

SWEDISH SECURITIES DEALERS ASSOCIATION

Committee of European Securities Regulators

2010-06-04

Response to the consultation paper “CESR Technical Advice to the European commission in the Context of the miFID-review: Non-equity markets transparency, CESR/10-510

The Swedish Securities Dealers Association (SSDA)¹ welcomes the opportunity to respond to CESR’s consultation. However the short timeframe given to respond will affect the quality and detail of our feedback and is the reason behind our limited selection of questions to answer.

In general, the SSDA supports the response from the European Banking Federation (EBF). However, there are some significant issues which need to be addressed more in order to describe the prerequisites for the, in several cases, less liquid, but to our understanding well functioning, Swedish markets.

On a general note, we do not find any evident connection between the market failure mentioned by CESR, or difficulties experienced in the bond market during the financial turmoil, and lack of pre- or post-trade transparency. We do not see how additional transparency requirements could solve or even contribute to improving market conditions. There is however an evident risk that different measures and legislative actions are proposed more based on

¹ SSDA represents the common interest of banks and investment-services-firms active on the securities market. The mission of SSDA is a sound, strong and efficient securities market in Sweden. SSDA promotes member’s view in regards to regulatory, market and infrastructure-related issues. It also provides a neutral forum for discussing and exchanging views on matters which are of common interest to its members.

SSDA have a close cooperation with other trade associations in Sweden, in the Nordic area and in the UK. SSDA is also active on European arena via EFSA (European Forum of Securities Associations) and globally through ICSA (International Committee of Securities Associations). SSDA is also co-operation closely with the Swedish Banking Association and represent the Swedish securities markets interests in the European Banking Association. At present (June 2010), SSDA has 32 members and the members comprise of banks and investment services firms active in the Swedish securities industry.

different legislators and institutions need to show that they are “doing something” rather than a thorough analysis of what actions are actually appropriate to solve which problems.

Pre-trade transparency for corporate bonds

Q. 4 On the basis of your experience, have you perceived a lack of pre-trade transparency either in terms of having access to pre-trade information on corporate bonds or in terms of the content of pre-trade transparency information available?

Pre-trade information for bonds is essentially provided in the form of price quotes. We are not encountering any difficulties or shortcomings in this respect.

Q. 5 In your view, do all potential market participants have access to pre-trade transparency information on corporate bonds on equal grounds (for example, retail investors)? Please provide supporting evidence.

For bonds that are traded on a regulated market the access to pre-trade information is available like for equities, however a low number of corporate bonds are actually traded that way and the trading is mainly for the retail segment. That is, the transaction size is low and definitely below 1 million €.

Q. 6 Is pre-trade transparency efficiently disseminated to market participants? Should pre-trade information be available on a consolidated basis?

For corporate bonds where the market is very illiquid (that is the case for most corporate bonds traded in Sweden) there will be only very few transactions - and hence quotes - per day. Efforts to try to “disseminate” that on a consolidated basis would have no apparent benefit.

Regarding the retail segment, as mentioned above (Q5), the prices are disclosed publicly in real time.

Q. 7 What are potential benefits and drawbacks of a pre-trade transparency regime for: a) the wholesale market; and b) the retail market? If you consider that there are drawbacks, please provide suggestions on how these might be mitigated.

Both wholesale and retail investors have easy access to price quotes directly from brokers/dealers. We do not see any benefits from consolidated pre-trade transparency for the institutional market, while we would expect major costs from such a regime.

Q. 8 What key components should a pre-trade transparency framework for corporate bonds have? What pre-trade information should be disclosed?

We do not believe that a consolidated framework for pre-trade transparency on corporate bonds should be established.

Post-trade transparency for corporate bonds

Q.10 Do you agree with the initial proposal for the calibration of post-trade transparency for corporate bonds? If not, please provide a rationale and an alternative proposal (including supporting analysis).

We do not agree.

As mentioned the market in corporate bonds is normally very illiquid. Apart from the period immediately after issuance there will normally be only very few transactions per day. Under such circumstances post-trade transparency would in reality become publication of certain market participants' positions rather than "trade transparency". That would have a negative impact on prices and would eventually affect the issuing companies' abilities to borrow money in the market as well as investors abilities to liquidise there holdings. In general, post-trade transparency as suggested, would most likely have a negative impact on liquidity.

That goes for the corporate bonds. But for more liquid bonds like "covered bonds" – as defined in section 12 in the consultation paper – post trade transparency might be a first step. But not in accordance with the parameters used in table 1 in the consultation paper.

Transaction size is probably a useful parameter for liquid bonds. But to be appropriate to meet the CESR objectives (that, as we have understood it, are to encourage retail participation in the bond markets and to enhance the general public's understanding and easy access to information) the transparency requirements should be limited to transactions at least close to retail size.

So with CESR:s' table as a starting point an appropriate transparency obligation for liquid bonds could be: price and volume of transactions below € 1 million to be made public at the end of day.

Q.11 Should other criteria be considered for establishing appropriate post-trade transparency thresholds?

As noted above the transparency regime should be limited to the most liquid bonds. On the basis of the experience that can be gathered with such a regime, an extension could be considered at a later stage, on the basis of a thorough impact assessment.

Q.12 Given the current structure of the corporate bond market and existing systems, what would be a sensible benchmark for interpreting "as close to real time as possible"?

We do not believe that fast publication of the post-trade information is a priority for the regime.

Kind regards

Vigg Troedsson

vigg@fondhandlarna.se

+46 8 56 26 07 01
