

Brussels, 21 January 2008

**RESPONSE Ref: CESR / 07-832**

**CESR CONSULTATION PAPER ON IMPROVING THE FUNCTIONING OF THE MIFID DATABASE**

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**I. Introduction**

1. The Federation of European Securities Exchanges (FESE) is a not-for-profit international association (AISBL), representing the operators of the European regulated markets and other market segments, comprising the markets for not only stocks and bonds, but also financial, energy and commodity derivatives. Established in 1974 as a small forum of stock exchanges in Europe, FESE today has 24 Full Members representing close to 40 securities exchanges from all the countries of the EU and Iceland, Norway, and Switzerland, as well as several corresponding members from other non-EU countries.

**II. FESE response to CESR/07-832 Consultation on improving the functioning of the MiFID database**

**1. Do you agree with the proposed amendments?**

**Amendment 1**

FESE members generally support the proposed amendment 1. Displaying the exchange rate for non-Euro countries, the date of update and the date when the information becomes applicable will improve the database by making it more sound and complete. We suggest that the following issues are taken into account:

- In order to ensure transparency of **exchange rate**, it would be useful to indicate the type of methodology used (ie. end of period value, average value, daily value, etc.). We will be glad to discuss this issue further with CESR, and in particular the most appropriate sources and methodology for exchange rates.
- For the shares that are subject to several **updates**, it would be useful to indicate the different dates when the share was updated to clearly show the history of modifications.

**Amendment 2**

FESE members believe that although liquid shares are already identified in the database by a red bullet and it is already quite straightforward to extract the liquid shares, adding a function to extract the liquid shares from the database, although not essential, would make the downloading process more simple.

**2. Is it necessary to add other information or other search functions? If so, please explain what you would like to add and the reasons for your proposal?**

**2.1 Data quality review**

- We strongly recommend CESR to implement some data quality review process/committee to ensure a quality control before modifications to the existing or new data are validated and published. We believe this is mainly a workflow/process management issue and is not an issue that can be solely solved by adding functionalities to CESR database. The committee may include industry experts.

## 2.2 Publication of statistics per trading venue

- Article 33.6 of Commission Regulation (EC) No 1287/2006 states that *“The calculations referred to in paragraphs 1 to 5 which are to be published on or before the first trading day in March 2009 shall be made on the basis of the data relating to the regulated market or markets of the Member State which is the most relevant market in terms of liquidity for the share in question”*.

We understand that **until the first trading day of March 2009**, the information referred to in paragraphs 1 to 5 of article 33 will be based only on trading that takes place on Regulated Markets (RMs). However, we believe that investors would benefit greatly if the **average daily turnover** and the **average number of transactions** were also published during this transitional period for each type of trading venue, ie for SIs and MTFs as well. This would be based on data collected by CESR members for information purposes until March 2009, and it would be based on the mandatory information to be collected after March 2009.

In addition to the statistics mentioned in the paragraph above, **from the first trading day of March 2009** we suggest the publication of the **average value of trades executed** by type of trading venue, ie RMs, SIs and MTFs on an aggregate basis. Although investors would benefit from having this information already at the current point and we would have no objection to it being presented in CESR’s database, a delay until March 2009 for this parameter seems justified by the fact that the AVT (and by consequence SMS) is a regulatory concept and until March 2009 its calculation is limited to data from RMs. In order to ensure the comparability of data, we suggest that information is updated on a regular basis.

- It will be crucial for the value of the database that the **methodology used by SIs and MTFs to calculate the statistics of their trading activity is available on the website of the database**.
- With regard to the list of SIs published pursuant to Articles 21.4 and 34.5(a) of the Commission Regulation, we suggest indicating the **list of all shares admitted to trading on a RM for which each investment firm acts as a SI**. Since the Directive allows firms to act as SIs for a specific share, we find that this information would greatly add to the transparency of SIs activities, while its absence would lead to a significant lack of information.

## 2.3 Data of Initial public offerings (IPOs)

We suggest adding the following fields to the database to improve the quality of information published about Initial Public Offerings (IPOs).

### 2.3.1 Dates

- The **date of IPO or admission to listing** on the regulated market.
- The **date of de-listing** from the regulated market.

### 2.3.2 Period of calculation

- The **period of time used to calculate the figures** published. This would be particularly useful for IPOs and update.

### 2.3.3 Estimations

- Indication of figures that are based on **estimations**.

## 2.4 Structure of the database

- In order to ensure the neutrality of the database we suggest that the **following headings are structured in an objective way** (ie. in alphabetical order): Central Counterparties, Multilateral Trading Facilities, Regulated Markets and Systematic Internalisers.
- Under heading “Shares admitted to trading on EU Regulated markets” the field country Code indicates the country of the competent authority. For the multiple listed shares, it would be useful to have the **list of countries where the share is listed**.
- We also believe it would be helpful to clarify in the explanatory note of the database the fields and symbols used. These are clearly indicated on the CESR Consultation paper. We suggest similar definitions as follows:
  - **ISIN** – The unique code for each share
  - **Name** – The name of the share
  - **ADT** – Average Daily Turnover. This is the yearly turnover, excluding negotiated trades, divided by the number of trading days (excluding the number of days where the share is suspended on the company or regulator’s request). The figure is expressed in euros.
  - **Daily Transactions** – This is an average, found by dividing the number of annual trades by the number of trading days, excluding negotiated trades.
  - **Free Float** – This is calculated by multiplying the number of shares by the price of the share and expressed in euros. However, when calculating the free float all holdings exceeding 5 % of total voting rights shall be excluded unless they are held by a collective investment scheme or a pension fund.
  - **AVT** - Average Value of Trades executed.
  - **SMS** – Standard Market Size. This is determined from a predefined table in the MiFID Implementing Regulation on the basis of the AVT, and is expressed in euros.
  - **Authority for Liquid Share** – the regulation allows Member States to designate a maximum of up to five shares as liquid. This column identifies these designated shares.
  - **Authority** – Relevant competent authority
  - **Country Code** – Country of the relevant competent authority
  - In addition, the database contains **three symbols**: **"new!"** indicates that a share has been added within the last 6 weeks, **"yellow star"** indicates an update of the information about a share within the last 6 weeks, and **"red bullet"** indicates a liquid share.

**3. Do you agree with the proposal to identify investment firm acting as systematic internaliser?**

FESE members agree with the proposal to identify investment firms acting as systematic internalisers.

**III. Conclusion**

FESE members generally support the amendments proposed by CESR to the MiFID database. We also suggest that several other functionalities be put in place to further improve the content and structure of the database: data quality review process, publication of consistent statistics across trading venues, methodology used to calculate these statistics, specific treatment of data on Initial Public Offerings and improvements to the structure of the database. Finally, FESE members agree with the proposal to identify investment firms acting as systematic internalisers.

FESE members would like to thank CESR for the opportunity to provide comments to improve the functionality of the MiFID database. We look forward to continue our cooperation with CESR.

## Annex I – Amendments proposed by CESR to the MiFID Database

### **Amendment 1:**

CESR proposes to add the following new data fields to the database:

- i. Exchange rate for non-Euro countries, which would indicate the rate which was used for calculating the respective information.
- ii. Date of update, which would indicate when the information regarding a given share was last updated
- iii. Information indicating the date when the information becomes applicable. This is to facilitate the presentation of two sets of information as necessary in relation to annual updates and new admissions. The new data field would indicate future information which will be come applicable at certain point of time.

### **Amendment 2:**

CESR proposes to add the following function to the database:

- Possibility to extract only liquid shares from the database.