

CESR TECHNICAL ADVICE ON IMPLEMENTING MEASURES OF THE PROPOSED FINANCIAL  
INSTRUMENTS MARKETS DIRECTIVE (ISD2)

Q 1: Do you agree with the approach suggested above to determine the methods and arrangements for reporting financial transactions in one set of criteria applicable to, both, the conditions for a trade matching and reporting system to be considered valid to report transactions to competent authorities, and the criteria allowing for a waiver? If you do not agree, what other approach would be more appropriate in your view?

A1: *Yes*

Q 2: What requirements should such an inventory contain?

A2: *Access by investment firm to the reporting systems should be costless*

Q 3: What other issues, if any, should CESR take into account when responding to the Mandate concerning the “methods and arrangements for reporting financial transactions”?

A 3: *No other issues*

Q 4: What would general criteria for measuring liquidity be?

A 4: *A market should be considered liquid when it is able to offer to investors a venue where conclude transactions in financial instruments at good prices, immediately and for large quantity.*

Q 5: What specific criteria could be useful in measuring liquidity? Should they be prioritised?

A 5: *These factors could be taken into account to assess the liquidity of a market: market volume, bid-ask spread, time of execution.*

Q 6: What could be an appropriate mechanism for assessing liquidity in a simple way for the purposes of this provision?

A 6: *For the purpose of determining the “most relevant market in terms of liquidity”, the average daily trading volume of the market in a given period, adjusted for the average bid-ask spread and the average time of execution, can be used. Adjustments should take into consideration that wide the bid-ask spread and long time of execution reduce the “liquidity” of the market.*

Q 7: What other considerations should guide CESR in its work regarding the assessment of liquidity in order to define a relevant market in terms of liquidity?

A 7: *Liquidity assessment should take into consideration that, on one hand, market characteristics may change over time and, on the other, market players need certainties. Frequency of revision procedures should be set accordingly.*

Q 8: Do you agree with the approach proposed by CESR for determining the minimum content and common standard/format for transaction reports? Are there other approaches that could usefully be considered?

A 8: *Yes. There are no other approaches to be considered.*

Q 9: Apart from the types of information set out in Art. 25 par. 4 and the Mandate, what other information might be usefully included in transaction reports?

A 9: *Transaction report may include information on the type of account (proprietary/client)*

Q 10: Do you agree that the content of transaction reports has to be equal irrespective of the entity reporting the transaction? What considerations could justify a different treatment of reporting parties?

A 10: *Yes, transaction reports should contain the same information irrespective of the reporting parties or the trading venue*