
Press release

Joint trade associations urge policy makers not to concede to suboptimal outcomes in MiFIR review

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EU asset managers, banks and brokers are today urging policy makers not to concede to pressure which will lead to suboptimal outcomes in the review of the Markets in Financial Instruments Directive (MiFID/R).

Ahead of important trilogue negotiations taking place next week, the Association for Financial Markets in Europe (AFME), the European Fund and Asset Management Association (EFAMA), and the German Investment Funds Association (BVI) have issued a statement calling on the co-legislators to take an evidence-based, ambitious approach, even if that means that more time will be required to complete the negotiations.

The MiFID/R Review is a key underpinning for the completion of a Capital Markets Union (CMU) that works for investors and issuers, and it is fundamental to ensure that EU capital markets across asset classes are more integrated and competitive globally.

Policy makers will bear the responsibility if EU capital markets continue to fail their users, including corporates seeking the best valuation for their assets and investors looking for the most sustainable and highest returns for their savings. Furthermore, if policy makers cannot pass legislation to build critical market infrastructure to stem the investment flows leaving the EU, this risks putting the EU at a disadvantage to other global markets.

Equity Markets

EU companies continue to take their IPOs outside the EU, or to move their listings elsewhere to seek better valuations. EU equity markets cannot continue to lag behind their peers. In making rules, policy makers must consider in particular the impact that such rules will have on market liquidity, which is a key consideration for companies seeking better valuations to finance their investments.

Similarly, investors, banks and other market participants have already stated that a consolidated tape for equities must include 5 levels of real-time pre-trade data and must be reasonably priced to succeed, or it will be useless for the potential consumers of such data, and not commercially viable for its operator.

EU policy makers already failed to effectively deliver the consolidated tape once, in 2018. We therefore urge the Co-Legislators and the Commission not to be complacent by conceding to the loudest voices of established interest parties, and to rise to the challenge of delivering efficient, more integrated, and globally competitive EU equity markets.

Fixed Income Markets

Fixed income markets that are liquid and attractive globally are also a key underpinning for a successful CMU. While other jurisdictions are also undertaking substantial reviews of their bond market transparency frameworks, we urge policy makers not to undermine the future viability of EU corporate and sovereign bond markets by enshrining in legislation requirements that fail to deliver a well-calibrated transparency framework that protects investors and fails to address the challenges arising from future evolutions in the regulatory environment outside the EU.

In reviewing the EU framework for bond deferrals, policy makers must also consider the detrimental impact that such new rules will have on market liquidity, which have not been discussed, let alone demonstrated. The current proposed calibration ignores the fact that price and volume deferrals should be aligned, especially for the larger, less liquid trades.

Market Data

While we welcome the Parliament's efforts to strengthen the protection of data users by making clear that prices of market data need to be based on cost of production and by recognising that market data is a by-product of trading, we note that the proposed compromise still allows for the practice of charging for data based on the value it brings to the user (so called value-based pricing). Value-based pricing should be disallowed to achieve better outcomes for investors and the general public.

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About AFME:

AFME (Association for Financial Markets in Europe) advocates for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society. AFME is the voice of all Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues. AFME aims to act as a bridge between market participants and policy makers across Europe, drawing on its strong and long-standing relationships, its technical knowledge and fact-based work. 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

ABOUT EFAMA

EFAMA is the voice of the European investment management industry, which manages EUR 28.5 trillion of assets on behalf of its clients in Europe and around the world. We advocate for a regulatory environment that supports our industry's crucial role in steering capital towards investments for a sustainable future and providing long-term value for investors.

Besides fostering a Capital Markets Union, consumer empowerment and sustainable finance in Europe, we also support open and well-functioning global capital markets and engage with international standard setters and relevant third-country authorities. EFAMA is a primary source of industry statistical data and issues regular publications, including Market Insights and the EFAMA Fact Book. More information is available at www.efama.org

About BVI:

BVI represents the interests of the German fund industry at national and international level. The association promotes sensible regulation of the fund business as well as fair competition vis-à-vis policy makers and regulators. Asset managers act as trustees in the sole interest of the investor and are subject to strict regulation. Funds match funding investors and the capital demands of companies and governments, thus fulfilling an important macro-economic function. BVI's 115 members manage assets of some EUR 4 trillion for retail investors, insurance companies, pension and retirement schemes, banks, churches and foundations. With a share of 28%, Germany represents the largest fund market in the EU. BVI's ID number in the EU Transparency Register is 96816064173-47. For more information, please visit www.bvi.de/en.