

Corporate & Financial Weekly Digest

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CESR Proposes Changes to MiFID Regime

On July 29, the Committee of European Securities Regulators (CESR) published advice to the European Commission after conducting a reviewing of and consultation on the EU Markets in Financial Instruments Directive (MiFID) If adopted, the reforms proposed by CESR would significantly change the EU regulatory landscape.

The advice covers the following areas:

- i. technical advice on equity markets - improving the pre-trade transparency regime for exchanges and Multilateral Trading Facilities (MTFs); reviewing the definition of and obligations for systematic internalizers; enhancing the quality of post-trade transparency information; extending the transparency obligations to equity-like instruments; improving the regulatory framework for consolidation and addressing cost of market data; establishing a new regulatory regime for broker crossing systems; and tackling market micro-structural issues;
- ii. non-equity markets transparency - re-defining the scope of the post-trade transparency regime for bonds; establishing a phased approach for the introduction of a post-trade transparency regime for structured finance products; extending the scope to clearing eligible sovereign CDS; enhancing the post-trade transparency of derivatives markets; and introducing pre-trade transparency requirements for non-equity financial instruments traded on exchanges and MTFs;
- iii. transaction reporting - extending transaction reporting obligations to market members not authorized as investment firms; introducing a third trading capacity (client facilitation); requiring the collection of and defining standards for client and counterparty identifiers; and requiring the collection of client ID when orders are transmitted for execution; and
- iv. investor protection and intermediaries - introducing mandatory requirements for recording telephone conversations and electronic communications; requiring trading venues to produce reports demonstrating execution quality; clarifying the distinction between MiFID complex and non-complex financial instruments; clarifying the scope of the definition of investment advice; and harmonizing the rules for the supervision of tied agents and related issues.

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