

MiFID 2.0

CASTING NEW LIGHT ON EUROPE'S CAPITAL MARKETS



European
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EXECUTIVE SUMMARY



The review of the Markets in Financial Instruments Directive (MiFID) is a worthwhile but delicate exercise, coming at a time of great uncertainty for the economic outlook and the impact of re-regulation in Europe. The review is an opportunity to boost investor confidence and strengthen the resilience, efficiency and transparency of financial markets and instruments. Investor protection and market efficiency should remain the guiding principles of the Directive, but be compatible with the growing demand for market safety and financial stability. This Report is therefore an opportunity to support the debate led by European Commission and the new European Securities and Markets Authority (ESMA) by providing a clearly articulated and balanced position on MiFID.

Task Force
goal

While initially limited to strengthening conduct of business requirements and reviewing mandatory areas, several factors have called for a **more extensive review** of the Directive. New priorities have emerged as the debate on the causes of the financial crisis has advanced and new institutions have been established on both sides of the Atlantic to monitor markets and macro-prudential risks. Also, the advantages of technological innovation are seen differently today than they were before the crisis.

Post-crisis

The functional approach of MiFID is set to become **more prescriptive**, in line with other forthcoming legislation and the G20 objective to leave no area of financial markets unregulated. By reducing the number of exemptions and extending the scope of the Directive, the breadth of implementing measures will expand, together with the role of ESMA and national supervisors. In this context, there will be less scope for self-regulation. Instead, the task will fall upon supervisors to keep rules up to date with fast-moving market innovation.

The objective of the review is to improve market integrity, stability and efficiency, as well as investor protection. Given the breadth of the changes foreseen, this Task Force has chosen to focus on **three core areas**:

The review

1. Transparency;
2. Market structure; and
3. Provision of investment services.

While the review has identified some regulatory gaps, it mainly seeks to improve the way the Directive is implemented and enforced by national authorities. The European Commission and ESMA should minimise the risk of adding layers of regulation where failures are the result of inadequate supervision or enforcement. **Clarifying intended scopes** of current regulation may help to create a more harmonised framework of supervisory practices. Most importantly, the review should clarify ambiguities in the legal text when the application of the law is inconsistent.

Investors should benefit from the new MiFID. The revision of the legal text should aim at solving legal and market divergences across Europe, and make sure that the **benefits** of the new competitive environment are spread along the value chain and **passed on to final users**, retail and wholesale investors, as appropriate.

Final users

When it comes to assessing the effects of MiFID, it is difficult to disentangle the impact of regulation from the effects of the recent **financial crisis**. Nevertheless, the creation of a harmonised regulatory framework for the provision of investment services in Europe is a paramount achievement of the Directive.

Impact of MiFID

MiFID has changed European capital markets in many ways. It has brought greater **competition** among trading venues, and among investment firms both on trading costs and execution services. It has also contributed to substantial investments in technology for trading and platforms. The growth of **dark trading venues**, such as MTF dark pools and broker-dealer crossing networks, has been another interesting consequence of the new environment. Finally, the Directive has widened the scope of transparency requirements; harmonised the framework of business conduct rules and improved the **protection for investors**.

Still, there is scope to bring more clarity to some definitions and further harmonise rules and supervisory practices. In some other areas, such as market quality (price formation) and integrity, the impact of the Directive is not yet apparent, since evidence remains fairly controversial and inconclusive.

Transparency

Transparency plays a **crucial role in the smooth functioning of financial markets and the monitoring of systemic risk**. It also ensures that the process of price formation works well, through efficient price discovery mechanisms. However, regulatory action is needed in some respects, not only to take stock of the recent financial crisis but also to assess the experience gained since the transposition of the Directive.

Transparency

However, transparency is no panacea for market failures. Ill-defined transparency requirements would harm efficiency in less liquid markets with no increase of investor

protection or reduction of systemic risk. Conversely, markets could become less liquid and thus more volatile. Hence, regulatory intervention should be proportional to the structure of each market and take into account the dynamics through which orders find their market-clearing price.

Retail and wholesale markets are **intrinsically different** due to their divergent market structures. Moreover, the design of transparency requirements should not only look at the nature of investors, but also at the characteristics of the market itself. The Commission may need to consult publicly in order to request data that would constitute a technical basis on which to better distinguish retail and wholesale actors for each financial instrument.

