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The MiFID Implementing Measures: Excessive detail or level playing field?

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The present Policy Brief involves a detailed critical analysis of the MiFID Directive's draft implementing measures. It sets out to examine the evolution of EU regulation of investment firms from the original Investment Services Directive through the MiFID implementing measures, arguing that the EU Commission has moved from a principles- to a rules-based approach. The great level of detail in some of the implementing measures will impose significant costs to investment firms and could trigger unintended consequences. Nevertheless, some of the negative effects of the MiFID will surely be offset by the benefits derived from replacing 25 different regulatory regimes with a harmonised set of rules.

The Markets in Financial Instruments Directive (or MiFID, Directive 2004/39/EC) – the EU legislative text regulating the activities of brokers and exchanges, and which replaces the 1993 Investment Services Directive (ISD) – is probably the most important measure in the Financial Services Action Plan. It also represents a prime chance to assess the application and functioning of the Lamfalussy approach. As with other Lamfalussy directives, the MiFID is composed of a Level 1 text that serves as a superstructure setting out the core principles of legislation, while the more detailed provisions are set out subsequently in Level 2 texts, the so-called 'implementing measures', which are less handicapped by slow political deliberations than Level 1. The MiFID's Level 1 framework directive was adopted by the Council and the Parliament in April 2004. More recently, the MiFID has undergone an additional level of detail, with the publication of the draft Level 2 implementing measures in February 2006.[1]

The MiFID implementing measures strongly confirm the general trend towards more detailed securities legislation in the EU, a tendency that was already clear from the Level 1 framework directive. The latter contains no fewer than 20 articles on which detailed implementing provisions can be adopted. These are subdivided into measures governed by a regulation (harmonised approach) and by a directive (more flexible approach). While the former are directly applicable in EU member states, thereby entering into effect immediately, the latter still need to be transposed by the member states into national law.

The implementing directive covers issues that are essentially applicable to investment firms, especially conduct-of-business rules such as: exercising due diligence in selling services to retail clients, client order handling, best execution, safeguarding client assets, conflicts of interest and outsourcing. The implementing regulation covers the hotly contested area of pre- and post-trade transparency, as well as record keeping and transaction reporting. It applies to exchanges as well as to investment firms. Table 1 provides a detailed breakdown of how regulated functions are treated in the implementing measures as regards the legislative instrument under which they fall.

The Commission justifies the two-fold approach it adopted (i.e. dividing the implementing measures into a regulation or a directive according to the nature of the regulated function) in order to ensure that the same conditions apply evenly across the EU, albeit with differing degrees of standardisation. In the background note that accompanies both implementing measures, the Commission services explain that "for the majority of envisaged measures, uniform solutions are desirable to avoid 'gold-plating' by member states".[2] The regulation covers those areas where the texts are sufficiently exhaustive to allow direct application in the member states. Where this was technically or legally not possible, the Commission proposes a "principles-based though tightly-worded

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[1] See http://europa.eu.int/comm/internal_market/securities/isd/index_en.htm

[2] Background note to the draft Commission regulation, p. 3.

directive".[3] In other words, even if there is no explicit reference in the legislative text as such that officially qualifies MiFID as a 'maximum harmonisation' directive, due to the tight phrasing, the MiFID implementing directive amounts to a 'maximum harmonisation' approach in spirit. [4] At the same time, the Commission explains that it decided to have a directive for part of the implementing measures in order to "avoid a 'one-size-fits-all' approach by introducing obligations that allow for the calibration of the requirements according to the nature, scale and complexity of the particular investment firm".[5]

Table 1. MiFID level 2 measures

Measure	Directive	Regulation
Admission of financial instruments to trading		☑
Best execution	☑	
Client assets	☑	
Client order handling	☑	
Conflicts of interest	☑	
Derivative financial instruments		☑
Eligible counterparties	☑	
Inducements	☑	
Information to clients	☑	
Investment advice – definition	☑	
Organisational requirements	☑	
Outsourcing	☑	
Post-trade transparency (regulated firms, MTFs and investment firms)		☑
Pre-trade transparency (regulated markets and MTFs)		☑
Pre-trade transparency (systematic internalisers)		☑
Record-keeping	☑	
Record-keeping: client orders and transactions		☑
Reporting to clients	☑	
Suitability and appropriateness	☑	
Transaction reporting		☑

Source: Norton Rose.

