European Fund and Asset Management Association

*For the attention of*

**Ms Mairead McGuinness**
Commissioner for Financial Services, Financial Stability and CMU
European Commission

,

Dear Ms McGuinness,

**The firms represented by the signatories to this letter manage over 8.5 trillion EUROS in funds on behalf European savers and pensioners.**

The European Commission has made a commendable effort to bring a consolidated tape (CT) to Europe's capital markets. The MiFIR review proposal addresses some of the shortcomings of the MiFID II package which failed to bring to market a commercially viable CT. There is a strong case for a CTon equity,bond and ETP (exchange traded product) data not just for fund managers who require the data to make informed trading decisions and observe best execution on behalf of their clients, but also for the continued growth and well-functioning of our Capital Markets Union. Equity and ETP data should ideally be delivered in as close to real time as possible, while bond data can be delivered at minutes speed accommodating a different market structure which is subject to publication deferrals.

Our collective experience of the market volatility around the Covid crisis has only accentuated the need for a tape, both in providing critical data for liquidity risk management, and also as critical infrastructure to allow trading continuity in the event of an exchange outage. Beyond the business as usual functionality of the tape, there is also an important competitive element to consider. One we are confronted with on a daily basis. Global investors will invest in securities in other jurisdictions (US predominantly) before bringing investment flows into Europe, due to a lack of consolidated price and volume data for the European market. Similarly, the CT data can also drive retail investor behaviour. Again here, post-Covid we have noted greater retail investor participation and interest in equity markets. This nascent interest should be nurtured, and investor confidence and the ability to receive best execution enhanced through the existence of a consolidated tape (CT). This positions the CT as a natural cornerstone of the European Commission's Retail Investment Strategy aimed at empowering retail investors and encouraging their participation in capital markets. A transparent capital market will make it easier for retail investors to understand current liquidity and pricing of securities, particularly in bonds where the data gap is greatest.

The many positive elements of the European Commission's proposal which include mandatory contribution, a single consolidator model, voluntary consumption and consolidated tapes for multiple asset classes including bonds and equities, are lost if the conditions for adequate supply and demand for the tape cannot be secured. Currently, the proposal suggests that the winning bidder for a CT in equities shall return the 'highest amount of revenue' to regulated markets. In effect, this creates a business model around a very high-cost equities CT which will meet with little market demand, ensuring another failed CT venture for Europe. The proposal needs to cap the revenue of both contributing exchanges and CT provider to a reasonable commercial basis, covering costs of production and a reasonable margin, not more.

The raison d'être of the tape is to support capital market functioning in the EU and thereby improve issuer and investor outcomes. It should not be designed to subsidise the operating models of intermediaries like the main stock exchanges. Indeed, we view the proposed operating model as a subsidy for the exchanges and not a replacement for actual lost data revenues. This is based on evidence that shows that the exchanges' data revenues are largely based on very low-latency non-display data. The CT for equities, by contrast, would deliver data at a slower speed of 1000 milliseconds (1 second), therefore not displacing the existing demand for the very low-latency data. A real-time CT for equities, updating data on seconds speed is therefore complementary to, and not in substitution of the exchanges' data feeds.

It is disconcerting that the equity tape proposal would put the needs of intermediaries like exchanges above the needs of investors. It is even more surprising when we consider that trading venues already enjoy a natural monopoly over the market data arising from their order books, that there is no market mechanism to control venues' pricing data, and that the EC's attempt to resolve this through the introduction of the reasonable commercial basis (RCB) principle and unbundling of data has not worked. A reasonably priced CT would at the very least introduce an element of competitive tension with the prices set by venues for their proprietary data. Currently the proposal goes in the opposite direction, compounding an existing problem around market data costs. This also highlights the importance of taking onboard all of the proposals on market data costs stemming from ESMA's final report.[1]

In terms of the data that the consolidated tape would display, we favour both post-trade and pre-trade data for equities and ETPs from the outset. The European Commission proposal makes no

[1] Please refer to ESMA's December 2019 MiFID II/MiFIR Review Report No. 1 on the development in prices for pre- and post-trade data and on the consolidated tape for equity instruments, pages 26-27, section 58-65, available at the following link.

commitment on delivering pre-trade data for equities and ETPs, only mandating ESMA to make a recommendation on the viability of such data after five years. Pre-trade data transparency is extremely important to us, and a consolidated view on pre-trade activity would enhance trading conditions for market participants, and support best execution.

We strongly urge the EU's policymakers to act decisively on the important matter of delivering an affordable CT in the shortest possible timeframe. The CT is a critical building bloc of the EU Capital Market Union, and a determinant of our place within the largest, most liquid global capital markets.

Yours sincerely,

**Signatories:**

/s/ Eric Boess, Managing Director, Global Head of Trading,
**Allianz Global Investors GmbH**

/s/ Yannig Loyer, Global Head of Trading, Securities Financing and Derivatives,
**AXA Investment Managers**

/s/ Adam Conn, Head of Trading,
**Baillie Gifford**

/s/ Stephen Cohen, Senior Managing Director, Head of Europe, Middle East and Africa region,
**BlackRock**

/s/ Inès de Trémiolles, Global Head of Trading,
**BNP Paribas Asset Management**

/s/ Jean-Marc Goy, Conducting Officer, Chair of the Management Committee,
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/s/ Fiona Bassett, Global Head of Systematic Investment Solutions,
**DWS**

/s/ Steve Ellis, Global CIO, Fixed Income
**Fidelity International**

/s/ Jason Xavier, Head of EMEA ETF Capital Markets,
**Franklin Templeton**

/s/ Paul Squires, Head of EMEA Trading
**Invesco**

/s/ Brian Mitchell, Global Head of EQ / FI Dealing and Implementation
**M&G**

/s/ Marie-Laure Faller, CEO of Natixis Tradex Solutions
**Natixis Investment Managers**

/s/ Thomas Vinding, Investments COO,
**Nordea | Asset Management | Investments**

/s/ Gregg Dalley, Global Head of Trading,
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/s/ Ann Prendergast, Head of State Street Global Advisors Europe Ltd
**State Street Global Advisors**

/s/ Christoph Hock, Head of Multi-asset Trading,
**Union Investment**

/s/ Ryan Ludt, Principal, European Head of Investment Management and Equity Indexing
**Vanguard Asset Management Ltd**

Cc:

**Direction Générale du Trésor**
Mr Paul-Adrien Hyppolite

Letter sent to :

**European Parliament**
Ms Danuta Maria Hübner MEP, Mr Eero Heinäluoma MEP, Mr Gunnar Beck MEP, Mr Johan Van Overtveldt MEP, Ms Nicola Beer MEP, Ms Karima Delli MEP

**Member States**
Financial attachés, Permanent Representation of EU27

**European Commission**
Ms Mairead McGuinness, Commissioner for Financial Services, Financial Stability and CMU, European Commission
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EFAMA, the voice of the European investment management industry, represents 28 member associations, 58 corporate members and 24 associate members. At end Q1 2021, total net assets of European investment funds reached EUR 19.6 trillion. These assets were managed by more than 34,600 UCITS (Undertakings for Collective Investments in Transferable Securities) and almost 29,600 AIFs (Alternative Investment Funds). At the end of 2020, assets managed by European asset managers as investment funds and discretionary mandates amounted to an estimated EUR 27 trillion.

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