



The Financial
Services Club

Capital Markets Chamber



This house believes the MiFID review to be the tip of the trading iceberg

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The Financial Services Club is a private networking club for financial professionals that focuses on the future of financial services through the delivery of high quality and in-depth research, analysis, commentary and debate.

Established in 2004 with regular meetings in London, Edinburgh, Dublin and Vienna, the Financial Services Club provides a platform for practitioners, regulators and industry leaders to meet, network and discuss the future of our industry.

Our white papers, research and meetings are published in full on our website www.fsclub.net for members, with summaries available through our official blog at www.thefinanser.com.

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The world-famous Chatham House Rule may be invoked at meetings to encourage openness and the sharing of information. ... with the aim of providing anonymity to speakers and to encourage openness ...

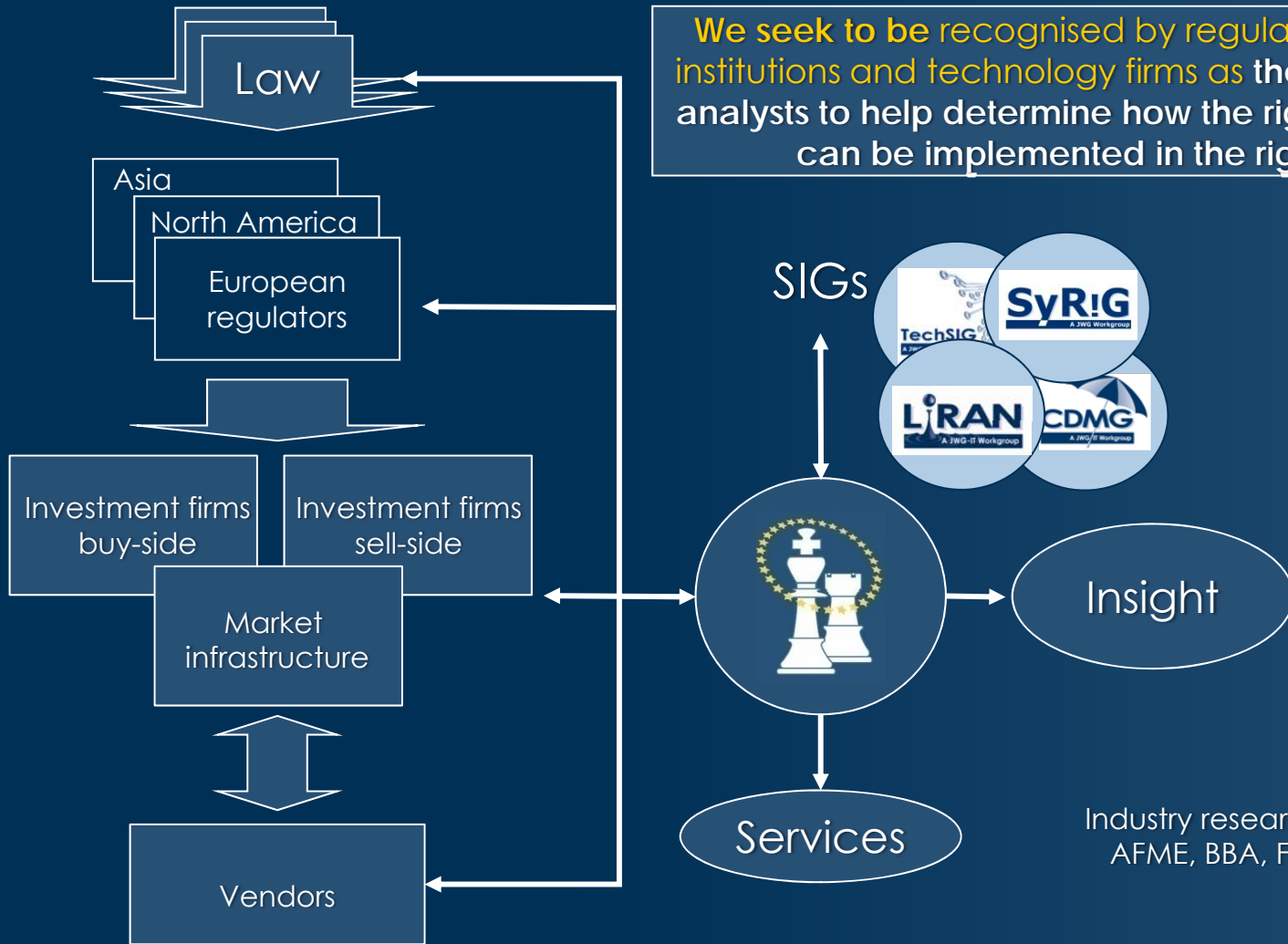
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*A debate about the priority changes to the trading
environment*