Despite the Commission's insistence on paring down the opportunities for member states to 'gold-plate' EU legislation so as to ensure an EU-wide level playing field, one article of the implementing directive still offers a loophole, and thus has immediately raised concerns on the part of market participants. Art. 4 stipulates that member states "*may retain or impose requirements additional to those in the directive* only in exceptional cases where such requirements are objectively justified and proportionate …" [emphasis added]. The same article goes on to detail these requirements and to impose a duty on member states to notify the Commission of the reference of this article in national implementing law. Until there is convincing evidence to the contrary, concerns about Art. 4 seem justified, as it opens a backdoor to a roughening of the level playing field.

A comparison with the ISD

What immediately comes to mind when sketching a broad comparison between the ISD and the MiFID is that the MiFID comes across as far more onerous and detailed than its predecessor. It is the price to pay for wanting to create a level playing field through the implementation of statutory rules rather than through the establishment of common principles. In general terms, the ISD can be thought of as 'light-touch' legislation that is inspired by a principles-based approach, while the MiFID takes a heavier-handed approach which sets out detailed rules, even in those articles that are supposedly inspired by principles.

While the original ISD had 32 articles and no implementing measures, the new MiFID has 169 articles, of which 73 comprise the Level 1 framework directive and 96 are accounted for by the implementing measures (see Table 2). Not all 20 of the Level 1 directive's articles that introduce the possibility to enact implementing legislation have been addressed in the draft implementing measures released by the Commission. One therefore needs to be mindful that even more implementing measures can be expected to come. At the present time, however, the implementing measures further double the length of the total MiFID legislation, after the original MiFID framework directive was already twice as long as the Investment Services Directive. In other words, combined, the Level 1 and Level 2 MiFID legislation is five times as 'burdensome' as the original ISD, if the length of a legislative text is a reasonable proxy for the expanse and depth of a regulatory regime.

It might be misleading to compare the total word count of the ISD with that of the MiFID, since the MiFID is broader in scope than the ISD. For example, investment advice, which was not regulated under the ISD, has now come into the EU regulatory fold under the MiFID regime. Likewise, cooperation agreements between competent authorities as regards the transfer of information on the activities of investment firms were not carefully spelled out in the ISD, but are meticulously set out in the MiFID Level 1 and Level 2 texts. That the MiFID is 5 times as lengthy as the ISD therefore need not necessarily imply that it is more burdensome, since the regulated functions that come under these two sets of legislative texts do not exactly match.

[3] Background note to the draft Commission directive, p. 4.

[4] A maximum harmonisation directive can be thought of as one in which certain articles are phrased so tightly that they effectively allow no flexibility whatsoever for national legislators to adopt divergent approaches. In other words, the 'maximum harmonisation' approach amounts to little else than a regulation imbedded in a directive.

[5] Background note to the draft Commission directive, p. 5.

Table 2. A comparison of the ISD, the MiFID and its implementing measures

	Number of articles	**Articles open to comitology***	**Total word count (including recitals)**
ISD I (1993)	32	Few and never implemented	14,381
ISD II (Commission draft, 2002)	67	18	25,556
MiFID Level 1 Directive	73	20	31,451
MiFID Total Level 2	96		35,741
MiFID Draft Implementing Measures Directive	55	Covering 6 articles of level 1 directive	21,729
MiFID Draft Implementing Measures Regulation	41	Covering 13 articles of level 1 directive	14,012
MiFID total	**169**		**67,192**
MiFID = x times the ISD	**5.28**		**4.67**

* An article of the framework directive which is open to comitology can lead to the adoption of further implementing measures.

Another caveat about the length proxy we have chosen is that it cannot measure the quality of a regulatory regime. Just because legislation is more detailed does not mean the quality of a regulatory regime need necessarily deteriorate. On the contrary, compliance departments generally prefer more detailed rules, because the more detailed the rules, the greater the legal certainty surrounding a firm's business activities, at least within an EU context. At the same time, it must also be recognised that the more level playing field introduced by MiFID means that large investment firms with operations in several member states no longer need to comply with a panoply of different conduct-of-business rules, thus streamlining corporate legal work and administrative red tape.

While maintaining the word length proxy, a better way perhaps to measure the relative legislative 'burden' of the MiFID and its predecessor than comparing a word count of the entire body of the legislative texts, is to compare the length of the specific articles governing similar regulated functions. Such an exercise will give a much better idea of the burden investment firms will face when engaged in given business activities under the two regimes.

