



## PRESS RELEASE

### **Finance Watch gives evidence to European Parliament on high frequency trading (HFT) and MiFID**

Brussels, 5 December 2011: **Finance Watch** today gave evidence at a European Parliament hearing on the planned update to **MiFID**, the EU's rules governing markets for financial instruments, and on **high frequency trading**.

The net price of transactions to investors has not fallen, because the fragmentation of equity trading venues has led to higher transaction prices that have not been compensated by lower transaction costs, Finance Watch Secretary General **Thierry Philipponnat** told the parliament's ECON Committee.

"With the exception of market-making related activities and, possibly, arbitrage of price differences between different trading venues, all the other high frequency trading strategies have the mechanical effect of going against genuine investors' ability to execute transactions at the best possible price for them," Mr Philipponnat said.

In addition, the vast majority of OTC trades breach the spirit of MiFID rules on transparency, harming price formation and the economic usefulness of markets, Mr Philipponnat said.

Finance Watch will be publishing a detailed position on MiFID2/MiFIR in due course.

The full text of Mr Philipponnat's speech can be found at [http://www.finance-watch.org/wp-content/uploads/2011/12/ECON-MiFID-Review\\_public-hearing\\_5-December-2011\\_Finance-Watch.pdf](http://www.finance-watch.org/wp-content/uploads/2011/12/ECON-MiFID-Review_public-hearing_5-December-2011_Finance-Watch.pdf)

For more information please contact Greg Ford (Head of Communications)  
[greg.ford@finance-watch.org](mailto:greg.ford@finance-watch.org) +44 (0) 7703.219.222

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## NOTES ON MiFID

- A **webstream** of the European Parliament's hearing can be found here:

<http://www.europarl.europa.eu/ep-live/en/committees/video?event=20111205-1500-COMMITTEE-ECON&vodtype=Live>

- The European Commission's **resource page** on MiFID can be found here:

[http://ec.europa.eu/internal\\_market/securities/isd/mifid\\_en.htm](http://ec.europa.eu/internal_market/securities/isd/mifid_en.htm)

- **MiFID** is a directive that covers all the investment services in financial products in Europe. The directive sets in particular the European rules for **trading of shares**. MiFID also aims at protecting the **consumers** of financial products by imposing information requirements on providers of investment services in relation to their clients.

The directive came into force in 2007 and led to a deregulation of **stock markets**. Stock exchanges have been put into competition with new alternative trading venues, the latter benefiting from softer rules in particular as regards transparency.

The Commission on 20 October 2011 published a proposal to **review** the MiFID Directive, and to introduce a separate Markets in Financial Instruments Regulation (MiFIR) to make the requirements more binding and harmonized across member states. This is because a regulation is directly applicable in member states, whereas a directive must be transposed ("implemented") in national law in all 27 member states.

European Parliament rapporteur Markus Ferber (EPP, Germany) is expected to present his draft position in the **Spring of 2012** – negotiations between the institutions will most likely take until the end of 2012. The new rules in the regulation would apply nearly immediately after publication of the agreement; the changed directive will need to be implemented in member states during 2013 and 2014.

## ABOUT FINANCE WATCH

- Finance Watch is an independent, non-profit public interest association dedicated to making finance work for society. Its members represent, collectively, close to 100 million European citizens and include consumer groups, trade unions, housing associations, financial experts, foundations, think tanks, environmental and other NGOs.

- Finance Watch is founded on the following principles: finance is essential for society, capital should be brought to productive use, finance should serve the economy, the transfer of credit risk to society is unacceptable, and markets should be fair and transparent

- Finance Watch is funded by grants, donations and membership fees. It was registered on 28 April 2011 as an *Association Internationale Sans But Lucratif* (non-profit international association) under Belgian law. For further information, please visit [www.finance-watch.org](http://www.finance-watch.org).