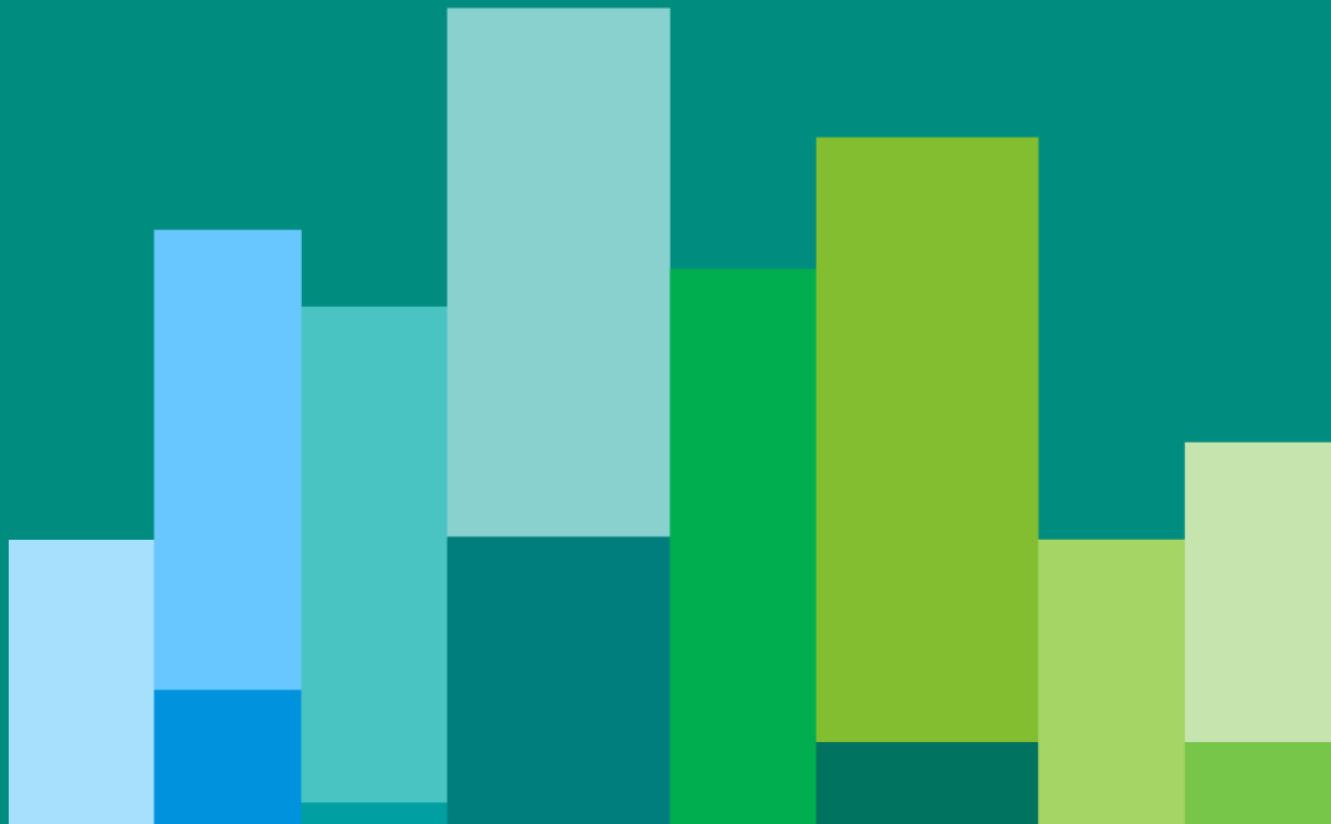


# A REGULATORY UPDATE ON CMU, MIFID II AND ITS EFFECT ON EUROPEAN COMPANIES

Robin Jezek, Head of  
Government Affairs

September 29<sup>th</sup> 2015

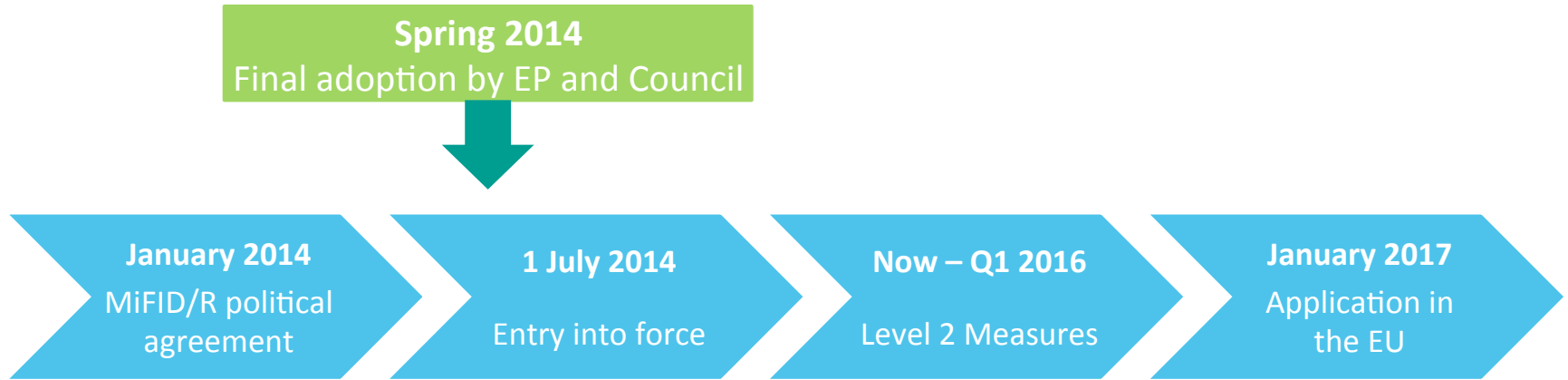


# AGENDA: MIFID & CMU

- 1. Equities: MiFID II Market Structure & Transparency**
- 2. Bonds: MiFID II Market Structure & Transparency**
- 3. Market Data & Transaction Reporting: MiFID II Changes**
- 4. Capital Markets Union (CMU): Green Paper Overview**



# MIFID TIMELINE



# AGENDA: MIFID & CMU

## 1. Equities: MiFID II Market Structure & Transparency



# EQUITIES: MARKET STRUCTURE & TRANSPARENCY

Issue	European Commission Proposal	Final Agreement
<b>Growth of OTC trading post MiFID I</b>	Create Organised Trading Facility (OTF) category to capture Broker Crossing Networks (BCN) and other OTC activity	<b>REJECTED</b>
<b>OTC definition or trading mandate</b>	No proposals	<b>ADOPTED</b> – Requirement on firms to trade shares on MiFID venues, equity BCNs required to convert into MTFs
<b>Restrictions on dark trading on MiFID venues</b>	No significant changes to the MiFID I waiver regime	<b>ADOPTED</b> – A double volume cap (4% per venue & 8% aggregate) for trading under Reference Price Waiver
<b>Bank internalisation</b>	No specific changes to the Systematic Internaliser Regime (SI)	<b>ADOPTED</b> – Uncertainty around the scope for SIs to provide multilateral crossing networks via matched principal trading