JWG: an independent think-tank

We seek to be recognised by regulators, financial institutions and technology firms as the independent analysts to help determine how the right regulations can be implemented in the right way

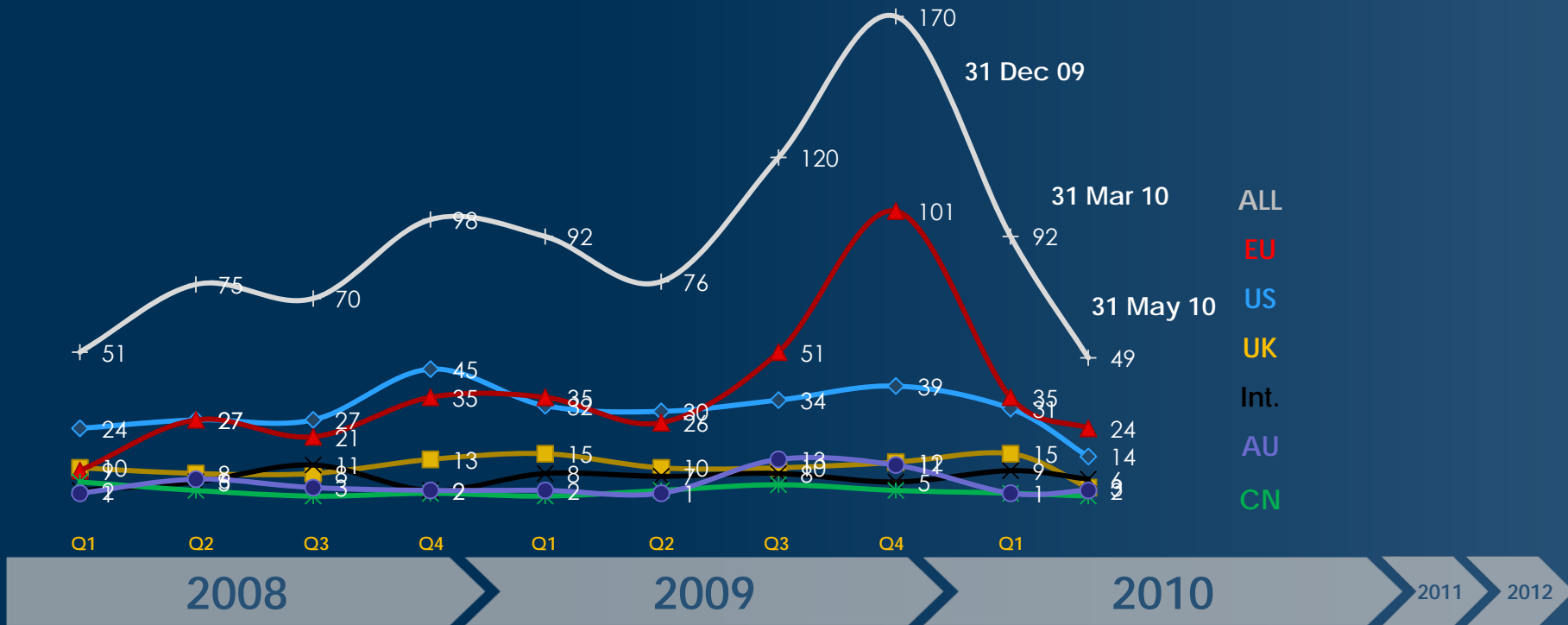


Industry research partners:
AFME, BBA, FOA, CiFER

