

MIFID 2:

DSW fears that investors will be the losers of the current dialogue negotiations

In the name of more than 25.00 retail investors DSW would like to underline the importance of high liquidity in all regulated markets. The allowance of further trading market venues and platforms will further increase the ongoing fragmentation of the markets to the detriment of the private investors.

The current MIFID 2 proposal does not -in our view -fix the issues of major market fragmentation and the induced lack of consolidated trade data readily available for small investors. The current discussion aims primarily at satisfying financial institutions and intermediaries rather than the end investors.

In the eyes of retail investors it is of crucial importance that the transparency of the markets will be increased which ideally could result into a more effective price formation process in order to reduce information asymmetries.

Clear definition of OTC-Trading needed:

Until today a substantial part of the overall transactions takes place in the dark; recent independent research (e.g. by Fidessa) delivers clear evidence for this development. The share of the Over the Counter (OTC) equities trading remains high- up to 50 %. Moreover dark trading referring to waivers from pre-trade transparency on regulated trading venues is increasing significantly.

DSW therefore strongly supports a clear OTC definition. Primarily there should be a trading obligation for all financial instruments with only very limited exemptions including a clear definition of what OTC should cover or not.

No need for an OTF for equities:

DSW opposes the creation of a new trading venue called Organised Trading Facility (OTF) outside of any regulated and supervised stock exchanges.

There is a strong need – in the investors' view- to prevent that regulation will enable OTFs from becoming the standard trading venue for equities. Therefore DSW opposes the idea of introducing OTF for equities.

Severe lack of necessary safeguards:

The current proposals lack the following urgently needed safeguards **such as:**

- The limitation of the scope of OTF to large in scale transactions in bonds, structured finance products, emission allowances and equities only,
- The prohibition of matched principal trading and proprietary trading to avoid conflicts of interest,
- The introduction of a strict regime for the conduct of discretion by the OTF operator and an obligation to explain the reasons for not trading at another venue.

Further transparency is a key issue for the end-investor:

Furthermore it should be ensured that retail investors gain access to vital pre-trade market data for trading venues across Europe. Evidence shows that waivers from pre-trade transparency are only needed in case of large orders which would have a market impact in case of direct execution on an exchange. Therefore DSW demands waivers to be allowed only in case of large in scale transactions and primary issuance.

The current model of the Reference Price Waiver (RPW) shows clear weaknesses such as:

- A lack of restriction by order size threshold and
- A lack of price improvement by execution at midpoint.

In the name of retail investors in both in Germany and Europe DSW strongly recommends to the parties involved in the trialogue to return to the original objectives of the directive in order to serve and improve the conditions for retail investors.

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