

CESR
Committee of European Securities Regulators
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CESR Technical Advice to the European Commission in the Context of the MiFID Review – Equity Markets
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Danish Shareholders Association, DAF, is the organisation representing private investors in Denmark.

The MiFID Directive

The MiFID Directive made possible and supported a change of the European trading places for securities more important than the “Big Bangs” of the 1980’es.

Regulated Markets, Multilateral Trading Facilities and Systematic Internalisers are new terms that have spread all over the Union in addition to the Over The Counter Markets. In addition many are talking about “Dark Trading”.

Trading has spread to several trading venues and individual investors find it increasingly difficult to get a coherent picture of the market.

Transparency as far as pre-trade and post-trade is concerned has deteriorated.

A consolidated tape is something private investors dream about.

The cost of getting market data has increased and the cost of trading has not decreased.

A new approach to financial regulation is required.

The regulators at national and European level are still regarding financial legislation as a matter to debate mainly with the managers of the financial firms.

CESR has held a series of meetings with representatives from regulated markets, multilateral trading facilities, investment firms, buy-side firms and market data vendors prior to the publication of the Consultation Paper. But small investors and non-financial issuers have not been invited.

Small investors (consumers) and non-financial issuers must be part of the debates from the beginning. The traditional way of doing it makes regulation of matters of importance to the clients a difficult exercise because it is a different type of relationship than the one between regulator and the regulated.

The demands of the private investor

- An independent study of the impact of MiFID with special regard to the small and individual investors.
- An independent study of the changes of the trading venues and the role of the professional market participants from the pre-MiFID situation with the important stock exchanges to the present situation with the many trading venues.
- A consolidated tape with pre- and post-trade data. The price should be accessible for all investors as it was pre-MiFID.
- Reduction of OTC trading and “dark trading”

Pre-trade transparency

It is necessary to improve the pre-trade transparency.

CESR should ensure that the pre-trade transparency is genuine for small orders.

The OTC trade should also follow the pre-trade transparency rules.

Systematic internalisers

Systematic internalisers should have the same obligations as the organized markets.

Post-trade transparency

Post-trade transparency has deteriorated for the private investor. She is missing about 60 % of the market information i.e. the part coming from the new market venues.

Private investors cannot pay the price for consolidated market data.

That is perhaps the result of the close relations between regulators and the regulated. They forget that there is a world outside their bilateral relations.

We need a consolidated tape. It must be publicly enforced and controlled.

Transparency obligations for other instruments

DAF agrees with CESR depository receipts, exchange traded funds, exchange trade commodities etc. shall follow the same transparency rules as equity.

DAF finds that this requirement goes not only for “equity-like” instruments but in principle for all instruments traded in a market that can substitute investments in equity.

It is of special importance that the fixed income markets have the same transparency obligations and that the markets are organised in a way that makes it possible for small investors to use them.

Regulatory framework for consolidation and cost of market data

DAF supports the second approach presented by CESR, the consolidated tape offering users a single point of access.

When it is possible in a country like the USA should it also be possible in the European Union.

The consolidated tape should be made available to all investors – small as well as big – at no cost. The access could be with a few minutes delay.

Regulatory boundaries and requirements

DAF supports CERS’s proposal that investment firms operating crossing systems or processes of a certain size should set up MTFs.

Accept the investors

CESR is generally very open to investors and has been inviting investors to special investor meetings and to open hearings.

The procedure followed when preparing this Consultation Paper on Equity is a bit surprising. Cooperation exclusively with the financial industry should not be the way for the future.

The Consultation Paper is marked by the experiences and the knowledge of the regulators and the regulated. It would have added value to the paper if the clients had been part of the process from the outset.

CESR should arrange independent studies of the impact of MiFID with special regard to the small and individual investors and of the changes of the trading venues and the role of the professional market participants from the pre-MiFID situation with the important stock exchanges to the present situation with the many trading venues.

Kind regards



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