Investor categories

Equity markets

Pre-trade transparency supports the smooth functioning of venues' trading mechanisms, as well as **efficient price discovery** and implementation of best execution policies.

Pre-trade transparency

Under certain conditions, **pre-trade transparency may impair market liquidity**. Hence, MiFID introduced waivers, which should be retained. A move towards a more rule-based approach should be balanced with flexible application and ongoing supervision in order to meet market needs. However, conflicting views between members emerge when discussing the breadth of these exemptions.

Waivers

Turning to post-trade disclosure, the financial crisis called for a further layer of market transparency. A new regime should include the disclosure of aggregate data on capital markets to monitor systemic risk and increase market integrity and efficiency. The **extension of trade reporting to both shares admitted to trading only on MTFs or organised trading facilities** and to equity-like instruments would be helpful, since all these instruments serve similar purposes. However, for other financial instruments, the mere extension of the rules for equities would most likely generate inconsistencies, given their diverse nature.

Trade reporting

In the post-MiFID environment, **several aspects have contributed to reducing the quality of data and hindering its consolidation**. The MiFID review should look at the standardisation of both data formats (code identifiers, etc) and flags to solve issues in some specific areas (e.g. OTC trades). The relevance of trade flags stems from the support they offer to liquidity discovery mechanisms across trading venues. Market initiatives should **reduce the number of trade flags**, currently around 50, to fewer than 10 across Europe.

Data quality

In this regard, ESMA should rather guide current industry-led initiatives to improve standardisation and reduce inconsistencies. However, either the Commission or ESMA should be able to **impose consistency** if commercial initiatives do not lead to a

satisfactory solution within a reasonable timeframe.

The disclosure of data in **real-time** is fundamental for the efficiency of price formation processes. New technologies can help reduce delays. However, reducing the maximum allowed for trade reporting from three minutes to one minute misses the point; regulators' supervision should make sure that firms are not taking more than real time for reasons other than technical delays. In any case, the legal obligation is to report 'as close to real time as possible' and should be duly enforced. The industry is working to make all market data that is not subject to delays freely available after 15 minutes, in line with ESMA's recommendations. Moreover, **delays should be permitted in specific circumstances**, with appropriate calibration for trades done at the end of the day.

Time limits for trade reporting

Despite the importance of a consolidated quotation system, priority should be given to **removing obstacles** to the use of consolidated post-trade data solutions. In particular, it is important to improve investor access to both pre- and post-trade data. The challenge is to promote beneficial competition for end investors and support best execution.

Consolidated data solutions

To achieve consolidation, **formats would need to be standardised and granularity increased**, which would curb costs for users and increase accessibility. Some market participants have already committed to reduce costs for final users by **unbundling fees for pre- and post-trade data**; a step in the right direction that data vendors and distributors would do well to follow. When lower data collection costs are realised, they should be passed on to final users. Regulators and competition authorities should draw attention to **potentially unfair market practices and anticompetitive market conditions** that impede markets from offering data solutions at a 'reasonable' cost, rather than attempting to define when a cost is actually 'reasonable'.

The US experience with the unintended consequences of a consolidated tape run by a public entity should suggest alternative solutions. **Consolidated tapes can be designed and offered by competing data operators** (so-called Approved Public Arrangements or APAs), once the rules of the game have been clearly defined and duly enforced. These tapes could cover not only shares but also other financial instruments admitted to trading on regulated markets (RMs), multilateral trading facilities (MTFs) or organised trading facilities (OTFs), as long as a sound regime has been put in place.

Regulators should set the conditions to facilitate the consolidation and timely delivery of data to investors in real time, fully unbundled through APAs. Operators would have to meet strict requirements and be responsible for the detection of multiple publications (misreporting or double-counting). Only **if the industry fails** to meet these conditions, **should ESMA adopt the necessary arrangements to set a single consolidated tape** in the EU.

Confidential transaction reporting to regulators serves the integrity of financial markets. Extending the scope of the reporting may reduce the risk of manipulation on less liquid markets and improve market integrity and surveillance. Disclosure would then cover **all financial instruments admitted to trading on RMs, MTFs, and organised trading facilities (OTFs)**, with no distinction as to where and how they are actually traded. This

Transaction reporting

move would need to be coordinated with other EU initiatives, such as the review of the Market Abuse Directive, and the harmonisation of current supervisory practices across Europe. Information should be meaningful and not overburden regulators' supervisory activities.

