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Financial and investment rules (MiFID)

Deal will curb food speculation, limit high frequency trading and bring greater transparency

The European Parliament and Council today reached agreement on proposals to revise EU legislation on markets in financial instruments (MiFID/MiFIR). The Greens welcomed improvements on market transparency and high-frequency trading (HFT), as well as on curbing speculation, through the use of derivatives, in food, energy and other commodity markets. Commenting on the deal, Green finance spokesperson **Sven Giegold** said:

"The new rules agreed today are undoubtedly a step forward for transparency and curbing damaging practises in investment markets such as high frequency trading. Crucially, the new legislation will take an important step towards tackling food and other commodity speculation, notably going further than the original proposals thanks to pressure from civil society.

"Under the new legislation, the European Securities and Markets Authority will be given powers to police limits on excessive trading in food and commodity markets. This will help rein in speculation on these sensitive markets. Speculation on foodstuff markets has had devastating consequences in the developing world, compounding food insecurity for the world's poorest. The situation is similar for other commodities including, crucially, energy. It was high time the EU took action to tackle this.

"The final legislation also includes important provisions on transparency in financial markets and on high frequency trading to prevent rent extraction and rogue market interventions. The final provisions on market venues will provide greater transparency, with a new category of trading venues, Organised Trading Facilities (OTF), to be used for large, non-equity trades, in particular derivatives and bonds, for which no liquid market is available. These contracts have until now largely been traded 'over the counter' out of sight of supervisors. Ultimately, this will move a maximum volume of trades to regulated markets, leaving only large, highly non-standardised trades outside their scope. This will be crucial to addressing some of the problems in the sector.

"While there are some positive provisions on transparency, improving the situation for independent advisors and easing the conditions for a ban of dangerous financial products, the overall outcome as regards investor protection is far from ideal. Importantly, the rules include a Green proposal on the obligatory disclosure of costs for all investment products. All hidden costs of financial products have to be disclosed as an absolute amount on an annual basis. We also welcome the newly introduced obligation to define target markets for financial products and not to market products outside the target market.

“Regrettably, the insurance lobby succeeded in preventing adequate provisions on the equality of investment products from the insurance sector and other financial products. A Green demand to end commission driven sales of financial products also failed to make it into the final legislation.”

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Sven Giegold

Member

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