Not surprisingly, the results point to a far greater burden of regulation surrounding specific regulated functions in the MiFID over the ISD than suggested by the general word length comparison at the bottom of Table 2. Whereas the bottom line in the latter table reveals that the MiFID is five times longer than the ISD, the weight of the regulatory prescriptions governing specific conduct-of-business rules in MiFID, measured as the ratio of the length of MiFID rules to the same rules under the ISD, are multiples of those in the ISD, as Tables 3 and 4 show. This result is essentially due to the MiFID's elaborating detailed rules on conduct of business, whereas the ISD only set some general principles for conduct of business, which it left up to the member states to design (so long as they were non-discriminatory).

In the remainder of this policy brief, we focus on four core issues, which largely explain how the MiFID has departed from the ISD's principles-based approach: management of conflicts of interest, suitability and appropriateness of financial products for given categories of clients, best execution policy and price transparency. These provisions explain to a large extent the increase in size of MiFID in comparison to the ISD.

Table 3. Evolution from principles to rules

	ISD			MiFID		
Function	**Rec.*/Art(s).**	**Word count**	**Total**	**Rec./Art(s).**	**Word count**	**Total**
Post-trade transparency	Rec. 42 Art. 21	60 567	**627**	Rec. 44-46 (Level 1) Arts. 28, 30, 45 (Level 1) Rec. 13-15 (Level 2, R) Arts. 26-29,31 (Level 2, R)	356 1342 212 790	**2700**
Suitability and appropriateness	Rec. 32 Arts. 11.1, 11.3	38 95	**133**	Arts. 19.4-19.6 (Level 1) Arts. 36-39 (Level 2, D)	498 823	**1321**
Conflicts of interest	Rec. 37 Arts. 10, 11.1**	135 87	**222**	Rec. 29 (Level 1) Arts. 13.3, 18, 39 (Level 1) Rec. 3, 20-23 (Level 2, D) Arts. 21-25 (Level 2, D)	50 335 407 1789	**2581**
Record-keeping	Art. 20	100	**100**	Art. 13.6, 25.2 (Level 1) Rec. 54 (Level 2, D) Art. 51 (Level 2, D)	156 78 318	**552**
Best execution	Art. 11***	0 159	**0** **(159)**	Rec. 33 (Level 1) Art. 21 (Level 1) Arts. 44-46 (Level 2, D)	43 607 698	**1348**

* A recital (rec.) is a formal statement appearing in a legal document that is preliminary in nature and provides an explanation of the reasons for the legislation or regulation.

** In each of these articles, which cover more than just conflicts of interest, the subparagraphs on conflicts of interest were the only ones that were selected for the word count, not the entire article.

*** Art. 11 of the ISD does not expressly address best execution as such. In fact, the ISD does not impose MiFID-style best execution requirements. Nevertheless, the ISD does require investment firms to "act in the best interests of their clients", "apply due diligence" and "comply with regulatory requirements to promote the best interests of their clients", which we have taken to include a self-imposed best execution practice.

Table 4. Ratio of MiFID length to ISD length by regulated function

Post-trade transparency	Suitability & appropriateness	Conflicts of interest	Record-keeping	Best execution	**Average**
4.3	9.9	11.6	5.5	8.5	**8.0**

Suitability

The shift from a principles-based approach embodied in the ISD to one based on rules as found in the MiFID is nowhere more evident than in the case of the obligation of investment firms to ensure that the products being marketed to retail investors correspond to their levels of financial education and wealth: the MiFID rules on suitability amount to 10 times the length of the ISD rules. All the ISD had to say on the matter is contained in a sub-point of Art. 11.1: "These principles shall ensure than an investment firm…seeks from its clients information regarding their financial situation, investment experience and objectives as regards the services provided" – a total of 25 words. This is somewhat elaborated in Art. 11.3, which states that the professional nature of the client must be taken into account when executing orders.

By contrast, instead of the simple, principles-based approach of Art. 11 of the ISD, the MiFID adopts detailed provisions on the exercise of due diligence by investment firms in the recommendation and sale of products and services to non-professional clients. These requirements involve a so-called 'suitability test' and 'appropriateness test', spelled out in Arts. 19.4 and 19.5 of the MiFID framework directive, respectively. Each of these tests serves a different purpose, responding to the different scope, functions and characteristics of the investment services to which they relate, as highlighted in Recitals 49 and 51 of the MiFID draft implementing directive. The 'suitability test' applies only when an investment firm provides investment advice or portfolio management for a client, while the 'appropriateness test' applies to other investment services. Under Arts. 36.3 and 36.4 of the draft implementing directive, investment firms must extract the following information from non-professional clients prior to providing a service and/or offering a type of product/transaction (except for execution-only services): source/extent of client income, client assets, including liquid assets, investments and real property, and regular financial commitments (Art. 36.3); length of time client wishes to hold onto investment, risk profile and risk preferences, purposes of investing (Art. 36.4); types of service, transaction, financial instrument with which the client is familiar, nature/volume/frequency of previous financial transactions carried out by the client, and the level of education/relevant professional experience of the client (Art. 38).