Bond markets

A strong push towards pre-trade public disclosure for non-equity financial instruments would require a **rethink of the current market structure for less liquid asset classes**, and consequently a shift in the intermediation towards auction markets and from a mainly **institutional demand to a more retail and small professional one** to ensure a constant and sufficient demand over time. Pre-trade transparency is, therefore, strictly needed in auction markets in order to stimulate investors' willingness to bid, since they are able to see other parties' binding commitments in advance.

Pre-trade
transparency

Some market participants agree that available data is sufficient and that further pre-trade transparency is not really needed. Instead, at this stage, they believe regulators should focus on improving post-trade disclosure.

Other market participants, however, believe that an ad hoc pre-trade transparency for bonds would be appropriate. This regime would apply waivers, and would cover bonds listed on regulated markets or multilateral trading facilities or organised trading facilities, whether order-driven, quote-driven or inter-dealer platforms. Information should be more easily available, to help price discovery and open the market to retail and small professional investors.

A transparency regime for bond markets should provide **meaningful information to stimulate price discovery**. The speed, breadth, and depth of information should be designed around **'dynamic' liquidity measures**. Since there is not a single measure of liquidity readily available, transparency requirements should be developed on an instrument-by-instrument basis. This task should rather be left to secondary legislation, such as Level 2 implementing measures or binding technical standards.

Post-trade
transparency

Liquidity is a dynamic aspect, which may take different forms according to the characteristics of the financial instrument and the trading mechanism. This reality should be taken into account where allowing exemptions or deferred publication in order to preserve an efficient and sound price formation process. Dynamic measures of liquidity can be designed around aspects such as frequency of trades, overall turnover or prospective liquidity, product standardisation, or transaction size. Finally, since data is fragmented, data formats and flags may need to be further standardised for the purpose of pre-trade transparency.

Derivatives and structured financial products

Derivatives and structured products are mainly traded on a bilateral basis. These trades

Pre-trade

occur either purely over-the-counter or through inter-dealer platforms under a 'request-for-quote' model (RFQ). A pre-trade transparency regime, therefore, should be designed in a **different way than for auction markets**. Liquidity in dealer markets, such as markets for bonds, derivatives and structured products, is underpinned by quote-driven auctions, inter-dealer platforms, or bilateral negotiations. To function well, bilateral markets (interdealer or purely bilateral) need less pre-trade transparency than order-driven ones, such as equity markets. Executable prices might thus not always be consistently available. Current market structure, however, does not impede future market developments in the years to come towards a different structure of intermediation and nature of the demand.

Current MiFID rules on transparency were devised for equities, so applying them bluntly to derivatives and structured products could generate unintended consequences for the incentives for dealers to provide liquidity by using their private information. They could potentially exit illiquid products and confine their activities to those that are inherently more liquid. Pre-trade transparency for complex non-equity products would only work by first changing the way these products are traded and the nature of the demand, which would need to be constant and sufficiently high over time (as for auction markets).

A post-trade transparency regime for derivatives and structured products should be **more detailed and tailored to the nature of these products**. Where listed on RMs and/or MTFs, the regime could be designed with the same methodology employed for bonds, but its implementation should follow a **phased approach**.

Exemptions and due calibrations should be allowed in order to preserve efficient price formation and guarantee the effective monitoring of systemic risk. Calibrations should take into account the nature of these markets and of **each financial instrument**, rather than a division into broader categories (e.g., by asset classes). A mere application of post-trade transparency to a general list of instruments would definitely hamper market liquidity. As for bond markets, measurements of liquidity should be taken into account with due care to avoid adverse consequences in terms of liquidity for wholesale participants.

The extension of trade reporting to non-equity markets can be **facilitated by current infrastructures**, thereby reducing costs. It is critical, however, that transparency requirements remain independent from the eligibility criteria for trading and clearing. In effect, the requirements to access a central counterparty clearing (CCP) are not based only on liquidity itself but also on technical and legal aspects. Hence, the mere eligibility for the clearing of an instrument is not an appropriate test for transparency purposes, nor is it appropriate to assess the level of liquidity or the frequency of trades.

Structured financial products (SFPs) and OTC derivatives are good tools to free capital back to the real economy and better allocate risks and resources. They help spread credit risk and transfer it to those who are more able to bear it. However, the financial crisis has taught us that spreading risk among counterparties through complex instruments does not ultimately cancel it out.