Making sense of financial service regulation since 2005



The regulatory reform tsunami



Total 2008-2009
= 78,700 pages

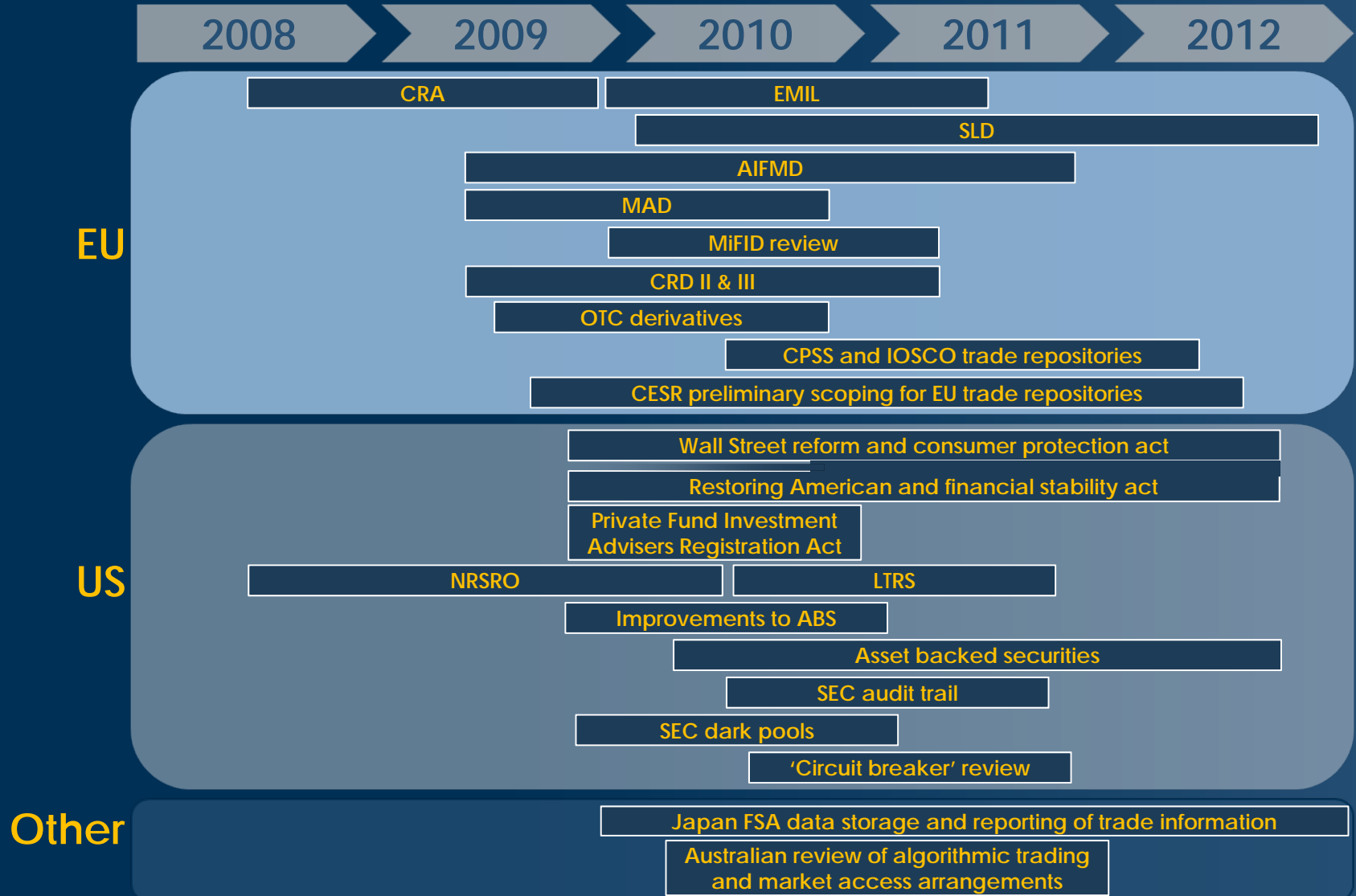
Average pages per month	
January - June 2008	1,808
July - December 2008	2,378
January - June 2009	2,417
July - December 2009	2,682