We spell out the provisions of the suitability and appropriateness tests in such detail so that the reader can appreciate to what extent these extensive requirements amount to a serious burden in terms of the accompanying documentation a client must provide to an investment firm before the latter can provide any services beyond trade execution only. If retail clients fail to provide such documentation on request, an investment firm may feel uneasy about providing them with anything but the most basic, low-yield products. This potential reticence could well prove detrimental to the client, who would effectively be locked into a product straight jacket. In addition, retail clients may simply self-select out of complex products that will require a lot of form-filling and documentation, since these would increase the administrative burden of investing. Ironically, the enhanced investor protection measures that are addressed by the suitability and appropriateness tests could produce adverse effects by limiting the range of investment opportunities. Rather than widening the channel for retail investments to access higher-yield, innovative and non-traditional retail products, they could induce retail investors to shun certain types of investment.

Best execution

Provisions on best execution are part of conduct-of-business rules, and aim to maximise the value of a client's portfolio, in the context of the client's stated investment objectives and constraints. This does not necessarily mean the lowest price of a trade. Unlike the NMS 'trade-through' rule in the US,[6] by which best execution is firmly measured against a clear quantitative indicator, i.e. price, the MiFID takes a more flexible approach to best execution (Art. 21), introducing other factors that could satisfy best execution requirements, such as transaction costs, the speed and likelihood of execution and settlement and other considerations (provided the client specifies non-price criteria as more important than price and identifies them to the broker). Though many will agree that a more flexible framework is preferable for both brokers and their clients, its main disadvantage is that it raises a critical challenge as regards its enforceability. When best execution is determined on the basis of price, it is easier to detect whether or not the requirements have been fulfilled than when a whole area of variables can satisfy best-execution requirements, based on the client's preferences. Even with a price criterion as the sole metric, it remains very difficult to prosecute lapses in best execution in practice. The concept will always be shrouded in some degree of abstraction, rendering its translation into practice difficult.

Provisions on best execution were very vaguely defined in the ISD's Art. 11, which required that investment firms act "in the best interest of their clients". The interpretation of this statutory requirement differed significantly from one member state to another, and the fact that host country authorities could interpret this provision as they saw fit, regardless of the regulatory regime prevailing in neighbouring countries, significantly hampered the cross-border provision of financial services under the ISD. It was one of the reasons why the EU Commission pushed for an overhaul of the directive.

The MiFID provisions on the subject are comprised in 3 articles (Arts. 19(1), 20 (best execution) and 21 (client

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[6] Regulation National Market System (NMS) (see www.sec.gov).

order handling rules), all of which can be further elaborated in implementing measures. Art. 20 of MiFID defines best execution as not only a matter of the price of a trade, but also "costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order". Investment firms are therefore required to establish and implement order execution policies.

The best execution criteria of the draft implementing measures are further detailed in two sets of three articles. They further broaden the picture for best execution policy, requiring firms to take into account the characteristics of the client and the nature of his/her order, and the characteristics of the financial instruments and execution venues. The criteria for retail clients seem to be essentially the price and costs, as is further detailed in a paragraph. Firms cannot discriminate between execution venues, and are requested to review their execution policy annually.

It remains to be seen whether the MiFID's best-execution requirements will remove flexibility from the system because it will induce firms to select venues based on price criteria only. Although more flexible than its US counterpart (the Regulation NMS), the MiFID's wider range of best-execution criteria would raise concerns in compliance departments about legal certainty surrounding best execution obligations. The uncertainty arises from the fact that it is far more difficult for systematic internalisers to demonstrate to clients and to regulators that they are in compliance with best-execution requirements if the latter are based on criteria beyond price considerations, such as speed and quality of execution, liquidity, etc. As a result, investment firms may decide to go for the surest option, i.e. to select trading venues solely on price-based criteria, thereby removing flexibility as to non-price considerations regarding the quality of execution.