<b>High Frequency Trading</b>	Continuous quoting obligation and systems controls	<b>REJECTED</b> – 50% presence requirement for qualifying firms, systems controls maintained



# AGENDA: MIFID & CMU

## 2. Bonds: MiFID II Market Structure & Transparency



# BONDS: MARKET STRUCTURE & TRANSPARENCY

Issue	European Commission Proposal	Final Agreement
<b>Extending transparency</b>	General extension of pre and post trade transparency with waivers	<b>ADOPTED</b> - Subject the initial application of pre-trade transparency to a determination of whether the instrument is sufficiently liquid
<b>Waiver regime</b>	Waivers based on order size, market model, liquidity profile and the specific characteristics of the trading activity together with a deferral regime	<b>ADOPTED</b> - Waivers and deferral regimes for large orders as well as for specific sizes in relation to the instrument for Request for Quote & voice trading systems
<b>Trading category</b>	OTF with the ability of the operator to exercise discretion over the order matching process and firms required to register as SIs above a certain level of OTC activity	<b>ADOPTED</b> – As proposed
<b>Trading on own account by the OTF operator</b>	No ability for the OTF operator to deploy its own capital	<b>REJECTED</b> – OTF operator can deploy matched principal in respect of all bonds and deal on own account in respect of all illiquid sovereign debt



