Af2i Workshop about the MIFID II Project

After the storm of MIFID from 2007 on the European investment markets and the fragmentation this first directive entailed on the markets, the venues and the data, the market information remained expensive and became clearly less available and reliable .

Ahead of the Best Execution demanding rules, the institutional investors are facing 2 major difficulties :

1. Investment decision making on uncertain and fragmented pieces of information
2. Portfolio valuation for fair balance sheet building, regulation demands and even tax purposes

That is why the Af2i association requires the creation in the E U community of Consolidated Tapes (CT) for Stocks, Bonds and Derivatives .

These CTs should be fed from large common data bases where the standardized records of all the completed transactions should be reported with no exception, with no repeated entry and within a reasonable time .

Every actor of the investment chain should have a tailored access to the general data in volumes and prices and to its own records for every kind of reporting it would like to receive . Of course the regulators should have an extended access to all the single and aggregated data for easily fulfilling its supervision missions .

The cost of such an apparatus should not be so heavy regarding the high quality of the available market data, the huge simplification of the reporting processes and the enhancement of the supervision efficiency it might bring .

The operator(s) of these CT are not determined at the moment but the point is that it (they) should be under the total regulation and supervision of ESMA and national regulators .

The Af2i association has had several occasion to briefly expose this requirement to ESMA so far and has read very carefully all the MIFID II project documentation as we had been asked to do so .

As we had felt in our first reading, the second and long exam confirmed our conviction that the MIFID II provisions does not allow to create reliable CTs because of lack of organization, too many exceptions and exclusions, too many data with orders and intents . Further the MIFID II contains a “rendez-vous” scheduled in 2020 to assess the efficiency of the market data provisions .

We are quite convinced that the low quality of the market data will be clearly asserted in 2020 and that it will take about 5 years to built a process we should begin to built immediately .

Institutional investors are coping with hard valuation conditions for their assets, balance sheets, regulation and tax reporting since 2007 and they cannot stand the idea to undergo these difficulties for an extra period of 11 years .

Beside we had an occasion to expose the main provisions of our CTs project to Mr Martin Merlin of the Commission who showed some interest for the Af2i project of CTs .