Price transparency

The primordial difference between the MiFID and the ISD is that under the new regime, investment firms and banks will be allowed to create a market for shares by trading on own account, or acting as 'systematic internalisers'. Generally speaking, the ISD did not allow transactions to take place outside the exchange, or regulated market. The MiFID abolishes this 'concentration provision', but requests banks to publish quotes for shares that are admitted to trading on a regulated market and for which a liquid market exists (pre-trade transparency). The draft implementing regulation defines the scope for the concept of liquid market of shares (free float of €500 million, average daily transaction of 500 shares and daily turnover of €2 million), which should cover around 500 shares, or more than 90% of the daily turnover on the European markets, according to the European Commission. Once they choose to undertake business activities that would classify them as a 'systematic internaliser', banks need to act almost as exchanges: they need to execute the transactions at the quoted prices (or even better), and disclose this information to the regulated market or MTF as close to real time as possible (maximum delay of 3 minutes, with an exception clause for unwinding large positions, i.e. large tickets – Art. 27, implementing regulation) in order to maximise the effectiveness of the price formation mechanism. But the regulation says nothing about the fees bank can charge for these transactions, nor about the use of the information they obtain in this way.

Banks are thus confronted with a huge adaptation if they want to act as 'systematic internalisers' and offer 'best execution'. Firms will also have to publish much more information than before which will mean new communications infrastructure. They will need to have the systems to record and store both quote information (for a period of 12 months for clients and market actors – Art. 23, implementing regulation)[7] and transaction information in order to prove that they are providing best execution. And they will have to build new business processes to deal with all this.

All told, the MiFID implementing measures impose very detailed and strict rules governing transparency in quotes and in client limit orders in the pre-trade phase, and governing the content, timing and scope of post-trade reports after a trade is executed. The implementing regulation leaves very little room for manoeuvre on price transparency obligations and aims for a very high degree of harmonisation.

Conflicts of interest

The regulated function which has suffered the most under MiFID (in comparative terms, as regards the regulatory burden, proxied by a word count) is the duty of investment firms to ensure that they are taking all possible measures to mitigate conflicts of interest, and when they are unavoidable, to promptly inform their clients of this potential. The MiFID text is currently more than 11 times the length of the same rules under the ISD. Whether this enhanced level of detail will materially improve the quality of the regulatory regime in practice still remains very much open to question. As is the case with legislative measures aimed at eliminating market abuse and insider trading, it is very difficult to set rules that will effectively prevent conflicts of interest from arising, and that will facilitate their detection, management and ultimately, prosecution, when a firm is judged to be in breach of its obligations.

Taken on its own, the MiFID level 1 text retains a principles-based approach to the detection and management of conflicts of interest. For example, Art. 18.1 requires investment firms to take "all reasonable

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[7] Historical data on transactions must be stored for a period of 5 years to allow regulators to make ex-post assessments regarding market abuse, in line with the requirements laid out by Art. 25.2 of the MiFID Level 1 text.

steps" to identify conflicts of interest and to "maintain and operate effective organisational and administrative arrangements" (Art. 13.3) with a view to mitigating them. So long as these steps are not explicitly spelled out in the legislation, the text remains principles-based. However, Art. 18.3 mandates the Commission to adopt implementing measures to "define the steps that investment firms might reasonably be expected to take to identify, prevent, manage and/or disclose conflicts of interest". These steps, which include measures such as the severance of direct remuneration linkages between functions giving rise to conflicts of interest and separate supervision of these functions, lie in a grey zone between a principles- and rules-based approach, which one could define call 'detailed principles'.

Under the MiFID implementing directive (Art. 22), investment firms are expected to implement a comprehensive or holistic conflicts of interest policy covering all business lines. Disclosure is not a substitute for aggressively resolving conflicts of interest. In fact, client notification is a last resort meant to act as a final safeguard only after an investment firm, having taken "all reasonable steps" to suppress conflicts of interest with a "reasonable degree of confidence", finds that the organisational and administrative arrangements it has undertaken under its general conflicts of interest policy are insufficient.

The draft implementing directive (Recital 22) specifically mentions certain business lines that are particularly prone to conflicts of interest, namely: investment research and advice, proprietary trading, portfolio management and corporate finance business such as underwriting and advising on M&A. By far the strictest and most detailed provisions relate to the ancillary service of investment research. The draft implementing directive lays out the specific conditions to which financial analysts must adhere, and the situations/transactions which they must eschew.

