

Markets in financial instruments

2002/0269(COD) - 02/09/2003

The committee adopted the report by Theresa VILLIERS (EPP-ED, UK) broadly approving the Commission proposal under the 1st reading of the codecision procedure, subject to a number of amendments, as follows: - to ensure that the new rules do not increase the cost of share dealing, the committee said that, as regards "conduct of business" obligations, suitability tests should apply only to deals where advice is provided. "Execution only" services (i.e. executing transactions without providing advice), which are very popular among many investors, should not be burdened by extra requirements that would lead to higher charges. At the same time, it should be made clear to the investor that no advice is being given; - the committee also wanted a more flexible approach to the "best execution" principle. While supporting the idea that firms should actively look for the best deal for clients, it said that this point should be clarified because an absolute duty to find the lowest price or the cheapest transaction venue cannot work in practice. It therefore amended the relevant article so that firms will simply have to guarantee they have taken steps to obtain the best result "reasonably achievable"; - while supporting enhanced transparency, the committee took account of concerns that the new rules could have a negative impact on liquidity and could discriminate against investment firms. It therefore clarified the transparency rules, for example by limiting the obligation to make public the bid and offer prices for transactions of a certain size to firms which practise "systematic internalisation" in shares (for instance, firms that regularly and continuously execute orders on their own account or regularly match with other client orders). It also introduced the concept of a "standard size" which will trigger the obligation to make prices public, though the amount will be fixed later by regulators. As regards the obligation for investment firms to disclose the terms of "limit orders" (orders to buy or sell a share only below or above a stated price) when these are not executed immediately, the committee adopted a compromise amendment saying that these orders will be forwarded to a regulated market unless the client objects.