



## MiFID II three years later: Achievements, lessons and adjustments Opening Speech

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Good morning all,

It is a personal satisfaction for me to open this conference organised by the CNMV and the IE Business School, which proposes a review of the achievements of MiFID II regulations.

Let me start on a personal note that I think illustrates the evolution of this key EU legislation. The first time I heard about MiFID was in January of 2005, when I joined the CNMV and I attended for the first time a CESR Board meeting where the advice on Level 2 for MIFID I was approved. Back then, some discussions were quite similar to nowadays: transparency, liquidity, systematic internalisers, best execution, and so on.

In these 16 years, many things have changed, of course, not least the market structure and the way securities are traded. Then came the inception of ESMA in 2011, MiFID II in 2014, its level 2 (in which I was also involved) and its most recent review, three years ago. Looking back now, these three years seem like such a short period.

I think we can affirm that MiFID II has allowed a notable improvement in transparency in the markets, better and more homogeneous information received by the investor and greater knowledge on the part of clients. It has also made it possible to adapt the original MiFID regulation to a new environment and evolution of the markets, allowing greater accessibility to these markets for society as a whole.

MiFID II has had a positive effect on the European markets, with four areas, in my opinion, where the regulation has had the greatest impact.

1. Firstly, an improved level playing field between markets and their participants.

MiFID made a significant change in the structure of financial markets in Europe, especially in the area of equities. However, MTFs and systematic internalisers, even

when providing comparable services to regulated markets, were in practice subject to a less stringent regulatory and supervisory regime. MiFID II rectified several of these imbalances and set a leveled playing field of renewed competition between trading venues that has benefited the customer .

MiFID II has also addressed the risks to the orderly functioning of markets posed by the growth of algorithmic trading and high frequency trading (HFT). These firms, which engage in algo trading, are now subject to strict organisational, testing and control requirements. In addition, the new electronic trading regime has made them more resilient and better equipped to ensure orderly trading.

And, as a third element, in derivatives markets, most of the trading of standardised OTC derivatives has moved to trading platforms, as a consequence of the creation of a new market category ("OTF") and the derivatives trading obligation through MiFIR. With respect to commodity derivatives, MiFID II position limits and transparency rules tried to address price volatility and helped prevent market abuse in these assets.

2. Secondly, let me also highlight as a positive impact a renewed twist to investor protection rules, with new product governance tools, the possibility to ban certain products for retail investors and reinforced conflict of interest policies, including the inducements regime and the one on advice.
3. Thirdly, I would highlight the new transparency regime for fixed income markets and derivatives. MiFID II established for the first time a set of EU transparency requirements and has accelerated the transition to electronic execution for fixed income markets.
4. And fourth and finally, although this is frequently overlooked, MiFID II (together with EMIR and CSDR) has removed a significant number of the barriers to cross-border competition between trading, clearing and settlement infrastructures, allowing access between trading venues, CCPs and CSDs.

But beyond the benefits and positive impacts that the MiFID II regulation has had on financial markets, which you will talk about throughout this two-day conference, there are still areas for clear improvement that ESMA is working on.

I would like to point out some of these:

- The quality and cost of the data, as well as the improvement of the usability and comparability of the information disclosed.
- We need to tackle the difficulty in accessing post-trade information on a real-time basis and involving the full range of equity instruments, through mandatory contributions, improved OTC data quality or other mechanisms. In this respect, I support the setting up of a true post-trade CTP for the EU.

- We probably need real incentives for market access for small and medium-sized enterprises, beyond the current figure of SME Growth Markets, to promote their liquidity on the basis of common and harmonised conditions to foster investor confidence, as well as the promotion of cross-border listings in the medium term.
- We need to consider also improvements in the functioning of OTFs. The concept of the multilateral system and the scope of trading platforms need to be rethought.
- With regard to the transparency of stock markets, it is also necessary to reflect on the double volume cap as a mechanism to limit dark trading, thereby reducing its complexity, and to clarify the scope of the trading obligation with regard to third-country shares in a post-Brexit world.
- With regard to fixed income and its transparency regime, ESMA has already published a number of proposals with the aim of simplifying and making an overly complex regime more efficient, thereby also promoting harmonised implementation across the European Union and ensuring greater transparency for market participants, in particular for derivatives and bond markets.
- In terms of regulatory reporting. The CNMV supports ESMA's suggestion to simplify reporting while improving data quality, compatibility and usability.
- Finally, a set of proposals is also underway to simplify the commodity derivatives regime by making it more efficient for market participants and competent authorities and avoiding the excessive scope with which it was defined at Level 1.
- When it comes to investor protection rules, we probably need a re-setting of the inducements regime, in a fully harmonised way. It would also be wise to further streamline the information provided to clients (like the one on best execution or costs and charges).

In general, I am a big fan of regulations over directives in areas like this one and I think that some contents could be included in MIFIR. Ideally, when we see each other in three years we will speak only about MiFIR.

These, and surely many others, are the issues that will arise during this two-day conference on one of the fundamental pillars of the regulatory architecture that underpins our financial markets. An essential part of the economic recovery of Europe and its companies in the current uncertain times that we are living in depends on its robustness and continuous improvement.

I do not want to end my speech without thanking all the panellists and participants in this conference, as well as the IE Business School and CNMV teams that organised it. I hope, therefore, that it will be to your liking.

Thank you very much.