Conclusions

In 2003, we argued that the MiFID (in its first draft) was symptomatic of a tendency to introduce excessive harmonisation in the implementation of the Lamfalussy approach.[8] Based on the numbers and examples presented above, we maintain that this directive is probably too onerous for many markets to absorb, and will probably lead to excessive centralisation and concentration in EU securities markets at this time. The MiFID renders operating conditions so much more demanding that many firms, especially smaller brokers, might simply prefer to stay out of certain business lines. It may also open the way to much more litigation than we have seen so far. Thus, considerably more onerous conduct-of-business rules explain why the MiFID is longer and more taxing on investment firms than was the ISD. Whether the MiFID directive as it currently stands with its implementing measures involves excessive detail, or whether detailed statutory provisions are unavoidable if a pan-European level playing field is to emerge, remains a subject of intense controversy.

However, we do not wish to suggest that nothing good can come of the MiFID. For one thing, a single set of conduct-of-business rules replaces 25. Another advantage of the strict MiFID order execution rules is that they force investment firms to police their trading activities more rigorously. As such, self-regulation becomes more robust and credible. Indeed, if broker-dealers can exercise ownership of the rules and act upon them, then they should be freer to operate within the parameters set by regulators. In other words, an unexpected blessing of the MiFID could be that it makes investment firms more responsible by forcing them to ensure themselves – prior to regulatory intervention – that they are acting in the best interests of their clients and in compliance with the established rules. The onus is therefore placed on them. For example, faced with stricter best-execution rules in the US, Merrill Lynch decided to introduce a Best Execution Analysis and Monitoring System, which monitors execution quality for order flows sent to other broker-dealers and for internalised orders in real time. The audit trail empowers traders and compliance officers to control the execution quality of every order and to introduce appropriate safeguards where necessary. This is not necessarily an unwelcome development.

Whether for better or for worse – and a simple word count will not yield the answer – what is clear is that there has been a marked departure from a principles-based approach followed in the ISD to a rules-based approach integrated in the MiFID. This departure has been accompanied by the tendency on the part of Community legislators to introduce more detail into EU securities law texts. As a result, the scope for mutual recognition to run its course is increasingly constrained by a levelling-up of harmonised legislative measures. Yet it may be that the more detailed legislation may simply reflect a political climate that is not favourable to free competition between regulatory regimes, which would rely on a more generous application of the mutual recognition principle.

With 18 months to go before the deadline for implementation, continued uncertainty as to the final form the implementing measures will take, together with delays in investment firms' planning for the challenges the MiFID presents IT systems the impact the directive and its implementing provisions will have on the markets still remains very much a matter of guesswork.. What is known, however, is that the task of making the implementing measures work in practice will require concerted effort on the part of regulators, IT professionals and compliance departments for some time to come.

[8] "The New ISD: A symptom of excessive harmonisation in the implementation of the Lamfalussy approach?", CEPS Commentary, 17/02/03 (available from www.ceps.be).

About ECMI

The European Capital Markets Institute (ECMI) was established as an independent non-profit organisation in October 1993, in a collaborative effort by the European Federation of Financial Analysts Societies (EFFAS), the Federation of European Securities Exchanges (FESE) and the International Securities Market Association (ISMA), now the International Capital Market Association (ICMA). ECMI is managed and staffed by the Centre for European Policy Studies (CEPS) in Brussels. Its membership is composed of private firms, regulatory authorities and university institutes.

European capital markets have experienced rapid growth in recent years, corresponding to the gradual shift away from relationship banking as a source of funding and at the same time, have had to absorb and implement the massive output of EU-level regulation required to create a single market for financial services. These developments, combined with the immense challenges presented European financial institutions by the globalisation of financial markets, highlight the importance of an independent entity to undertake and disseminate research on European capital markets,.

The principal objective of ECMI is therefore to provide a forum in which market participants, policy-makers and academics alike can exchange ideas and opinions concerning the efficiency, stability, liquidity, integrity, fairness and competitiveness of European capital markets and discuss the latest market trends. These exchanges are fuelled by the publications ECMI regularly produces for its members: quarterly newsletters, annual reports, a statistical package, regular commentary and research papers, as well as occasional workshops and conferences. ECMI also advises European regulators on policy-related matters, acts as a focal point for interaction between academic research, market sentiment and the policy-making process, and promotes a multidisciplinary and multidimensional approach to the subject.

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