Information about the **underlying assets and net exposures** should always be publicly available in aggregate level to monitor systemic risk. Regulators should have access to data via reporting, especially through trade repositories. During times of financial distress, aggregated information on net exposures would help contain herd behaviours set off by market opacity.

Trade repositories have sufficient skills and capabilities to collect and aggregate information about net exposures. Financial institutions would need to disclose information on net exposures in a way that does not compromise the confidentiality of sensitive information, but at the same time provides meaningful information (more detailed) to regulators and to the market. Trade repositories would then be able to aggregate this information and offer a global picture.

Narrowing **exemptions for commodity derivatives** under MiFID may have a substantial impact on the business of non-financial companies. Some market participants advocate these changes as an important step towards a more level playing field, with greater transparency and investor protection, while others ask for further research on the consequences of narrowing these exemptions, in terms of costs of hedging relevant exposures. The need for consistency across several regulations in the commodity business probably demands a more articulated answer.

Commodity derivatives

'Curbing speculation' is a vague objective, since how to distinguish between hedging and speculative trading remains highly controversial. Regulators, instead, should shed light on the risks of price manipulation that arise from the accumulation of dominant net positions in future and derivatives markets. **Strengthening supervisory powers**, in particular through position limits, could help to control price manipulation, in particular for physical markets or markets for non-storable commodities (e.g., electricity), but would not necessarily mitigate systemic risk. A more effective alternative would be to use **position management** tools to impede net sizes reaching a dominant position.

Market structure

Competition among trading venues on execution services and among investment firms on the provision of other investment services have generated **positive effects**, such as lower trading costs. Competition needs to be fair, however, and based on a level playing field among MiFID official trading venues. Today markets benefit from the interaction of various groups of users and platforms.

Competition

Being a vital part of the network, competition appears where markets are contestable, not only from a technological standpoint but also in terms of fair market practices. This implies the need to **lower barriers to entry and exit for users and platforms (contestability)**, including sunk costs, as well as to monitor market practices in a dynamic way.

This report also acknowledges the importance of ensuring a harmonised approach in

Align RMs and

the application of MiFID requirements for official trading venues. Regulated markets and multilateral trading facilities should be subject to **convergent legal obligations** and supervisory oversight across member states. This convergence already exists in some European countries such as the UK.

MTFs

On the classification of broker-dealer crossing networks (BCNs) the Task Force discussed **two different views**.

BCNs

On the one side, it is argued that some OTC trading escapes MiFID rules on pre-trade transparency for trading platforms and systematic internalisers, and does not provide sufficient post-trade information, and also escapes MTFs rules on access, discretion, and surveillance. In this view, some of the BCNs would perform the same function as RMs and MTFs, while other may be more akin to systematic internalisers. BCNs would operate as 'multilateral' trading mechanisms by matching trades as 'riskless' counterparty. BCNs that do not meet the definition of OTC trading would rather be classified either as multilateral trading platforms or systematic internalisers. Otherwise, pre-trade transparency obligations would be circumvented to the detriment of price discovery, investor protection, and market integrity.

Conversely, other market participants believe that advanced brokerage, offered to wholesale counterparties through BCNs, meets the MiFID definition of OTC trading. They note that trades may fall below the standard market size only after splitting them to reduce market impact. These 'child' orders would then be internally matched, but mostly routed to external trading venues, such as RMs and MTFs. The Directive, in their view, would actually refer to 'parent' orders, since fiduciary duties and conduct of business rules apply to them as a whole. Finally, a Broker-dealer Crossing System should not be considered 'multilateral' since dealers assume risks when providing best execution and other conduct of business arrangements, which neutral platforms do not provide.

OTC trading plays an important role in financial markets, in particular when it comes to the best execution of complex institutional orders. Therefore, the review of MiFID should not ban these trading activities. The Review should rather **clarify the criteria that define 'OTC trades'** with proper flexibility, in particular what kind of trades are subject to OTC requirements under MiFID (e.g., 'child' or 'parent' orders). In addition, it should foster the availability of data in order to allow the full assessment and enforcement of best execution rules. Finally, it should ensure that price formation processes and market quality are preserved, and if possible, improved.

OTC equity trading

Data employed in the run-up to the MiFID review by the Committee of European Securities Regulators (CESR) to ascertain the size of OTC equity trading is not sufficiently accurate. Analysis based on this data cannot be considered conclusive and has probably led to an overestimation of the size of this market. More effort needs to be made to assess market quality in Europe with **accuracy**, and clarify the actual size of **OTC equity trading**, its origin and its impact on price formation processes. There is a compelling need to improve the quality of market data by reducing inconsistencies and

increasing granularity through the use of harmonised flags.

