THE MiFID REVOLUTION

The Market in Financial Instruments Directive (MiFID) is nothing short of a revolution. Introduced on 1 November 2007, it will have a profound, long-term impact on Europe's securities markets. It will see banks operating as exchanges for certain activities, offering alternative execution services for equities that more closely resemble the structure of OTC markets, and will lead to the decentralization of order execution in an array of venues previously governed by concentration rules. Crucially, MiFID will also have a profound impact on the organization and business strategies of investment firms, exchanges, asset managers and other financial market intermediaries. Until now, analysis has focused on the directive's short-term implementation issues. This book focuses on the long-term strategic implications associated with MiFID, and will be essential reading for anybody who recognizes that their firm will need to make constant dynamic readjustments in order to remain competitive in this challenging new environment.

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Any views expressed in this book are only personal, and cannot necessarily be taken to represent the views of Barclays Wealth or any entity in the Barclays Group.

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PREFACE

The Markets in Financial Instruments Directive (MiFID) entered into force on 1 November 2007. The outcome of extensive consultation and many years' work, MiFID represents a significant regulatory overhaul of investment services and securities markets in Europe. Competition in trading various financial instruments is opened up among traditional stock exchanges, multilateral trading facilities (MTFs) and investment firms, and is done so throughout Europe by way of the right to 'passport' these services across borders. Investors benefit from a greater number of trading venues as well as a robust and comprehensive framework ensuring high levels of investor protection. Together with the other parts of the EU Financial Services Action Plan (FSAP), MiFID is expected, over time, to lower the cost of capital and to bring major benefits for the European economy. MiFID has also demonstrated that the Lamfalussy process can work well.

Before 1 November 2007, much ink had been spilled on the likely effects of MiFID for Europe's capital markets. Yet noticeably little of this work took a long-term view, combining both theoretical and empirical perspectives. Pessimists were threatening that the costs of complying with MiFID would far outweigh its benefits. Since the date of implementation, these voices have been muted and the consensus has become more positive.

Despite its young life, MiFID has proven to be largely supportive of how markets and technology were already changing the face of investment services in Europe for the better. Moreover, by introducing important safeguards for investors and extending the scope of activities subject to regulation, it has made valuable improvements to how and which products may be sold to clients. MiFID thus both fosters innovation in financial markets and buffers new entrants and less experienced investors from their more complex and risky features.

This book is a timely contribution to a view of the post-MiFID landscape. The initial dust has settled; the scepticism has died down; so policy-makers and stakeholders can once again take the long view. This book will help us do just that. Where did MiFID get it right? Where might problems emerge? What do we need to focus on next? The European Commission is committed to a careful and continuous evaluation of the consistency and efficiency of the existing framework.

From its origins and various key provisions to its anticipated impacts and potential international implications, this work provides a comprehensive look at MiFID as well as the market reality it serves. It analyses its subject material with clarity, criticism and rigour. It will prove a valuable companion, as the 'MiFID revolution' continues to play out.

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