

December 2006

Irish Stock Exchange Response to CESR's Consultation Paper on Publication and Consolidation of MiFID Market Transparency

The Irish Stock Exchange welcomes the opportunity to comment on CESR's consultation paper on potential level 3 guidance on publication and consolidation of transparency data.

In general, we consider that any analysis of changes to existing systems should take into account the costs versus benefits of any proposed changes.

Response to CESR Questions

Q1: In your opinion, will this additional guidance help to ensure high quality data monitoring practices?

We support Level 3 guidance from CESR to ensure that data is consolidatable across the European Union.

Q2: Option 1 – (a) Would publishing each trade to only one publication arrangement help to address our concerns about duplication? (b) Would this option be sufficient on its own to address the issue, or should it be coupled with another solution? (c) Rather than being an option, should this option be seen a prerequisite (supported by other requirements), (d) Would this option limit unnecessarily the choice of publication channels for firms?

Q3: Option 2: - (a) Would a unique trade identifier address our concerns about duplication? (b) Do you think this is an appropriate solution? (c) How would the industry achieve this? (d) In your view, should this only apply to MTFs and investment firms trading OTC or should it also apply to RMs? (e) What costs would be involved and who would bare them? (f) would this solution request a recommendation on a common and single format for the trade identifier?

Q4: Option 3: - (a) Would the use of time to milliseconds contribute to the identification of duplicate trades? (b) Do you think this is an appropriate solution? (c) How would the industry achieve this? (d) Are there circumstances where legitimate multiple identical trades (to the detail of milliseconds) could exist? (e) In your view, should this option only apply to MTFs and investment firms trading OTC or should it also apply to RMs? (f) What costs would be involved and who would bare them?

Q5: What is your preferred solution? Do you believe that a combination of these different options is viable? Are there alternative solutions?

We consider that option 1 will help to avoid duplication of trade reports but it is unlikely by itself to prevent any duplications from taking place. In order to prevent duplications, option 1 would need to be coupled with another solution. We agree that there could be competitive concerns

regarding the use of option 1 but it is difficult to envisage how the publication of trades may be monitored if individual trades can be trade reported to more than one venue.

Regarding option 2, we agree that the use of a unique trade identifier would help identify trades and reduce duplication but this would need to be used in conjunction with other identifiers such as a trading venue identifier to ensure that each trade can be uniquely identified. Technical standards such as unique trade identifiers are already in place by RMs and therefore we do not consider it necessary for RMs to make any further costly technical changes. In our view, there will be significant practical difficulties and expense in achieving this solution across the market and it is unlikely to be feasible by November 2007.

We do not consider option 3 to be effective as the use of milliseconds will not prevent duplicate trades and this option would be significantly less effective than option 2. There are significant issues involved such as timezones, different system times used and different time formats, which would exclude this option as a workable solution.

Our preferred solution is a combination of option 1 as well as a unique transaction ID and a trading venue ID.

Q6: In your opinion, is the list as set out by the article 27(4) of the regulation sufficient to alleviate confusion over whose responsibility it is to publish a trade (where there has been no agreement over who should publish)? Is there a need for CESR guidance? If so, in your opinion, what should that guidance cover?

We believe that there is a need for further guidance by CESR particularly in the case of trades carried out with counterparties which are not covered by MIFID.

Q7: Is there a need for CESR to put in place guidance to define more precisely what should be considered as a "single transaction" and a "matched transaction"? Additionally, is there a need to define the 'reasonable steps' that firms should take in order to comply with their publication obligations?

Yes.

Q9: Do you agree with our proposed approach for dealing with static websites?

Yes, we agree that publication on static websites would not meet MiFID standards.

Q10: In your view, is this necessary and reasonable? What additional costs would be involved? Who would bear the costs?

It is likely that there will be fragmentation of data and difficulties in error correction and in ensuring full publication of transparency data if data is published via websites unless there are adequate controls in place. If publication via websites is allowed it is essential that websites be machine readable and that data is pushed to vendors via a feed. The entities which are responsible for publication of the data should bear the costs of publication.

Q11: Do you foresee any difficulties in aggregators identifying key sources of data?

Yes.

Q12: Do you have a preferred means by which to identify sources of data/ collection points?

There should be an obligation on entities which intend publishing their data via websites to inform data aggregators. There should also be an obligation to inform competent authorities. A central register of publication venues: RMs, MTFs and investment firms with a unique business entity identification code should be maintained.

Q13: Do you agree with our approach to facilitate the identification of new sources of transparency data?

Yes, but we would prefer a central register as stated in our response to question 12.

Q14: Do you agree with our recommendation to use ISO formats (and reference data where applicable) to ensure consistent publication of transparency information?

Yes, we welcome this recommendation.

Q15: Do you agree with our suggested flagging (i.e. C, N and A)?

Yes, for new publication venues but existing publication arrangements should continue to be allowed.

Q16: Is there a need and appetite for additional guidance on what other trades should be regarded as being determined by factors other than the current market valuation of the share (e.g. cum dividend etc)?

No, we do not consider there to be such a need.

Q17: Do you agree with our assessment that there is a need for sources of data to have continuity in the structure of the transparency information they publish?

Yes, we agree.

Q18: Is re-publication the best approach for dealing with amendments?

Yes.

Q19: Is 'A' an appropriate flag for amendments?

Yes.

Q20: This approach implies that publication arrangements would need a mechanism for uniquely identifying trades to allow data aggregators and data users to effectively discard the inaccurate trades. Is this necessary? In your view, would the unique identifier and millisecond options discussed under the 'data quality' section above be effective identifiers?

Yes with the use of the unique trade identifier but coupled with a unique venue ID.