The G20 called for derivatives to be further standardised and traded on electronic platforms, 'where appropriate'. A greater push towards standardisation and organised trading should balance the benefits of a **more transparent and orderly setting** with the costs incurred by a potentially lower **availability of customised derivatives**, which would mean a greater possibility to leave some risk in the system not properly hedged. These proposals raise challenges for regulators and market participants with regard to investor choice, market liquidity and efficiency, and potential overlaps with the MTF regime. The MiFID review needs to address them in a way that is proportional and consistent with the European Market Infrastructure Regulation (EMIR) and other relevant EU Directives.

Organised
trading facilities

Financial market infrastructures are networks that can operate in a competitive environment. MiFID and competent authorities may need to strengthen actions to keep barriers to entry and exit low, giving due attention to economies of scale and scope, and other potential efficiencies. The Code of Conduct improved price transparency. More remains to be done, however, to solve existing commercial and technical challenges and increase **accessibility** through **unbundling and interoperability** of current infrastructures.

Infrastructure
access

Ultimately, MiFID favours freedom of access by investment firms to competing market infrastructures. In effect, while the original Directive envisaged non-discriminatory access to competing infrastructures, the transposition of this provision and its enforcement have been inconsistent across EU member states, in particular in relation to the definition of the '**legitimate commercial ground**' to deny access. The review of MiFID should try to bridge these inconsistencies, together with other legislative proposals such as the European Market Infrastructure Regulation (EMIR), Securities Law Directive (SLD) and Central Securities Depositories Regulation (CSDR).

Promoting structural changes in non-equity markets to give easier access to retail investors may raise **conflicting views**. For some market participants, the market for fixed income securities should remain wholesale and dealer-driven. In their view – even though a commendable objective – direct retail access to non-equity instruments may destabilise these markets, as it may generate higher volatility with no liquidity enhancements. These effects would ultimately heighten risks for retail investors, given the increasing complexity of fixed income securities. Instead, other stakeholders firmly support the opening of bond markets to retail investors. They believe greater transparency would be a liquidity driver for these markets. Under proper delays and exemptions, the potentially negative impact of retail trading activities would be fairly limited.

Retail market
access

Issuers are important actors for innovation and a more efficient allocation of resources in our economies. Some market participants believe that issuers should be duly informed and agree where their shares are traded in secondary markets. This proposal, however, does not find wide support among both market participants and

Issuers

policymakers, since in their view it raises relevant issues of market efficiency, legal entitlement of the right and conflicts of interest.

Impact of
technology

The systemic importance of modern capital markets highlights the inner tensions among financial stability, market efficiency and technological innovation. A well-functioning market must **balance efficiency and safety** to avoid disequilibria. The role of technology in the configuration of market infrastructure has become ever more important. Markets are redesigning their infrastructures thanks to innovative technology. In short, speed and volumes will probably continue to grow but trading venues may have to deal with more frequent crises and outages.

Technological innovations and techniques have brought **revolutionary changes to trading**. Among these changes, there are major benefits, such as better order management and control of market impact; or more efficient and faster feed of information into prices. Both these changes generate gains in terms of lower spreads and better price discovery, which benefit participants throughout the value chain.

However, modern trading also presents a number of **challenges**, such as an increase in fundamental market volatility, which in turn has brought speed and volumes to critical levels. Advanced execution services like direct-market or sponsored access have radically increased speed and volumes for transactions, in an attempt to cope with increasing volatility. Limits to infrastructure capacity nevertheless mean that higher speed and volumes risk generating market disorder and financial instability.

To overcome these challenges, intermediaries and trading venues need to strengthen their own monitoring. A coherent set of **emergency procedures** in case of market disruptions should be designed in consultation with market participants (e.g., circuit breakers). There are several efficient monitoring systems already in place, which could serve as model systems. Finally, trading rules should be harmonised across markets to avoid instability arising from arbitrage.

Provision of investment services

Business conduct rules and organisational requirements play a crucial role in the provision of investment services, by strengthening investor protection and market integrity across Europe. However, a more harmonised implementation of regulatory actions and supervisory practices by member states should become a priority.

