

Commissione Mercati
Gruppo di lavoro Normativa e Regolamenti

ASSIOM'S RESPONSE TO CESR

Call for evidence

NON-EQUITIES MARKETS TRANSPARENCY

Milan
March 6, 2007

FOREWORD

1. ASSIOM (ASSociazione Italiana Operatori sui Mercati) is an association formed by individuals who are market professionals. It counts over 1.300 members working for aprox. 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 agrees with CESR's response to the Commission's request for initial assistance on non-equities markets transparency (november 2006). ASSIOM acknowledges the following issues:
 - a. transparency requirements for equity and bond markets are significantly different;
 - b. professional/institutional investors can obtain adequate levels (quality and quantity) of information to make informed trading decisions;
 - c. Italy has a peculiarity: the percentage of bonds held directly by retail clients in Italy is by far the highest in Europe
4. ASSIOM's response to the present Call for Evidence is mainly based on the issues outlined in the paragraph 3.

Question #1

Does CESR consider there to be convincing evidence of market failure with respect to market transparency in any of the instrument markets under review ?

5. ASSIOM believes that there's no evidence of a significant market failure with respect to transparency. However we believe that some form of self-regulation/industry led initiative could positively affect bond market post-trade transparency for retail clients.

Question #2

What evidence is there that mandatory pre- and post-trade transparency would mitigate such a market failure ?

6. Each single segment of the European bond market (government, investment grade corporate, high yield corporate, ecc), shows different degrees of efficiency/liquidity. ASSIOM assigns a low probability to a market failure because of a lack of pre- and post-trade transparency. Anyway this risk is quite different, depending on the market segment.
7. Government bonds traded on regulated markets and other trading venues have an adequate level of pre- and post-trade transparency. Investment grade/high yield corporate bonds are traded mainly OTC, where pre-trade transparency is available from vendors such as information providers and this help for the post-transparency side too.
8. As there seems to be no market failure, we feel mandatory pre- and post-trade transparency would add costs for the industry without necessarily bringing advantages.

Question #3

To what extent can the implementation of MiFID be expected to change this picture ?

9. MiFID sets different rules for equity and bond markets in terms of pre- and post-trade transparency. ASSIOM believes that MiFID should consider differences in the structure of single European markets and in the single segments of these markets (government, investment grade corporate, high yield corporate, ecc). While ASSIOM agrees on the adequate level of pre- and post-trade transparency for investment firms and other professional investors (see par. 6 and 7), it would welcome some industry led improvements in post-trade transparency for retail customers.

Question #4

Can CESR indicate and describe a significant case or category of cases where investor protection has been significantly compromised as a result of a lack of mandatory transparency ?

10. ASSIOMS believes that lack of pre- and post-trade mandatory transparency has not compromised investor protection recently. Investors have been affected by defaults for reasons different from pre- and post trade transparency, like financial frauds or false/untruthful balance sheets.

Question #5

Could it be feasible and/or desirable to consider extending mandatory transparency only to certain segments of the market or certain types of investor?

11. A higher level of transparency is welcomed, assuming a different approach in various bond market segments. ASSIOM strongly believes that a “self-regulated approach” is preferred to a mandatory (directive/regulation based) approach. This is also supported by evidence of very different market structures and investor profiles among European countries.

In the following steps of the consultation process, more details on market led proposals/initiatives could be provided.

Question #6

What criteria does CESR recommend should be applied by the Commission in determining whether self-regulatory solutions are adequate to address any of the issues above?

12. ASSIOM does not believe there is evidence of market failure, furthermore we believe that lack of transparency definitely has not caused market failures. Having said that, we believe there is room for improvement as far as post-trade transparency in the retail market is concerned. Criteria for determining adequateness of proposed solutions could be:
- Quality/reliability of information sources
 - Representativeness of data /ability to capture a significant percentage of number of trades and/or volumes taking place in single market segment
 - Data must be easily accessible by retail investors