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**PROVISIONAL FESE RESPONSE TO CESR DISCUSSION PAPER
MARKET TRANSPARENCY DATA CONSOLIDATION
(REF.: CESR/05-741)**

I. Introduction

1. The Federation of European Securities Exchanges (FESE) represents operators of the European regulated markets and other market segments. Established in 1974 as a small forum of Stock Exchanges in Europe, FESE today has 24 Full Members representing 36 Securities Exchanges and clearing houses from all the countries of the EU, Iceland, Norway and Switzerland as well as 6 Corresponding Members from other non-EU countries. FESE co-operates with European settlement and securities depository organisations and works closely with the European Association of Central Counterparty Clearing Houses (EACH).
2. We are grateful for the opportunity provided by CESR on 14 December 2005 to discuss the potential scope of CESR's activities in the area of market consolidation and dissemination. We also appreciate the opportunity to submit written comments at this stage. As we have had only had a brief period of time to reflect on these issues, we would like to preface our remarks as provisional, and reserve the right to come back to some of the issues in greater detail in the future, in particular during the Call for Evidence currently planned by CESR for 2006. We hope that our preliminary views will be of help to CESR at the current stage of its deliberations.
3. Our response is structured as follows: First we provide our **provisional views** on the substantial issues raised by CESR's Call for Comments; then we express our views on the **process** proposed, followed by a **conclusion**.

II. Provisional Response to CESR's Call for Comments

4. There are efficient existing arrangements and many new initiatives concerning data consolidation and dissemination. Regulatory role in choosing among the different technical standards today would make no sense; even the protocols differ among themselves greatly and have numerous versions, which almost function as proprietary models. We therefore agree with CESR that it would not be appropriate for policy actions to interfere with the market-led process and that market forces should decide the outcome of any technical standardisation process. In this regard CESR can act as a forum allowing exchange of views among interested parties, but should not make recommendations with regard to technical standardisation.
5. Where fragmentation is occurring ahead of MiFID, regulators, exchanges and new publication venues have concentrated on maintaining existing standards of data quality, focussing on market monitoring arrangements of new publication venues. In this context, we believe that it is appropriate to consider within the scope of Level 3 whether guidelines might be useful in ensuring the quality and public dissemination of data.
6. By way of example, such standards could be aimed at the following objectives:
 - To clarify the very important issue of which part of a flow of transactions that involves several players would be subject to the publication obligation (which is currently defined only by exchanges which are active in OTC trade reporting);

- To clarify minimum measures for ensuring reliability of data, e.g. monitoring arrangements;
 - To allow firms to demonstrate definitive compliance with the relevant provisions of the directive by publishing via a venue that complies with the standards.
7. Any work in this area should focus on ensuring that data are “consolidatable” and not defining which data sources should be consolidated.
 8. Finally, any discussion of “exclusivity” needs to differentiate between the flow of data from the producer to the data aggregator, which, if exclusive, would have the advantage of ensuring that data is not reported more than once, and the flow of data from the aggregator to the disseminators, which should not be exclusive if the data is to be disseminated widely.

III. Remarks on Process

9. At the Roundtable, CESR indicated a tentative work plan that would include a formal Call for Evidence on the subject once CESR has had the opportunity to discuss the feedback from the Roundtable and the call for written comments. As we have participated in various calls for evidence for potential Level 3 activity in the past, we fully support the proposal of CESR to consult market participants before deciding on a scope of Level 3 activity. As the roundtable demonstrated, the scope of CESR’s involvement in this area needs to be fully clarified. The process would be eased if the Call for Evidence clearly stated the scope of intervention envisaged by CESR, the need for policy intervention in the area on which it is based, and the expected benefits of such intervention.

IV. Conclusion

10. We would like to reiterate our support for CESR’s current thinking, especially with respect to the lack of any need for policy actions in the area of technical standardisation. Market forces should decide the outcome of any technical standardisation process. While CESR can act as a forum allowing exchange of views among interested parties, it should not get involved in any standardisation work.
11. By contrast, we see potential value in CESR guidelines at Level 3 to ensure supervisory convergence with regard to the quality of data or the public dissemination of data. This work should follow the usual procedures of Level 3 work and benefit from a formal Call for Evidence to agree on the scope of the work, followed by the usual public consultation on the content.
12. While we reserve our judgment on the content of such work and may wish to re-visit aspects of this response when CESR publishes its Call for Evidence on its proposed work next spring, we wish to encourage CESR at this point to concentrate its deliberations on high-level quality standards.