Best execution duties lie at the foundation of the **fiduciary relationship** between service providers and clients. MiFID tries to grasp all factors influencing the best execution of a financial transaction, and does it in a very general manner. This situation, however, is not necessarily to the detriment of final investors as long as **execution policies** are properly implemented and data allows sufficient verifiability of execution.

Best execution

Investors receive information about their execution policies that may sometimes be incomplete. Even with the most advanced execution metrics, available data appears

insufficient to make a thorough evaluation of execution quality in a fragmented market.

Some market participants argue that best execution policies should be applied 'dynamically' and that simply complying with formal legal requirements is not enough to provide real best execution. Other participants however challenge the view that issues with best execution come from execution policies, which are MiFID-compliant. Both recognise that those issues emerge from a consistent **lack of data on execution quality** from trading platforms, which are under discussion within the debate on the new transparency regime.

Although the crisis showed that some of the eligible counterparties (ECPs) were not able to understand risk 'properly', the client categorisation regime should **not be subject to a major overhaul**, besides those changes currently proposed for local authorities. Some market participants suggest that portfolio managers should be entitled to unilaterally require the reclassification as 'retail' clients. They argue that even though portfolio managers are eligible counterparties under MiFID, they manage money on behalf of professional and retail clients and they have the obligation to act in their best interest. Others, however, advocate the inappropriateness of this request since portfolio managers do not simply execute on behalf of their clients, but they would directly gain (commission on profits) from rules that should theoretically only benefit retail investors.

Client
categorisation

Investment advice must always be '**suitable**' under MiFID. Some market participants claim there should be a thorough review of the mechanisms of incentives to make advice more '**independent**'. In particular, they argue that investment advice should be based on a neutral and 'independent' system of remuneration, by only receiving fees from the clients. No commission should be set by product providers.

Investment
advice

Other market participants argue that obliging investors to pay for it would increase the access costs to these services and dramatically reduce the use of advisory services, with potential long-term costs for end investors. They suggest keeping the advice fee embedded in the commission, but disclosing whether the advisor is solely remunerated by the client or also by a product provider.

All costs items and remuneration arrangements should be fully disclosed before signing the contract. This would improve the ability of investors to choose the service that best suits their own interest. Changes in MiFID will need to be reconciled with other regulatory initiatives such as Packaged Retail Investment Products, Insurance Mediation Directive Review, and the Prospectus Directive.

The suitability test is crucial in the provision of investment advice and portfolio management services. Views diverge on how to assess the knowledge, financial situation and objectives of investors, and in particular, on how deep the suitability test should look into investor habits and the willingness to take risk. Some regret the lack of harmonisation in the **implementation of suitability requirements** for discretionary portfolio management. They would welcome action by ESMA to improve legal certainty and reduce barriers to market investment products across the EU. However, some other market participants do not think any intervention is needed in this regard and are

Suitability test

satisfied with the current level of harmonisation, which takes into account the natural market differences among member states.

MiFID foresees a different regime for 'execution-only' services based on the product classification between complex and non-complex financial instruments. Any change should take into account that complexity does not necessarily mean more risk. The objective should be to verify if the product is in line with **investors' understanding of the ultimate risk** that they are finally going to bear. Regulation should not decide the level of risk investors want to take.

Product
classification

Some market participants believe that certain **UCITS** (Undertakings for Collective Investments in Transferable Securities) might have become too complex to be easily understood by investors to skip the appropriateness test, at least for retail clients. Others argue that classification, in particular for UCITS, should remain as such, since a change in classification could damage the UCITS brand outside the EU.

MiFID rules on conflicts of interest represent a first step in the introduction of a common approach across Europe for the prevention, identification, management and disclosure of such conflicts. Further initiatives to strengthen the current regime and **align supervisory practices** would enhance the treatment of these conflicts and benefit financial markets. A **harmonised set of sanctions** should be combined with enough **flexibility** for member states to adapt rules and procedures in line with their national contexts.

Conflicts of
interests

Organisational requirements play a crucial role in ensuring business continuity, market integrity and investor protection. A proper implementation of the Directive should be ensured by harmonising organisational requirements and supervisory practices across Europe, and by removing ambiguities in the legal text. **Ensuring consistency** with other upcoming legislation would then avoid inefficiencies. It would also promote a uniform regime of investor protection and market integrity within Europe, which would ultimately increase legal certainty and the attractiveness of investment services.

Organisational
requirements

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