

Markets in Financial Instruments Directive (MiFID)

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Key Measures

- Mifid Directive D 2004/39
- Implementing Measures:
 - Directive D 2006/73
 - Regulation R 2006/1287

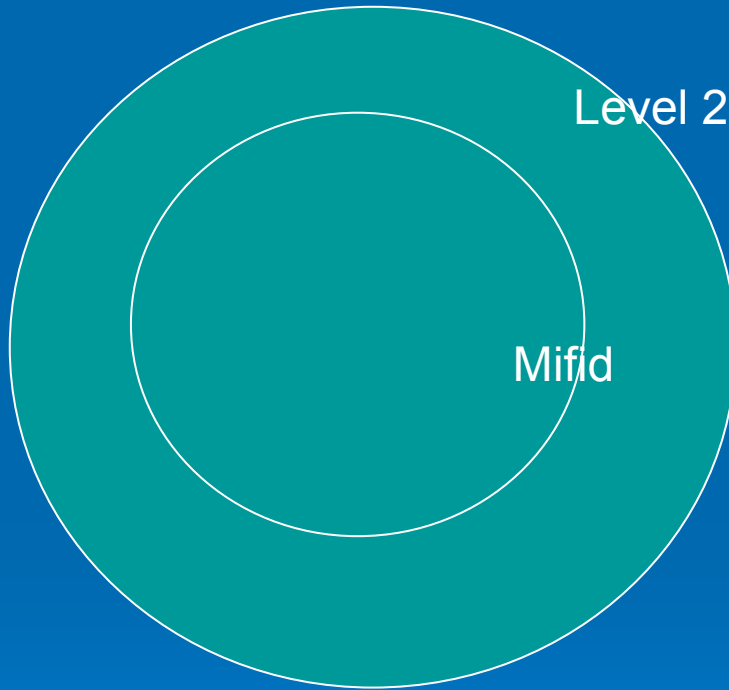
➤ National / Gold Plating (article 4)

➤ Regulators guidance

Binding

Exceptional

Non Binding



Guidance

To achieve regulatory convergence and the Single Market it is needed to shift Regulatory responsibility from the periphery to the centre

Mifid Key Dates

- Not a « big bang »
- More a gradual approach
 - Adoption of the Mifid – 2004
 - Adoption of the implementing measures – 2006
 - Transposition of both – January 2007
 - Effective application – November 2007

And the European regulatory machine took a rest.....

Problems we might face?

- Late transposition
- Inconsistent Transposition
- Lack of resources from CAs
- Lack of capacity from the industry.

All these are important « stones » in the Mifid path

Measures to avoid those dangers

- Active collaboration with MS
- Infringements
- Monitoring of Level 3 Guidances
- Common interpretations – Database
- Conferences

Key features - Passport

- Effective Passport
- Home country rules and supervision
- Exceptions for branches (narrowly interpreted):
 - Limited number of issues
 - Only for operations within the territory
 - No organisational requirements.

Key Features - Organisation

- Light touch regulation – principles based
- Interaction with Banking Regulation – Mifid declaration:
 - Mifid is the only applicable to investment services, whoever provides them.
 - No Banking Regulator gold plating
 - CRD exclusively for capital and risk management.

Key Features – Investor Protection

- Different types of clients: retail, professional, counterparties.
- Accent fiduciary duties (best execution, inducements) – no overflow of information.
- Accent responsibility of the IF (suitability, appropriateness) – No product prohibition.

Best Execution

- Best execution as a process.
- Best execution applies to all type of services.
- Best Execution has an incidence on UCITs distribution
- Best execution a proportionate approach.

Best Execution and dealer markets

- Best execution applies to dealing on own account.
- Best execution applies whenever there is a client (professional or retail).
- Any person has the right to be a clients/ A bank has the right to decide about its business model.

Key Features – Market Regulation

- Abolition of the concentration rule.
Competition.
- Market Transparency – Pre and post trade
- Pre trade transparency only for systematic internalisers and in liquid shares.
- Post-trade transparency for all – deferred publication regime.

Key Features – Reporting to Regulators

- Single system for reporting to regulators and clients (used also for post-trade transparency).
- Common European system for transaction reporting – Home regulator
- Exchange of information between authorities.

Next Key Steps

- Report on Bond Transparency – 2007.
- Report on application of transparency rules – 2009.
- Report on commodity and commodity derivatives – 2008.