

Amendments to the Markets in Financial Instruments Regulation (MiFIR)

2021/0385(COD) - 25/11/2021 - Legislative proposal

PURPOSE : to amend the Markets in Financial Instruments Regulation (MiFIR) in order to enhance market data transparency.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the MiFID/MiFIR framework is the rulebook governing participation in European capital markets. It consists of a directive (Directive 2014/65/EU, MiFID II) and a regulation (Regulation (EU) No 600/2014, MiFIR).

In 2007, MiFID I introduced competition in the market for equity trading. Later iterations of MIFID extended competition to trading in non-equity asset classes, such as bonds and derivatives. The consequence is that, when a broker or investor wants to execute an order to buy or sell an asset, they can choose from different venues, such as regulated markets (RMs), multilateral trading facilities (MTFs), dark pools, and systematic internalisers (SIs).

Today, financial instruments, such as shares and bonds, are traded in the EU across about 500 execution platforms (across all asset classes). All these platforms need to publish information about each transaction, such as the volume, time and price of the transaction. This makes the information very fragmented and only few big players are able to have a comprehensive overview of the market.

The proposal is part of a package of measures for the CMU which also includes:

- a [legislative proposal](#) to establish a European Single Access Point (ESAP);
- a [legislative proposal](#) to revise the European Long Term Investment Fund (ELTIF) Regulation;
- a [legislative proposal](#) to revise the Directive on Alternative Investment Fund Managers.

CONTENT: the proposal aims to **enhance market data quality and market data consolidation through amendments to existing rules on market data in MiFIR.**

Creation of a European consolidated tape

The proposed revision would introduce a ‘European consolidated tape’ which will allow investors to access near-real-time trading data for stocks, bonds and derivatives on all trading venues in the EU. Both professional and retail investors would be able to see in one place the price and other information about a financial instrument (such as the volume and timing of transactions). They will know whether they have obtained the best price when buying or selling securities.

The proposed revision should also enhance the level playing field between stock exchanges and investment banks and will promote the international competitiveness of EU trading venue by removing the open access rule.

Boosting transparency and levelling the playing field

The proposal aims to change EU trading rules to enhance transparency in EU financial markets and level the playing field between execution platforms.

Specifically, the proposal :

- prohibits the execution of **small trades** in equity instruments (such as shares) on anonymous trading platforms (where traders are not subject to transparency obligations) and makes the execution of such trades through large investment banks fully transparent;
- increases transparency for non-equities (such as derivatives and bonds), by reducing recourse to so-called 'deferrals' that allow for the delayed publication of core details of transactions;
- bans the practice whereby retail brokers forward client orders to a limited number of traders in exchange for compensation ('payment for order flow'), which will ensure that brokers act in their clients' best interests.

Increasing competitiveness of EU financial markets

To carry out this objective, the proposal:

- removes the open access obligations for exchange-trade derivatives. This open access obligation may discourage markets from creating new and innovative financial products. Its implementation has already been postponed several times. It is now being abandoned;
- streamlines the obligation to trade shares on eligible execution platforms in the EU so that it will only apply to shares with a primary listing in the EU. EU shares traded on a third country venue will be exempted as far as they are denominated in local currency;
- enables the Commission to suspend, if necessary, the trading obligation in a cross-border context, e.g. where conflicting trading obligations in two jurisdictions prevent an EU counterparty from entering into a derivative contract with a non-EU counterparty.