# AGENDA: MIFID & CMU

## 3. Market Data & Transaction Reporting: MiFID II Changes





# MARKET DATA & TRANSACTION REPORTING

Issue	European Commission Proposal	Final Agreement
<b>Reporting to the market: framework for a consolidated tape</b>	Allow competition among providers via the introduction of a framework for a competing commercial consolidated tape system	<b>ADOPTED</b> – but with an assessment due in 2018 (equities) and 2020 (non-equities) which could lead to a tender for a single commercial provider
<b>Reporting to regulators</b>	Transactions in financial instruments, including OTC, must be reported to competent authorities via Trading Venues or Approved Reporting Mechanisms (ARM)	<b>ADOPTED</b> – Scope includes all financial instruments traded on MiFID venues. Common formats and standards to improve data quality
<b>Market data costs</b>	Require Trading Venues to make pre- and post-trade data available on a <i>reasonable commercial basis</i> , without defining the latter condition	<b>ADOPTED</b> – the Commission is tasked with defining what constitutes a reasonable commercial basis
<b>Unbundling of market data packages</b>	Require unbundling of pre and post trade data by Trading Venues	<b>ADOPTED</b> - Data packages will need to be provided on a granular and disaggregated basis



# AGENDA: MIFID & CMU

## 4. Capital Markets Union (CMU): Green Paper Overview



# FEBRUARY 2015: COMMISSION GREEN PAPER (GP) ON CAPITAL MARKETS UNION THEMES

- 1. Improving Access to Finance**
- 2. Developing and diversifying the supply of funding**
- 3. Improving market effectiveness – intermediaries, infrastructure and broader legal framework**

## **Short-term legislative initiatives:**

- 1. Review of the Prospectus Directive**
- 2. Legislative proposal on securitisation**



# PROSPECTUS REVIEW

Issue	European Commission Proposal
Scope	No prospectus required below 500K – instead of current 100k
	Increase Member States' discretion on requiring a prospectus to 10m – instead of the current 5m
	Require a prospectus for all public offers & admission to trading on Regulated Markets
Approval Process	Introduction of a fast-track approval process for issuers – in return for the filing of a 'universal registration document'
Proportionate disclosure regime for SMEs and companies with a market cap below 200m	Lighter prospectus requirements for public offers where the securities are not admitted to trading on Regulated Markets
Proportionate disclosure regime for secondary issuances	Lighter requirements for offers of securities which are 'fungible' with securities already admitted to trading on the same Regulated Market or SME Growth Market



# CMU (GP): (I) IMPROVING ACCESS TO FINANCE

Issue	European Commission Proposal
Addressing Information Problems:	SME IFRS
	Transparency of infrastructure projects or pipelines
Standardisation as a mechanism to kick start markets	EU covered bond market
	Standardisation of corporate bond issuance
	ESG Investments
Enabling alternative means of finance	Crowdfunding



# CMU (GP): (II) DEVELOPING AND DIVERSIFYING THE SUPPLY OF FUNDING

Issue	European Commission Proposal
<b>Boosting institutional investment</b>	Tailored treatment of infrastructure investments by insurers
	Removing barriers to pension schemes investing in more long-term assets
	29 <sup>th</sup> regime for a standardised pension product
	Venture capital: Review of EuVECA & EUSEF Public funding: CIP, ESIF, COSME Exit strategies
	Other business models: peer-to-peer lending, other non-bank lending
<b>Boosting retail investment</b>	UCITS: increase cross-border retail participation
	Financial literacy & education
	Enhancing cross-border competition in retail financial services
<b>Attracting international investment</b>	EU Trade & Investment Policy
	Direct marketing of EU investment funds in third countries



# CMU (GP): (III) IMPROVING MARKET EFFECTIVENESS

Issue	European Commission Proposal
Single rulebook, enforcement & competition	Goldplating / divergent interpretations
	Commission competition powers
Supervisory convergence	ESA Review: dispute settlement
Data and reporting	Consolidated tape and reasonable commercial basis
Market infrastructure and securities law	Recovery & Resolution of CCPS & other systematically relevant firms
	Collateral: call for views measures to facilitate an appropriately regulated flow of collateral
	Securities ownership harmonisation: beyond T2S & legal certainty issues in cases of cross-border transfer of claims
	Market liquidity: call for views on proposals to support liquidity in vulnerable segments and whether there are barriers to new market entrants



# CMU (GP): (III) IMPROVING MARKET EFFECTIVENESS

Issue	European Commission Proposal
<b>Company law, corporate governance, insolvency and taxation</b>	Insolvency regimes: possible harmonisation
	Tax regimes: focus on discriminatory rules in respect of pension and life insurance
	Addressing differences in taxation of equity and debt
	Tax incentives on R&D expenditure
<b>Technology</b>	Digitalisation

