

Press release  
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## **The European equity markets fragmentation has penalized small investors: Less transparency and no real “best execution” of trades**

### **Findings from new research conducted by Equiduct for EuroInvestors**

The European MiFID<sup>1</sup> Directive in force since November 2007 has pushed the European equity markets to fragment into multiple “trading platforms”: besides the existing “regulated markets” (RMs) “multiple trading Facilities” (MTFs) and “Systematic Internalisers” (SIs) – not to mention a growing, diverse and opaque “OTC” (over the counter) trade activity or dark pools – are now trading European equities.

#### **Less transparency**

One unfortunate consequence of this market fragmentation for small investors – besides a much increased complexity - is that they no longer get comprehensive trade data , either “pre trade” (i.e. best bids and offers at a given time) or “post trade” (i.e. last trades’ prices and volumes), as they still most often get only the “Home Markets<sup>2</sup>” data. The problem is that nowadays, these Home Markets (HM) data cover only a part of the actual orders and trades as their market share has significantly dropped (down to less than 50% sometimes) . The asymmetry of the trade information has increased significantly to the detriment of small investors.

#### **No such thing as “best execution” assurance**

Another unfortunate consequence is the lack of systematic “best execution” of small investors’ trades, although this was an important requirement of MiFID. Small investors’ orders are still mostly executed on the “HMs” as before MiFID times. But the attached new research shows that up to 19% of trades executed on HMs on the most liquid stocks miss the best price on another market venue. Over a year, the opportunity cost for small investors for only one given listed share can amount to millions of Euros.

The European Federation of Investors asks the European Authorities to amend the MiFID Directive, as a matter of consumer protection, to better take the interests of small investors into account and in particular to amend the current transparency and best execution provisions to place a greater emphasis on providing the best available information and price to retail investors. This is all the more necessary as they suffered a lot from the financial crisis as well. The full analysis conducted by Equiduct and the requests from EuroInvestors to the European Commission on the MiFID review are attached.

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**EuroInvestors** (the European Federation of Investors or EFI) was created in 2009, following the financial crisis which demonstrated the limits of the almost exclusive dialogue between regulators and the financial

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<sup>1</sup> Markets in Financial Instruments Directive

<sup>2</sup> The traditional exchanges where the stocks were traded before the application of MiFID

industry, largely ignoring the user side. EFI aims at representing and defending at the European level the interests of financial services users in order to promote training, research and information on investments, savings, borrowings and Personal Finances of individuals in Europe. Already Euroshareholders and about 45 national organizations of investors and other financial services users have joined us, and EFI already represents about two million European citizens.

## **Equiduct**

Equiduct is a technology and transactions services provider specialising in offering low latency market data and trading platform solutions.

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## **Annexes:**

- Retail trades “best execution”: cost of opportunity analysis by Equiduct for EuroInvestors
- Access to real time data: 2 examples highlighting the difference between the information provided to the retail investors and the existing data available across Pan European venues
- EuroInvestors Reply Summary to the European Commission consultation on the revision of the MiFID Directive  
(full reply available on the EuroInvestors website:  
<http://euroinvestors.org/upload/positions/MiFID%20EFI%20reply%20%202%20Feb%202011%201296749279.pdf> )