



Press release

**The reform of financial markets proposed by the European Commission (“MiFID 2”):
Give back capital markets to the real economy users: non financial investors and issuers**

The Hague, 28th October 2011

“MiFID 1” has further discouraged EU citizens and non financial issuers (SMEs in particular) from investing on the capital markets, favoring again their “re-intermediation” by financial intermediaries. Although the EU official reports remain silent on this fundamental financial, economic and political issue, we estimate that the share of the European individual investors in the European equity markets is now down to around 10% from about 50 % a few decades ago. The evolution is even worse for the bond markets.

European financial services users welcome the report from the European Commission on “MiFID 2” released last week, as it rightly recognizes several key MiFID 1 issues, especially:

- The much increased complexity, opacity of the equity markets and the lack of consolidated equity trade data for individual investors induced by the MiFID 1 market fragmentation
- The lack of any significant transaction costs reduction for individual investors
- The failure of the “best execution” requirement
- The even more severe lack of transparency and liquidity of fixed income markets
- The lack of unbiased and independent advice

Unfortunately the “MiFID 2” proposals fall short in addressing many of these identified issues:

- Unregulated and nontransparent OTC transactions, like dark pools, are a big part of the market; OTFs is a good step forward, nevertheless we would rather prefer a solution that would decrease the market complexity and fragmentation introduced by MiFID 1 instead of adding another type of market “venue”
- There would likely be no consolidation of trade data (“consolidated tape”) easily and freely accessible to citizens any time soon, as the EC has given up on the option to have a publicly enforced consolidation as the one the USA have set up years ago.
- Not enough is actually proposed to eventually provide individual investors with the best price execution.
- The dominant and least independent distribution networks in Europe – i.e. banks and insurers - would continue to provide biased (“dependent”) so-called “advice”, while only the more independent and much smaller multi-provider networks would be likely forbidden to use the “advice” label.

As Guillaume Prache, Secretary General of Euroshareholders and Managing Director of EuroInvestors, points out: “almost none of the detailed proposals and requests from the European financial services users have been taken into account by the European Commission despite all its repeated public commitments to make the voice of financial services users much more strongly heard in European financial policies. It is all the more unfortunate at a time when the financial and economic crisis deepens, and when the mistrust of European citizens vis-à-vis financial markets is at an all-time high.

We sincerely hope Members of the European Parliament will realize the seriousness of this crisis and will amend the EC proposal to bring capital markets back to their fundamental purpose: to connect directly real economy, end investors and issuers.”

Annex: EuroInvestors / Euroshareholders response to the EC MiFID review consultation

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Euroshareholders is the organisation of European shareholders associations. It was founded in 1992. At present Euroshareholders gathers around 30 national shareholders associations all over Europe.

The main objectives of Euroshareholders are:

- to protect and represent the interests of shareholders and other investors in listed securities;
- to enhance shareholders' value;
- to guarantee equal treatment of all shareholders;
- to support harmonization at the EU level on appropriate issues;
- to support corporate governance principles at the European level;
- to promote financial education and scientific research on capital market and shareholder value, e.g. in the regulatory area

The European Federation of Investors and other financial services users (“**EuroInvestors**”) was created in 2009, following the financial crisis which demonstrated the limits of the almost exclusive dialogue between regulators and the financial industry, largely ignoring the user side.

EuroInvestors includes already about 50 national organizations of financial services users, which, in turn, account for more than four million European citizens.

EuroInvestors aims at representing and defending at the European level the interests of financial services users by grouping the organisations pursuing the same objectives at a national or international level.