FDVA Event 2009

Who benefits from MiFID?

Between myth and reality: a significant fall of expenses? *(Title to be defined)*

Date: Wednesday 24 June 2009 at 9:00 until 12:00
A breakfast will be offered at 8:30.
Location : Salles des Victoires – 52 rue de la Victoire Paris 9ème

INTRODUCTION

Liquidity fragmentation resulting from MiFID generates important costs for the pre trade and post trade actors:

- Direct access cost to markets ;
- Order routing management costs –OMS, Smart order routing, management of complex orders…)
- Market data costs due to new trading venues;
- Complex information reconciliation, inducing additional costs.

How do financial actors manage these new direct and indirect costs?

How do they assess the current situation? What do they plan on doing?
Do they have strategies to limit these post-MiFID costs?

Will this situation be an opportunity to review their current infrastructure and current processes?

Do they consider that optimizing these costs is a strategic issue, that will enable business development opportunities in the future, and become a key criteria to compare competing services?

What are the impacts of the EU regulation to come? TARGET & SEPA (Single European Payment Area)

PANEL I: THE POLES OF LIQUIDITY (Exchanges, MTF, Dark Pool, Systematic Internalisers)

1 – Cost decrease: fiction or reality?

Within the current and competitive environment, what is your commercial strategy to attract liquidity?

- Trading cost per order?
- Proposed type of orders?
- Innovating products?
- What services do you offer to your customers (brokers, sell side)?

Multiple accesses to new trading venues generate important costs for your clients.
Should the liquidity pools be able to organise order routing between each of them?
Do you think liquidity attraction is correlated to your capacity to offer a global view of markets?

Since MiFID implementation, can you explain the split of your business revenue? What is the share of

- Trading revenue
- Market data revenue
- Connectivity revenue

Given the strong pressure to decrease trading costs, what are your other expected potential revenues? Do you think that an increase of market data cost cannot be avoided?

Why are there so many discrepancies between the current pricing policies for real time market data?

2 - Clearing & Settlement: a true real stake today?

Given the complexity of the current C&S infrastructures, and the high portion of the related costs in the global transaction cost, which C&S facilities do you propose today to your customers?

Which criteria do you use to select a clearer you want to work with? In what respects does this partnership constitute a strategic alliance? For you? For your customers?

What do you think about exchanges acquiring shares in the capital of Clearing and Settlement institutions? Does this affect the equity and market effectiveness? What about the competition with the new trading venues? What do you expect from C&S with regards cost transparency and impartiality?

What do you think about the code of conduct to regulate the behaviour of C&S actors?

What do you think about having a central counterpart?

PANEL II: THE CREATORS OF LIQUIDITY (Brokers, Sell sides, Buy Sides)

1 – Trading ones orders on all markets: but at what cost?

How do you manage the multiple trading venues? Can you restrict yourself to traditional markets? Do you benefit from the competition between the different trading venues?

What are the determining criteria to trading on the new markets? trading cost per order, market access cost, C&S facilities?

Can C&S issues (costs) influence your trading policy?

Did you set up a real transaction cost analysis as part of your decision process? Do you take global costs (front to back) into consideration?

2 – Market Data access cost: an unavoidable arbitration?

The multiple market data sources to integrate, and the need to reach technical performance (low latency), lead to an increase in infrastructure costs. What is your cost management policy? What are your arbitration criteria?

How to follow markets exhaustively without multiplying the real time market data access expenses? How to get a global vision of the markets?

How can you efficiently evaluate a portfolio today without increasing its management costs? What is the real value of a share today? What are the true reference markets?

Are the traditional market references (indices...) still relevant? What are your expectations in this matter? Did you identify new needs with respect to market data?

Do customers receive sufficient information? Can we fear that information only gives a partial vision of the market?

3 – Orders treatment costs: What are the alternatives?

Do you think that alternative solutions such as back office outsourcing are relevant today to face fragmentation and optimise your costs?

Did you consider outsourcing your C&S relationships to a third party? Is Systematic Internalisation an option?

Do you consider netting and Self Clearing as appropriate solutions to limit your C&S cost? What are the benefits and limits of such options?

How do you welcome "Target 2S" and "SEPA" (1/11/09)? What are the benefits and limits of this new regulation?

PANEL III: THE ACTORS OF POST TRADE (LCH Clearnet, Eurex Clearing, CC&G, X-Clear, EMCF (Fortis) Euro CCP (DTCC) + different CSD)

1 – System interoperability: the best solution to limit post trade cost?

Within this new fragmented and competitive environment, what do you propose to your clients to help them limiting their post trade cost?

Due to the multiple trading venues, your clients must bear additional connection costs. Can you offer solutions ensuring the interoperability between the different systems?

Question to the Clearing houses: To what extent is your shareholding in certain exchanges a benefit for you? What about the competition regarding the new trading venues?

2 - Regulation: is it necessary?

Can the the code of conduct be considered as a real reference for the post trade actors? What are its failures, if any?
Target of this code:
1) Provide price transparency for post trade in Europe
2) Access and interoperability between the different systems
3) Un bundle services and prices

How do you welcome?
- "Target 2S»? Implementation of a central Counterpart
- "SEPA" ? : A common payment platform as of November 2009

Where we are with Target 2S?

Officially, "TARGET 2S" was validated by all post trade actors.
What about the "link up markets" ? The "link up markets" represents the plan of 7 CSD to set up a common infrastructure

CDS - Central depositary System
C&S - Clearing and Settlement