

## Insideview

# MiFID II – Across the Finishing Line?

INTERVIEW WITH MARKUS FERBER

**On January 14<sup>th</sup>, 2014, the European Parliament, the Council, and the Commission reached an agreement on the revised rules of MiFID II/MiFIR. You were directly involved in this achievement as the European Parliament Rapporteur on MiFID II. In the process, some legislative dossiers reached quick agreement, while others were discussed more intensively. What legislative dossiers have been most difficult to reach a consensus on?**

The MiFID file certainly belongs to the category of files that have been discussed very extensively. The initial proposal by the Commission was published in late 2011 and only in January 2014 we were able to reach a final political agreement. On the one hand, this is due to the fact that MiFID being the cornerstone of financial markets regulation in Europe is an extraordinarily complex file. On the other hand, especially the European Council had quite some problems finding common ground.

**The new regulation will bring all forms of Algorithmic and High Frequency Trading under the umbrella of regulation. Will the new legislation prevent flash crash type events in Europe?**

Algorithmic and High Frequency Trading are rather new developments which have proven to be quite dangerous if they remain unregulated. By introducing circuit breakers and a tick size regime, we will slow down HFT considerably and rule out the possibility of flash crashes appearing on European markets. As those ideas are pretty sensible, even US regulators started to adopt the provisions we applied on the MiFID file. So, Europe is leading in this particular area of financial market regulation.

**MiFID II forces all forms of organized trading onto regulated venues. Will we see less OTC trading in the future or will financial institutions find creative ways around this again?**



**Markus Ferber**  
Member of the European Parliament

Markets have proven to be remarkably quick in adapting to new regulation and shifting towards unregulated areas. Apparently, this is something we wanted to avoid with MiFID. In fact, the whole idea of MiFID is that there shall be no market and no product that remains unregulated. This is the key reason why we introduced a new trading venue, the Organised Trading Facility (OTF), and favored a broad scope in order not to create any new loopholes. And I am very confident that we achieved this goal.

**ESMA plays a key role in the definition of the detailed regulatory requirements. Where do you see the most important challenge for ESMA in the Level II process?**

Obviously, it is impossible to solve each and every detail of such a complex file within the actual law text. Therefore, it is necessary that ESMA plays some part regarding the technical details. What is most important for me is that ESMA really sticks to what has been

agreed on a political level and does not try to change the substance of the agreement. However, the ECON committee will monitor the process of drafting and implementing any Level II measures very closely and is willing to step in, in case ESMA steps over the line.

**In 2017, the new MiFIDII/MiFIR will have to be applied in Europe. What will be fundamentally different on European financial markets three years on?**

When MiFID II will be fully into force, financial markets in Europe will be more transparent, more resilient, more competitive, and thus more efficient. Furthermore, investors will be better protected and newcomers will have easier access to crucial market infrastructure. All this will contribute to financial markets that can serve the needs of the real economy in a more effective and more efficient way.

**Thank you for this interesting conversation.**