



Written Statement by Piia -Noora KAUPPI

Markets in Financial Instruments Directive (MiFID) Review

The Commission published proposals on MiFID review on 20 October. The current directive will be replaced by a directive and a regulation (“new” MiFID and MiFIR). The main proposals relate to enhancing investor protection for non-retail clients, new requirements for trading venues (including an improved regime for SME markets), increased and more efficient data consolidation, higher powers for competent authorities, and effective sanctions.

FFI position:

- Not enough time has passed from the implementation of MiFID for the market participants to see its benefits or for the supervisors to detect proven market failures.
- The proposed changes are to a great extent based on experience from large markets and may pose difficulties when implemented in smaller markets such as Finland. From a smaller market’s point of view, many of the proposed amendments and thresholds are not proportional. For example, many of the sizeable listed companies in the Nordic countries would fulfil the SME criteria of the amendments.
- Execution-only service is an important business model for the Finnish financial industry. According to our experience there have not been any market failures in respect to this service. Therefore we do not see the proposed more stringent amendments necessary.
- Present regulation relating to inducements is relatively new. Thus the current regulation should first be properly implemented and its effects properly evaluated. For now it is too early to assess the effects of the inducement regulation. In portfolio management, inducements are often passed on to the clients and it would not be in the clients' interest to ban them. Inducements also make it possible to offer the portfolio management services at a lower price. Also in this case, banning inducements would lead to the client paying more for the services.
- Since the financial industry is heavily dependent on IT systems, it should be taken into account that long transition periods will be required. All the proposed changes cannot be implemented at once, but gradually, based on a thorough cost-benefit analysis. The amendments proposed in the consultation will generate significant costs in e.g. IT system modifications. It has to be taken into consideration that the costs will eventually be borne by the investors.

Contact person in the FFI:

Managing Director
Piia-Noora Kauppi
+358 20 793 4210
piia-noora.kauppi@fkl.fi