48% growth
in 2 years

Note: official comment from EU, UK, US, CN, AU, international only



Initiatives that affect trading





MiFID context

- ▶ MiFID entered into law in 2007 with a number of 'loose ends'
- ▶ Questions have been raised about the effectiveness of some parts of the massive legislation
- ▶ Regulators were scheduled by law to review some provisions this year: CESR consultation 13 April - 4 June ... EC to heat up post summer
- ▶ ... But the game has changed – some would like to use the MiFID review to a) reopen old arguments and b) increase the scope – others wouldn't
- ▶ The new G20 and European 2020 plans will play a role in shaping the Directive

There are many opinions to generate in a short space of time



CESR wanted 151 answers by 4 June ...

- ▶ Investor protection and intermediaries: 51 pages, 28 questions (417)
 - Telephone recording
 - Execution data quality
 - Instrument complexity
 - Personal recommendations
 - Supervision of tied agents
 - Options and discretions

- ▶ Equity markets: 48 pages, 64 questions (394)
 - Pre-trade regime for RM/MTFs
 - Definition of SIs
 - Post-trade transparency regime
 - Extended scope of transparency
 - Regulatory framework for consolidation and cost of market data
 - RM and MTF alignment and crossing networks
 - Eliminating options and discretions



... or is that 162 answers by 9 August?

- ▶ **Transaction reporting: 17 pages, 15 questions (292)**
 - New trading capacity (riskless principal)
 - Counterparty and client identifiers
 - User guidelines (how to fill in the reports)

- ▶ **Non-equity markets transparency: 19 pages, 44 questions (510)**
 - Greater pre and post-trade transparency for corporate bonds, ABS, CDO
 - Phased approach to increasing post-trade transparency for ABS, CDO
 - Extend pre-trade transparency to include sovereign CDS
 - Calibrate post-trade transparency regimes
 - Increase transparency of OTC derivatives markets

- ▶ **Client categorisation: 13 pages, 11 questions (831)**
 - Further distinctions within existing client categories
 - Clarification of public debt bodies
 - Other client categorisation issues



