

POSITION PAPER



ESBG comments regarding the CESR consultation on MiFID review: non-equity markets

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The European Savings Banks Group (ESBG) recognises the importance of CESR's work in view of the upcoming MiFID review. ESBG therefore welcomes the opportunity to comment on the CESR consultation regarding non-equity markets transparency.

ESBG observes that although CESR concluded in 2007 that there is no evident market failure regarding non-equities transparency and the European Commission in 2008 still saw no need for a regulatory intervention, CESR finally recommended in 2009 the introduction of a post-trade transparency regime for non-equities. The current consultation paper enlarges the scope of the 2009 paper and also covers pre-trade transparency, asking for evidence in this respect. Responding to this request, ESBG highlights that it sees no need for an enhanced pre-trade transparency regime in non-equity markets, as no market failure can be identified in this area. Sufficient information is available via different sources (in particular through stock exchanges, data providers and mails from other market participants) regarding all products mentioned in the CESR consultation paper.

ESBG's comments below refer to CESR's proposals for a post-trade transparency regime.

A. corporate bonds

ESBG Members understand CESR's arguments for an extended post-trade regime for corporate bonds (admitted to trading on a RM or MTF) and appreciate that CESR pursues the aim of avoiding adverse impacts on liquidity. ESBG notes that post-trade transparency can increase the level of transparency of market conditions for investors, while it should not replace a thorough assessment prior to an investment decision.

ESBG stresses that corporate bonds markets are completely different from equity markets in terms of the following aspects: liquidity, automation, system requirement, data availability and market participants. Therefore ESBG is of the opinion that the benchmarks for equity reporting cannot be used for corporate bonds markets. In particular the timing of publication of the initial proposal for calibration of a post-trade transparency regime for corporate bonds needs to be revised and the deadlines prolonged to end of day disclosure for all transaction sizes. Another weakness of the proposal for calibration relates to the proposed categories of transaction sizes, which might not be appropriate for specific illiquid markets.

B. structured products

In areas of structured products (ABS and CDOs) there is a whole range of products with a low level of liquidity and of standardization of products. Therefore post-trade transparency will de facto not add much transparency and valuable information for the clients, while it can certainly be used by the potential competitors. ESBG doubts that a cost-benefit analysis could confirm a preference for introducing pre-trade transparency for structured products, taking into account the disadvantages described above as well as the additional administrative and technical burden of implementation.



C. CDS and derivatives

With respect to CDS and derivatives ESBG acknowledges that these markets are more liquid and standardized than the structured products mentioned above. A post-trade transparency regime should in ESBG's view only include trades which are CCP eligible.

The transparency which can be achieved in this area will have a more limited value compared to shares (or even bonds), as for CDS prices also contain an element of counterparty risk for the two contractual partners.



About ESBG (European Savings Banks Group)

ESBG (European Savings Banks Group) is an international banking association that represents one of the largest European retail banking networks, comprising about one third of the retail banking market in Europe, with total assets of € 5967 billion (1 January 2008). It represents the interest of its Members vis-à-vis the EU Institutions and generates, facilitates and manages high quality cross-border banking projects.

ESBG Members are typically savings and retail banks or associations thereof. They are often organized in decentralized networks and offer their services throughout their region. ESBG Member banks have reinvested responsibly in their region for many decades and are one distinct benchmark for corporate social responsibility activities throughout Europe and the world.



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