

POSITION PAPER



ESBG response to CESR call for evidence on the impact of MiFID on secondary markets functioning

January 2009



Introduction

The European Savings Banks Group (ESBG) welcomes the opportunity to comment on the impact of the Markets for Financial Instruments Directive (MiFID) on secondary markets functioning and to contribute to the work of the CESR MiFID Level 3 Markets Sub-group in the area of equity secondary markets.

The ESBG would like to highlight once again the importance of MiFID for the organisation of markets. MiFID aims at increasing competition in the provision of services and marketplace functions and at promoting an integrated financial trading infrastructure.

So far for many market participants (including ESBG Members), MiFID has mainly been a compliance exercise on aspects not directly related to the organisation of markets and therefore the impact on secondary markets functioning has not fully materialised. Nevertheless we expect the impact of MiFID on secondary markets to be significant in the future. Therefore ESBG welcomes CESR's commitment to assess the impact of MiFID on the secondary market functioning.

MiFID is applicable since 1 November 2007. ESBG Members are MiFID compliant since that date. One year after entry into force of MiFID, experience as regards the impact of MiFID on equity secondary markets is still limited and it is therefore early to draw conclusions in this area. Therefore any assessment needs to be conducted in a prudent manner, and it needs to be continued in the future.

ESBG views on CESR's questions

The ESBG would like to comment on the specific questions posed by CESR, highlighting that often the situation differs from Member State to Member State, making it difficult to give a European response:

Answer to question 1: The key benefits expected as a result of MiFID provisions relating to equity secondary markets consist in increased competition between trading venues and increased innovation, both resulting potentially in better prices. ESBG deems it too early to assess whether these expected benefits have been achieved. In some countries signs of increased competition can be observed. However, it would be premature to judge whether these developments lead to better conditions for market participants.

Answer to question 2: ESBG is not aware of remaining barriers to a pan-European level playing field across trading venues.

Answer to question 3: In ESBG's view, MiFID has so far led to some innovation in the equity secondary markets. However, the degree of innovation differs quite significantly from Member State to Member State.

Answer to question 4: For ESBG Members costs as they relate to equity secondary markets can at the current stage of play not be exactly specified; however, compliance costs with MiFID in general were significant. Benefits, as they relate to equity secondary markets in a MiFID context, have so far remained limited.

Answer to question 5: At this stage ESBG Members do not have concerns in terms of level playing field.

Answer to question 6: In some countries ESBG Members have experienced a decrease in trading costs, whereas in other countries this is not the case.

Answer to question 7: In some countries fragmentation has increased as a result of the arrival of new trading venues, whereas in other countries such an increase in fragmentation has not materialised. The current level of fragmentation has not given rise to specific concerns by ESBG Members. It is necessary to continue monitoring developments as regards fragmentation closely in the future.

Answer to question 8: We do not have particular concerns as regards the appropriateness of the MiFID pre- and post-trade requirements in relation to market fragmentation. Nevertheless the ESBG believes that it is too early to make a final judgment as regards the appropriateness of the MiFID pre- and post-trade requirements in relation to market fragmentation.

Answer to question 9: No comment at this stage.

Answer to question 10 and 11: Dark pools can be a useful tool to place specific orders (e.g. block orders), but the experience with dark pools is still limited in most markets. In ESBG's view it would be premature to draw conclusions in this area.

Answer to question 12: No comment at this stage.

Answer to question 13 to 17: No comment at this stage.

Answer to question 18: Please see answer to question 1.

Answer to question 19: Please see answer to question 1.



About ESBG (European Savings Banks Group)

ESBG (European Savings Banks Group) is an international banking association that represents one of the largest European retail banking networks, comprising about one third of the retail banking market in Europe, with total assets of € 5215 billion (1 January 2006). It represents the interest of its members vis-à-vis the EU Institutions and generates, facilitates and manages high quality cross-border banking projects.

ESBG Members are typically savings and retail banks or associations thereof. They are often organised in decentralised networks and offer their services throughout their region. ESBG Member banks have reinvested responsibly in their region for many decades and are one distinct benchmark for corporate social responsibility activities throughout Europe and the world.



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