



Re-Define Press Release on MIFID Review and the MAD 20th October 14:30 CET

*Please find below Re-Define's comments on MIFID Review and the Market Abuse Directive. All comments are attributable to **Sony Kapoor, Managing Director of Re-Define, a Financial Think Tank.***

MIFID Review (MIFID II)

General Comments

“Perhaps the most important aspect of the MIFID review is the expansion of its scope to include non-equity markets. The new transparency regime for bond, structured products and derivative markets and the enhanced data collection regime is a giant leap of regulatory reform.”

“The MIFID II directive is a well-intentioned monster that will fundamentally change EU financial markets, hopefully for the better.”

“What is often forgotten is that this was as much as crisis of financial markets as of financial institutions. MIFID II is a welcome step in redressing the balance of regulatory reform that till date has been tilted towards banking sector reforms.”

“The real purpose of financial markets, connecting savers and investors to fund productive investments, may be getting lost in the complexity of both financial markets and new regulations.”

“This a good first draft, though it leaves scope for improvement on many fronts.”

“MIFID II marks a step change in the transparency of EU financial markets.”

An improvement over MIFID I

“No matter how much the Commissions denies it, the mushrooming of new trading venues, high frequency traders and dark pools and the exponential increase in the number of transactions were at least partly the unintended consequences of the original MIFID legislation.”

“The expansion of the scope of MIFID means that regulation is finally catching up with the reality of the markets.”

“MIFID II does manage to plug some of the most gaping regulatory holes left by MIFID I.”

“While MIFID did bring down the costs of individual transactions, the additional costs arising from more frequent transactions actually increased the overall costs for many investors.”

“On a number of supposedly new concepts in MIFID II, the EU is merely playing catch up with the United States

“The MIFID Review aims to, at least in part, undo some of the worst unintended consequences of the original MIFID regulation such as the fragmentation of markets.”

“The introduction of the all-encompassing Organized Trading Facility category in MIFID will close many existing and potential loopholes.”

The establishment of a consolidated tape, harmonization of circuit breakers and more Xparency

“The belated establishment of a consolidated tape puts us at par with the US and is a big step forward in the right direction.”

“It will ease the monitoring of market abuse, improve regulatory oversight of systemic risk and ease the implementation of any transaction taxes that might be introduced.”

“The harmonization of circuit breakers is long overdue and will be an important step in promoting systemic stability.”

“The expansion of the pre and post trade transparency regime to all financial products will cut abuse, reduce usurious fees and increase trust.”

The proposed regulation of commodity markets

“While the requirement to monitor positions is a step in the right direction, the failure to hard-wire position limits is a missed opportunity.”

“Given the importance of food, fuel and other commodities a precautionary approach is justified. That is why having position limits for commodity investments is the right approach.”

“Position limits for commodity derivative exposures will help reduce the real systemic risk posed by excessive volatility in commodity markets.”

The proposed regulation of High Frequency Traders and Dark Pools

“More transparency on HFT strategies will cut abuse.”

“Better access and trading control for HFTs are important for reducing systemic risk.”

“High frequency traders earn substantial revenues from trading venues in the form of rebates for providing liquidity without having an obligation to provide two way markets. So the Commission’s proposal to mandate two way quotes are appropriate.”

“The increasing presence of high frequency traders is pushing and ever larger amount of trading into dark pools as large investors run away from the lit venues where HFTs can make money off them. This harms price discovery and information efficiency of the markets and has real economic costs.”

“The proposed regulations on dark pools simply do not go far enough.”

The empowerment of ESMA

“Empowering ESMA to decide which derivatives need to be cleared will help avoid regulatory arbitrage and a race to the bottom amongst member states. “

“Limiting some of the self-defeating competition amongst trading venues will help stop a damaging race to the bottom.”

“The newly-fangled ability to ban problematic products, services and practices will make EU financial markets safer and more stable.”

“The strong provisions for a pan-EU third country access regime will help minimize the scope for regulatory arbitrage.”

The introduction of the SME label

“The creation of a customised SME label with less onerous requirements may help spur the mobilization of much needed additional capital towards SMEs.”

On tackling conflicts of interest

“MIFID II reduces the scope of advisory conflicts of interest substantially.”

“New restrictions on conflicts of interest and the expansion of fiduciary obligations will increase investor confidence in EU financial markets.”

Open access rules

“The open-access rules will spur competition but may have unintended consequences in terms of fragmenting EU financial markets even further.”

Market Abuse Directive

“Because rewards in financial markets can be so attractive so as to make abuse attractive, it is wholly appropriate to make the penalties tougher.”

“The harmonization of market abuse across Europe and the criminalization of the most egregious activities will reduce abuse.”

“The new market abuse directive signals a regime shift. Inside traders and market manipulators beware.”

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