is lower than before the financial crisis, EU bond and securitisation markets are three times smaller than in the US, EU equity issuance remains heavily subdued, and the overall availability of risk capital is around 10 times lower than in the US.

"Looking ahead, EU institutions and Member States must come up with transformative actions to attract more investors, increase liquidity, improve the functioning of secondary markets, ensuring the seamless and integrated functioning of a single European capital market. Dynamic, deep and liquid, capital markets are instrumental in achieving Europe's ambitions in delivering green and digital transitions."

In particular, AFME considers implementing the agreed equities and fixed income consolidated tapes, - which form part of the newly amended MiFIR - should be a priority going forward. A key element in this respect would be to enhance the equity tape with additional levels of order book depth.

In more detail:

- The consolidated tapes will facilitate investors' access to EU markets with a comprehensive and standardised view of equity and fixed income trading environments. The clearer picture provided by these consolidated tapes will contribute to making EU markets more competitive and attractive to all investors (including retail investors) regardless of their resources, sophistication or location. With the EU's upcoming needs for private capital sources, this is a critical objective.
- These tapes are an initial step in making EU cross-border investments easier through the creation of a truly integrated pan-European market, which will ultimately benefit corporates when raising capital and investors when allocating their savings. This will contribute to the ultimate goal of increasing capital flows within the EU and defeating retail investors' existing home bias (i.e. their tendency to hold a significant share of domestic assets in their portfolios).

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- We also welcome the requirement for ESMA to assess the effectiveness of the consolidated tape for shares by no later than 30 June 2026, including the appropriateness of adding additional features to the equity pre-trade tape, which we would strongly support. We specifically recommend that at an appropriate time the equity pre-trade tape is expanded to include five levels of depth of the order book. This is technically possible and would be the most valuable option for the future subscribers to the tape, providing them with a wide range of non-latency sensitive use cases. Importantly, this would also ensure the commercial viability of the consolidated tape provider.

AFME has continued to be a committed supporter of the CMU project and will continue supporting initiatives moving the project forward. AFME recently published its full recommendations for the next EU legislative cycle – available [here](#).

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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 (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: www.afme.eu
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