The common ground

Trade repositories

US Data Center

SEC audit trail

MiFID Consolidated Tape

CPSS and IOSCO trade repositories

FSA and HM Treasury reforming OTC derivative markets

CESR preliminary scoping for EU trade repositories

Japanese FSA data storage and reporting of trade information

US central swap clearing and repositories

Trade imperatives

SEC proposal on dark pools

Large trader reporting requirement

'Circuit breaker' review

HFT, co-location and naked access

Transparency expansion into non-equity markets

Counterparty and client identifiers

Consolidation and cost of market data

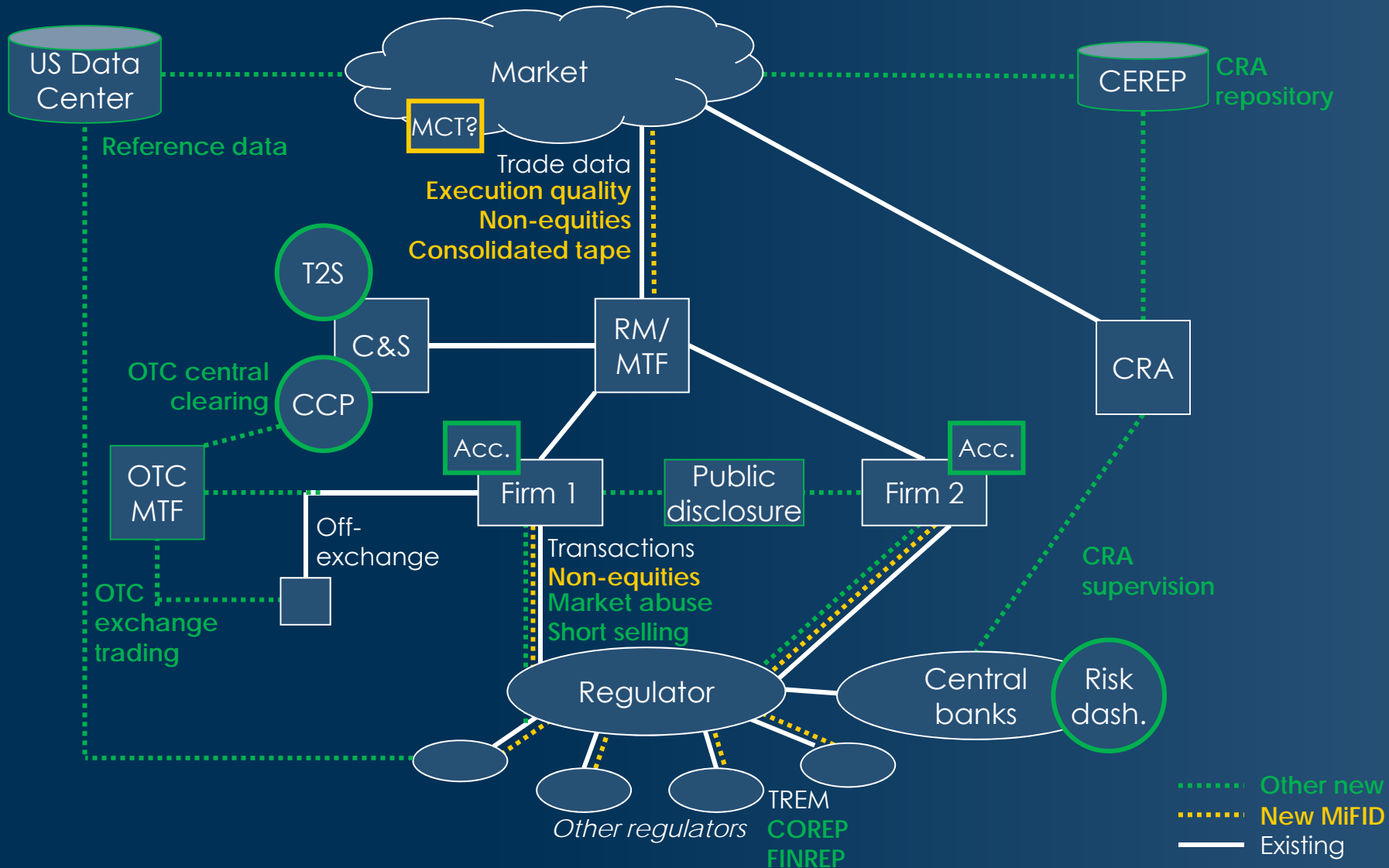
Volcker rule

7 overall change drivers:

costs, standards, control, levelling, competition, detection, monitoring



Infrastructure impact



- How significant are the MiFID changes under discussion – will they change the market?
- Will MiFID set the global trading standards? Does this imply more fragmentation?
- Which of the global initiatives will impact what it takes to ‘do the trade right’ the most?
- Are we standard enough? What standards are likely to change?
- Are the priorities for the trading infrastructure in 2011 smaller, more or faster?

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What do YOU think?

- London Stock Exchange, 15 July, 3:30 pm - 6:30 pm
- What the LSE sees as changing in the European trading infrastructure, irrespective of any regulatory changes
- NYSE and the LSE going for vertical clearing
- The LSE entering the derivatives space - Kevin Milne
- What major changes currently being talked about are the most likely to 'hit the street' - the power is with the EU parliament not the commission - Dr David Doyle
- Register at: <https://www.siiia.net/events/prereg.asp?eventid=1391>

Date	Debate
5 October	This house believes leaky plumbing will short circuit the systemic risk dashboard. A debate on the infrastructure for systemic risk reporting
9 November	This house believes that the new risk infrastructure penalties will outstrip the bank's infrastructure investment. A debate on the banks' readiness for new risk regulation
7 December	This house believes the bonus Grinch will be outwitted. A debate on the market impact of new compensation schemes



Thank you

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Customer Data Management Group

www.The-CDMG.eu



Liquidity risk

www.liran.eu



Systemic risk

<http://www.jwg-it.eu/syrig>



Trading

<http://www.jwg-it.eu/techsig>

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