
Press release

AFME welcomes Council agreement on some aspects of MiFIR, but further progress needed

Progress on equities market structure, but bond market deferrals approach disappointing

20 December 2022

The Association for Financial Markets in Europe (AFME) has today issued a comment in response to the European Council agreement on the [**MiFIR proposal to strengthen market transparency**](#).

Adam Farkas, Chief Executive of AFME, said: *"This is a milestone agreement which moves forward negotiations on MiFIR – a regulation which governs how secondary markets function in the EU and which is fundamental for their competitiveness and attracting investments within and into the EU. While we still need to understand the details of the Council agreement, the progress made is clearly a step in the right direction and we commend the Czech Presidency's hard work for getting this over the line."*

"AFME members in particular welcome the progress made by Member States in reaching this agreement by recognising the need for investor choice in equities trading mechanisms which will allow for cheaper and more efficient execution to be delivered to end investors. However, imposing artificial limitations on investors' choice by maintaining a hard volume cap in the level one framework may still hinder the EU's ability to attract global investors to its markets."

"AFME is concerned with the rigid approach the Council has adopted to bond market transparency. These policy changes are not justified by any data analysis and, as a result, there is a significant risk that liquidity provision in illiquid or large sized bond trades could be hampered. The Council's approach removes the possibility for flexibility to be allowed during periods of stress where investors' demand for liquidity can spike significantly. It represents another constraint on market makers, which are already subject to strict regulatory limitations on the use of their balance sheets for liquidity provision."

"Going forward, AFME would urge the European Parliament to follow suit in agreeing its own position, ensuring that it keeps the attractiveness of EU fixed income and equity markets for investors at the forefront of its considerations. AFME also suggests that it carefully reviews the potential negative impact of hard coding deferral periods for bonds into level one legislation. As an alternative approach, AFME would encourage the Parliament to consider delegating greater powers to supervisory authorities, which should adopt a data driven approach to the calibration of the deferral regime and consider the combined impact of transparency rules and other regulatory requirements on banks' capacity to serve their clients."

Separately, the Council has also agreed an approach on the **Central Securities Depositories Regulation**.

Adam Farkas, said: *"AFME has long argued that the implementation of mandatory buy-in requirements would have a disproportionately negative impact on the liquidity and competitiveness of EU capital markets. While we believe that a complete removal of the mandatory buy-in regime is the best approach, we welcome the Council's position to view mandatory buy-ins as a measure of last resort, to be activated subject to assessment and only in the case where the level of settlement fails would be substantial in the EU. We support further focusing on all other tools that would be more appropriate to support settlement discipline and efficiency in Europe."*

In more detail:

- **On Consolidated Tape**

The establishment of a properly constructed consolidated tape for equities and bonds is an important incremental step toward further integrating EU markets, reducing home biases in EU citizens' investments and attracting international capital to the EU. AFME would nevertheless like to have seen more ambition in the Council's approach by the establishment of a real time pre-trade, as well as post-trade, tape for equities. We are somewhat perplexed, however, that consolidated tape revenue share is not extended to all execution venues providing their market data.

- **Equity market structure issues:**

We are pleased to see the general direction of travel towards reducing complexity in EU equities market structure. This acknowledges that restrictions targeting only certain execution methods, such as those originally proposed on systematic internalisers and midpoint trading, would reduce the facilitation of cheaper, more efficient equity transactions to the detriment of end investors. However, maintaining a volume cap remains directly at odds with international best practice, threatening the EU's objective to effectively compete with other markets globally and it detracts from the EU's status as a destination to invest or raise capital.

- **On Fixed Income**

While we support having 5 categories of bond deferrals, we are disappointed to see that maximum deferral times continue to be hardcoded into the Level One legislation. Not only does this approach lack the flexibility that is critical, especially in times of market volatility, it does not appear to be justified by any data driven analysis. An incorrectly calibrated regime, resulting in inadequate deferral periods that lead to liquidity providers experiencing undue risk, will upset the fine balance between transparency and liquidity and end up negatively impacting end investors.

- **On Designated Publishing Regime:**

We are supportive of the Council's inclusion of the Designated Publishing Entity to create a regime where firms will be able to opt in as designated reporters, thereby decoupling the reporting requirement from the obligations under the systematic internaliser regime.

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About AFME

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. Follow us on Twitter [@AFME_EU](https://twitter.com/AFME_EU)