



International and European Affairs

**Banca Intesa Response to
CESR Consultation on
PUBLICATION AND CONSOLIDATION OF MIFID MARKET TRANSPARENCY
CESR/06 - 551**

Banca Intesa is the holding company of the Intesa Group, one of the largest Italian banking groups and one of the main players at European level. The Intesa Group is active in new Member States like Hungary, where Central-European International Bank-CIB is the fourth largest bank, and Slovakia, where Všeobecná úverová Banka-VUB is the second largest bank. The capital markets activities of the Group are carried out by Banca Caboto, one of the main actors in the Italian securities and derivatives markets.

Banca Intesa welcomes CESR's consultation on Level 3 measures and would like to submit the following responses.

Introduction

We fully support and appreciate the CESR work on the issue of consolidation of transparency data, which is certainly a crucial aspect of Mifid to be dealt with in order to allow for the correct functioning of securities markets. Transparency is not only relevant for price discovery purposes, but also for investment firms, which rely on transparency data when making bid and ask spreads and when executing transactions, but also for investors for the purpose of benchmarking of best execution.

Banca Intesa supports CESR's decision to define joint interpretations and to issue Level 3 guidelines which should help supervisors and the industry in the practical application of the relevant provisions of the Directive on transparency.

Data Quality

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

Banca Intesa shares the common concern that data quality is crucial both for the correct markets' functioning and supports CESR's guidance to provide for a verification process that is independent from the trading process. Such a verification process can consist either of human or technological resources and could also be outsourced to third parties.

Banca Intesa also appreciates CESR flexible approach on the verification process, which can suit to the different sizes of investment firms and is fully in line with the spirit of Level 2 measures.

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?

Question 2 Option 1: Banca Intesa believes that investment firms should not be compelled to use only one publication channel, since this would unduly limit the choice of publication channels provided for by the Directive. In our view, investment firms should be free whether to decide or not to commit themselves to use only one publication channel for each type of trade. Option 1, in our view, does not constitute a sufficiently secure means to avoid duplication of information, but should be coupled with other requirements, such as a unique trade identifier.

Question 3 Option 2: Banca Intesa believes that among the proposed options designed to avoid duplication of transparency information, option 2 represents a practicable and easily achievable solution. In order to implement it, a new field with a unique identifier code up to 30 digits should be provided for. In our view investment firms and trading venues should be allowed to use existing internal systems and procedures for identifying transactions. This would not require further investments in IT process.

d) In Banca Intesa view the unique identifier code should certainly apply to investment firms trading OTC. We believe that although in principle a harmonized use of code would certainly be welcome, we do not deem it

necessary to be extended to regulated markets and MTFs because of the relevant costs involved.

Question 4 Option 3: Using the time of milliseconds seems to be a practicable solution for transactions carried out on MTFs and on regulated markets; however it seems to be difficult to implement for OTC equity trades and for transactions carried out by phone. For this reason we do not believe that option 3 is a totally practicable solution.

Question 5: Please refer to answer to question 3.

Question 6: 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?

Banca Intesa believes that the current text of Article 27(4), which leaves to the agreement of the parties the task to decide who should make the information public and in its absence, the sequence to follow in order to identify it; seems to be relatively clear. Therefore, in our view, there is currently no need to need for CESR guidelines in this respect.

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?

Banca Intesa believes that CESR guidance on single and matched transactions and on the definition of "reasonable steps" would be helpful in solving doubts of investment firms and preventing diverging interpretations of regulators.

Publication Arrangements

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

Banca Intesa agrees that the data publication on static websites may constitute a barrier to consolidation. Therefore, we believe that they should be adapted so as to become "machine readable".

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

Banca Intesa does not support the idea that publication arrangements should also provide for a "feed" functionality, since this would entail significant implementation costs.

Availability of Transparency Information

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

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

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

We acknowledge that aggregators may find difficulties in the collection of transparency data. For this reason we believe that trading venues should inform their relevant competent authority of the place and the channel used for the publication of transparency data. Banca Intesa invites CESR, on its side, to consolidate the list at EU level and make it available on its website. In this way, all interested parties would be able to know the different publication channels used by trading venues at EU level.

Publication standards

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

Banca Intesa supports CESR's decision not to mandate the use of specific formats and protocols, while still recommending, without imposing, the use of ISO standards especially for new entrants. This approach will probably foster trading venues to converge to the new international standard when they deem it necessary.

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

We also support the idea of providing a specific flag for identifying specific transactions.

Q. 16 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)?

Banca Intesa believes that there is no need for additional guidance on the issue mentioned in question 16, since transparency requirements provided for by the Directive are related to equities and not to other instruments, where other elements may be relevant, as it is for instance, in the derivatives case.

Q.17 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?

Banca Intesa agrees with CESR that it is highly desirable that there is continuity in the use of specific industry standards by sources of data. However, we would like to underline the fact that intermediaries should be left free to choose their preferred IT model.

*Q18: Is re-publication the best approach for dealing with amendments?
Q19: Is 'A' an appropriate flag for amendments?
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?*

Q.18 Banca Intesa believes that re-publication is the best approach for dealing with amendments.

Q.19 Yes, we believe that A is an appropriate flag identifying amendments. In our view, it is crucial that only one unequivocal flag is set for all market operators.

Q. 20 Yes, we agree with the fact that it is necessary that data aggregators and users can discard inaccurate trades. We also believe that the “unique identifier code” would be an effective identifier.

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