

**EFAMA'S REPLY TO
CESR'S CALL FOR EVIDENCE ON
CONSOLIDATION OF MARKET TRANSPARENCY DATA**

GENERAL COMMENTS

EFAMA¹ has been following with great interest CESR's work on the Consolidation of Market Transparency Data and has been highly supportive from the beginning. We are therefore very pleased that CESR has decided – after the initial round table – to gather information in order to decide on further action.

Given the variety of market participants (stock exchanges, investments banks, asset managers, data vendors) and their conflicting interests, we are not convinced that market forces can reach a satisfactory agreement without CESR's intervention. Although MiFID does not provide for a formal role for CESR in this regard, EFAMA believes it should intervene to guide the discussion, help find effective solutions for data consolidation, and thus realize MiFID's aim of market transparency.

SPECIFIC COMMENTS

Publication and Consolidation

It is of greatest importance to avoid data fragmentation for post-trading data, less for pre-trade data.

EFAMA supports agreement by market participants on common standards for the publication of share trade information, if possible and appropriate open standards.

Different types of information need to be accessible for different periods of time: traders need information for short-term purposes (at most within a day), while research analysts and administrators need prices and volumes for long periods of time.

¹ EFAMA is the representative association for the European investment management industry. Formerly known as FEFSI, EFAMA represents through its member associations and corporate members about EUR 12 trillion in assets under management of which EUR 6.3 trillion managed by around 43 000 investment funds. For more information, please visit <http://www.efama.org/>.

Obstacles to consolidation

Consolidation cannot occur without agreement on standards and formats. CESR should not impose such standards on the market, but should definitely engage in a stock-taking exercise and follow the ensuing negotiations among market participants to promote consensus-building.

EFAMA is very concerned that exclusive deals with data vendors might increase the already very high concentration in the sector, or lead to the need to subscribe to more than one vendor's services, further increasing costs for buy-side firms. In a worst-case scenario, exclusive arrangements with different data "owners" would lead to contradicting partial data provided by different vendors, with no possibility for any party (not even for regulators) to reconstruct the real complete picture of market flows.

CESR's role in the process

In its facilitating role, CESR should provide a neutral forum for market participants to discuss and take decisions on technical standards, starting as soon as possible. At the same time, a CESR Expert Group should be created to explore issues relating to market transparency (particularly post-trade data consolidation), working towards Level 3 guidance in combination with the market participants' working group.

It is important to start the process quickly, before investments are made that would lead to data fragmentation, or exclusive contracts are signed for data publication. Equally important will be convergence of practices among CESR members, to avoid a fragmentation of approaches at national level. In this regard, it would be helpful if CESR would agree on common reporting formats and protocols.

CESR guidance will also be needed to achieve clarity on other issues, for example on what constitutes "reliable" information, how it should be monitored, how data consolidation should be "facilitated". It is also unclear how to interpret "available to the public on a non-discriminatory commercial basis at a reasonable cost". When is an asset manager's obligation "make information public" satisfied, particularly if he concludes an agreement with a broker to that effect?

Problems might arise in the use of data for fund pricing: currently the day's closing price from the exchange is usually used as price for a share (or else the price at a specific cutoff time), and such price is the same from all data vendors. In the future, however, if there is no true consolidation of data and depending on the data aggregation capability of each vendor, the figures might differ, and rules will have to be set up to choose among differing prices (if more than one data vendor needs to be consulted).

Costs

If a common standard needs to be found, costs might ensue. An assessment should first be made of the standards already in use in the market, to minimize IT investments.

Diverging Member State implementations should be avoided, also because they could increase costs substantially.

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