NAPF
Securing the future of pensions

NAPF Response to CESR'S Call for Evidence
The Impact of MiFID on Secondary Markets Functioning

1 The National Association of Pension Funds (NAPF) is the leading voice of workplace pensions in the UK. We speak for 1,200 pension schemes with some 15 million members and assets of around £800 billion. NAPF members also include over 400 businesses providing essential services to the pensions sector.

2 We are pleased to respond to CESR's call for evidence on the impact of MiFID on secondary markets functioning. Most of our scheme members delegate the management of their investments to professional investment management firms and are thus not directly involved in day to day investment in the markets. We will therefore not be replying to the specific questions that you ask on the detailed working of the secondary trading markets post-MiFID, leaving this to the investment managers and their representative bodies (we know, for example, that the Investment Management Association is intending to respond in more detail to your consultation). Instead we will restrict our response to a high level view of the impact of the Directive on pension schemes.

3 MiFID now appears to be working well in securing greater competition in pricing, with investors now able to achieve the same or higher volumes at lower cost. But it has also led to fragmentation and less transparency in trade reporting, both pre- and post-trade. Previously all trades were reported through the London Stock Exchange. Now there is no consistency in trade reporting. This has had two effects that have damaged pension schemes' interests as investors:

- it has undermined the reliability of trade reports, with both under-reporting and duplication of trades. This clearly has a negative effect on market efficiency.

- it has increased costs and complexity for investors and their agents, who have to seek out reports from different venues. We also believe that trading platforms' monopoly power to set the price at which they make their data available raises concerns on grounds of both competition and conflicts of interest.

4 We strongly support competition between trading venues as increasing choice and reducing prices for market participants, but we can see no benefit in competition in regulatory reporting. We would be happy to discuss these issues further with you should you wish.