

Press Release

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Proposed changes to flawed deferred reporting regime for equity trades will increase costs for investors and issuers, according to new AFME study

The public reporting of certain large equity trades must allow for appropriate delays, but the method proposed for calculating time limits proposed by the European Securities and Markets Authority (ESMA) will only increase costs for investors and issuers, according to a new report, published today by the Association for Financial Markets in Europe (AFME).

The *'Equity Deferred Reporting Blueprint'* [report](#) also concludes that reporting delays permitted under the current MiFID regime, are flawed, since they are based on the value of a trade relative to a *historic* measure of liquidity – Average Daily Turnover - rather than prevailing market conditions.

In addition, changes to the current regime – proposed by ESMA and the European Commission – including raising the minimum qualifying trade sizes and reducing the maximum permitted delays – will increase costs for investors as they are likely to force the premature publication of large trades, allowing short term investors to anticipate and materially affect the price of subsequent related trades. This will be most apparent in less liquid stocks such as SMEs whose cost of capital will, as a direct and predictable consequence, be increased.

The AFME study recommends that:

- Large equity trades are reported as early as possible within permitted delay periods which, importantly, are based on prevailing market conditions;
- An official European Consolidated Tape – as per the Blueprint published by the European Fund and Asset Management Association in September 2011 – should be implemented and form the measure of liquidity used in calculating the allowable delay period;
- ESMA assesses alternative approaches to the deferred publication regime and has the power to implement a new regime without undue delay.

Commenting on the *'Equity Deferred Reporting Blueprint'* report, Christian Krohn, a managing director at the Association for Financial Markets in Europe said:

“Whilst recognising the need for timely information on trading activity, it is important that reporting rules allow for delays to avoid damaging the returns of investors who act collectively to trade in large sizes. The issue with the current MiFID regime is that permitted delays are based on Average Daily Turnover – which means that a given trade will have the same allowable delay whether it is executed on Christmas Eve or on the day a company announces its results.

“To protect the efficiency of this mode of execution there must be an appropriate period of confidentiality when transferring the execution risk of a large trade from one party to another, whilst at the same time, maintaining an appropriate level of transparency. ESMA should reassess deferred reporting requirements, with a view to having reporting delays more closely aligned to prevailing market conditions. A future

European Consolidated Tape should form the measure of liquidity used in calculating the allowable delay period.”

-ENDS-

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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 through the GFMA (Global Financial Markets Association). For more information please visit the AFME website, www.afme.eu
2. AFME's Equity Delayed Reporting Blueprint report assesses the current and proposed deferred publication regimes and examines alternative models. The full report can be found at <http://www.afme.eu/WorkArea//DownloadAsset.aspx?id=5765>
3. In September 2011, the European Fund and Asset Management Association published a blueprint for a European consolidated tape which aims to improve the quality of information on trading.