

Commissione Mercati
Gruppo di lavoro Normativa e Regolamenti

ASSIOM'S RESPONSE TO CESR

Consultation paper NON-EQUITY TRANSPARENCY

Milan
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FOREWORD

1. ASSIOM (ASSociazione Italiana Operatori dei Mercati) is an association formed by individuals who are market professionals. It counts over 1.300 members working for approx. 350 firms. The association is formed by individuals and not by firms.
2. ASSIOM welcomes the opportunity to contribute to the consultation process on MiFID.
3. ASSIOM's response is based on the paper "Non-equity transparency" (ref. CESR/07-284), on two association's workshops (March 16 and May 25), attended by all the relevant market participants, and on the Open Hearing in Paris (May 30).

Question #1

To what extent do you agree with CESR's assessment of market failure in the secondary bond markets?

4. On the subject of market failure in secondary bond markets ASSIOM agrees with CESR's conclusions that there exists no market failure in the secondary bond markets. Possible market failures in bond markets are not related to pre- or post-trade transparency.

Question #2

To what extent do you agree with CESR's conclusions regarding the impact of imposing mandatory pre- or post-trade transparency requirements ?

5. Should a mandatory transparency regime be imposed for the bond market, ASSIOM agrees with CESR on the fact that it should differ from the equivalent regime for equities given the significant differences between the two markets.
6. An approach to mandatory transparency for the whole bond market could harm market affecting liquidity negatively, while an approach focused only on retail investors could encourage higher levels of direct retail participation.
7. This focused approach should consider all factors affecting the bond market structure (see responses to questions #7 and #8). ASSIOM believes that the impact on the market would be significantly higher in case of mandatory pre-trade transparency, while we recognize that an industry led initiative in post-trade transparency could be beneficial for the markets in general, without jeopardising market makers positions and affecting overall liquidity.
8. With reference to the Italian retail bond market, one should always consider the important role played by Italian banks as large bond issuers. These bonds in most cases are not listed and are traded only on a bilateral basis by the issuing bank. These are the so called *Sistemi di Scambi Organizzati*, something similar to a bilateral MTF run by the single bank and open to their clients only .

Question #3

To what extent do you think retail investor protection considerations would justify mandating pre- or post trade transparency?

Question #4

To what extent do you think that the introduction of the new best execution requirements will result in a change in the level of transparency information provided on a voluntary basis by the industry?

9. ASSIOM agrees that MiFID will improve retail investor protection in the bond markets, thanks to best execution, suitability and appropriateness regulation.
10. For the same reasons, intermediaries and trading venues will provide investors with more and better quality information, in terms both of prices and of the nature and the risks associated to the bonds sold.
11. Notwithstanding the uncertainty related to the application of the “best possible result”, best execution by itself will result in higher transparency in retail bond markets. A more detailed assessment will be possible after adequate “live” tests on the markets.

Question #5

How would you propose retail investor education be improved and delivered?

12. ASSIOM believes that investor education is a very important issue and that it could significantly reduce the risk of bond market failure.
13. In Italy, retail investors already enjoys easy access to educational information:
 - a. on the Authorities’ websites (Banca d’Italia, CONSOB, etc.);
 - b. through industry-led campaigns (Italian Banking Association – ABI: Patti Chiari project’s);
 - c. on newspapers and magazines;
 - d. on media other than press.

Hence ASSIOM believes that retail investor education should be the subject of separate consultations and it is not strictly related to non-equity transparency.

Question #6

To what extent do you agree with the suggestion that the defaults that have affected retail investors in recent years have been the result of factors other than transparency? If you feel that transparency levels were of significance in these losses, please explain how.

14. ASSIOM fully agrees that the defaults that have affected retail investors in recent years have been the result of factors other than transparency. Mandatory or self regulated transparency requirements would not have prevented these cases from happening.

Question #7

To what extent do you agree with CESR's assessment that any transparency requirements could viability be segmented?

15. As stated above, ASSIOM strongly believes that transparency requirements can't be an "one for all" solution, but they must be segmented according to single market peculiarities.
16. Beyond the factors reported by CESR (structure of the equity markets vs bond markets, different role of direct retail investors in each country, etc.) ASSIOM would like to point out the following issues:
 - a. a transparency regime is currently in place in Italy;
 - b. prices recorded in transactions in wholesale markets should not be taken as a benchmark for transactions in retail markets;
 - c. a pre-trade regime should be in place only for bonds traded in Regulated Markets and MTF;
 - d. should a post-trade transparency regime be adopted, as a result of an industry-led initiative, it should affect also non listed bonds traded OTC by investment firms;
 - e. several data will be produced via the transaction reporting requirements. Transparency could also be improved by implementing a flow-back mechanism which could return to intermediaries and investors post-trade results.

Question #8

Do you agree that we have captured the most important criteria that the Commission should take into account in judging possible self-regulatory initiatives? If you think there are other factors that should be noted, please provide details.

17. ASSIOM agrees that CESR's analysis captured most of the criteria to be taken into account when considering potential self-regulatory initiatives.
18. ASSIOM suggests, as a matter of principle, to adopt specific standards to capture the different needs (and role) of retail investors in the various Member Countries. These standards should not affect non-retail/wholesale bond markets and should be generated by self regulatory / industry-led initiatives.
19. Based on the Italian context, ASSIOM suggests :
 - a. different transparency regime for retail and non-retail markets;
 - b. the transparency regime should not be applied to domestic government bonds, due to the very high liquidity of the market and the plenty of price information sources;
 - c. some form of "light" price consolidation should be considered.