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**The implementation of MiFID  
“Markets in Financial Instruments Directive“:**

**The perspective of the markets**

Report on the MiFID survey  
among European execution venues

– September 2007 –

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## Acknowledgement

After two consecutive surveys among German investment firms on the status quo of their implementation of the „Markets in Financial Instruments Directive“ (MiFID) conducted in spring 2006 and in spring 2007 respectively, the present study investigates the status quo of the implementation of MiFID at the European execution venues. It covers both Regulated Markets and MTFs and also includes new initiatives that are not live yet. The aim of the survey is to assess the implementation status of the MiFID projects, the range of new services launched and the competitive dynamics triggered by the new Directive. It enables the participating institutions to evaluate their own implementation status against peers.

Most importantly, we would like to thank the participants of our study for taking the time to complete the questionnaire. We recognise and appreciate very much that despite their workload so many took part in the survey. Thereby, a return rate of nearly 60% has made this survey a real success.

In order to assess the relevance and to assure the consistency of our survey, we conducted four pre-tests prior to sending out the questionnaire. We would like to thank those institutions who took part in the pre-tests. We received valuable feedback to improve the clarity and comprehensibility of the questions.

We also want to thank the Federation of European Securities Exchanges (FESE) for their strong support. A good part of the high rate of return can be credited to FESE for asking their members to participate in the survey. In this context, we specifically thank Burçak Inel, Deputy Secretary General of the Federation of European Securities Exchanges.

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# 1 Executive Summary

The study *The implementation of MiFID “Markets in Financial Instruments Directive” – The perspective of the markets* has the objective to assess the status quo of the implementation of MiFID at European execution venues, to identify new services that execution venues are implementing or intending to implement and to evaluate the perspective of European market venues concerning the impact of MiFID on competition in the industry and on key market quality indicators and market structure.

For this purpose, a questionnaire was designed and sent out to 33 execution venues across Europe (return rate 57.6%). Both Regulated Markets (RMs) and Multilateral Trading Facilities (MTFs) were covered; both existing and announced execution venues were included. The questionnaire comprises 38 questions and addresses topics such as implementation costs, Best Execution, transparency issues and estimations regarding the future European trading landscape in terms of total numbers and market shares of potential new competitors for incumbent exchanges. The key results of the survey can be summarized as follows:

- *Potential new services:* Execution venues across Europe regard MiFID as a possibility to expand into new business areas rather than seeing it as a regulatory burden. 94.7% of the respondents stated to have made an analysis of potential new service offerings. All potential services that were listed in the questionnaire were deemed by at least 44.5% of the responding institutions to have (very or rather) high competitive potential. In this context, the execution venues allocate the highest competitive potential (for their organisation) to attracting more order flow from retail clients (rated to be very high or rather high by 73.6%), the set-up of MTFs (rated to be very high or rather high by 66.7%) and to new services to support customers in fulfilling their OTC trade reporting obligations (rated to be very high or rather high by 63.2%). Although 63.2% of the respondents consider internalisation to be a threat to their business models, exactly the same percentage agrees that internalisation is an opportunity for their organisation to provide additional services. Furthermore, in this context it is interesting how these 63.2% split up between the respondents that strongly agree to these statements and those that somewhat

agree: The statement “Internalisation is a threat to our business model” is strongly agreed by only 15.8% (47.4% somewhat agree) whilst the statement “Internalisation is an opportunity for us to provide additional services” is strongly agreed by 31.6% (the same number (31.6%) somewhat agrees). This reveals a tendency that concerning internalisation the opportunity is even seen higher than the threat.

- *Future European competitive landscape:* Concerning the future equity trading landscape in Europe, the respondents of the study expect a number of MTFs of 7.8 (here and in the following the averages of the estimations of the respondents are shown) at the end of 2008 across Europe. In the long run, respondents anticipate 4.4 MTFs to exist in Europe. This decrease in the number of MTFs is opposed by an increase of their total market share. Estimated at 8.6% at the end of 2008, respondents of our survey see the market share of MTFs nearly double to approximately 14.6% across Europe in the long run. A similar trend can be observed regarding the assessment of (future) Systematic Internalisers (SIs) and their respective market shares: While respondents expect a number of SIs of 21.0 to exist across Europe at the end of 2008, they anticipate only 6.7 SIs in the long run. Their total market share across Europe, however, is expected to move from 4.1% at the end of 2008 to 6.3% in the long run. The same trend equally holds true in regard to the expected number of OTC trade reporting facilities not operated by Regulated Markets and their respective market share: While respondents anticipate 6.2 such facilities to exist across Europe at the end of 2008, they only expect 2.3 OTC trade reporting facilities to survive in the long run. Their market share across Europe, however, is expected to rise from 21.6% at the end of 2008 to approximately 34.8% in the long run.
- *Impact of MiFID on the European markets:* 94.7% of the respondents of our survey share the view that MiFID will increase competition among the market venues across Europe. 84.2% agree that it will increase the transparency of European financial markets and 63.2% agree that the new Directive will increase investor protection. However, besides these rather optimistic views it should be pointed out that 36.8% of the responding execution venues think

that MiFID will (somewhat) reduce the efficiency of the price formation process (47.4% are neutral in this respect and only 15.8% assume that MiFID will increase the efficiency of the price formation process). Concerning the potential downsides of MiFID, the execution venues furthermore think that MiFID will lead to regulatory arbitrage within the EEA (73.7% strongly or somewhat agree to this statement) and that MiFID will significantly increase the use of dark pools (70.5% strongly or somewhat agree to this statement).

- *Costs:* 80.0% of the participants in our survey estimate the total costs for the implementation of MiFID in their organisation to be less than one million EUR. Only one institution expects the total costs to top 20 million EUR. Regarding the total annual ongoing costs for MiFID compliance and for new services under MiFID, 75.0% of the respondents expect these costs to be less than 100,000 EUR. 18.8% estimate the annual costs between 100,000 and 500,000 EUR and one institution anticipates costs of more than one million EUR per year.
- *Implementation status:* The majority of the respondents have already (as of August 2007) started the implementation and also the testing of their systems: 63.2% of the respondents have completed their IT specifications, 84.2% have started the implementation of the relevant requirements of the Directive while 10.5% have already completed this task. While 57.9% have started testing their systems, only one institution claims to have completed this task.
- *Implementation time:* For complying with the obligations of MiFID as a whole, the majority of the respondents (82.4%) estimate to require up to 18 months in total (5.9% claim to spend less than 6 months, 41.2% claim to require 6 to 12 months in total and 35.3% estimate 12 to 18 months). 17.6% of the responding execution venues state to spend more than 18 months.

## 2 Background and methodology of the survey

The objective of this survey is to assess the implementation status of the MiFID projects at execution venues across Europe, the range of new products launched and the competitive dynamics triggered by the new Directive. The study at hand has been conducted as the third survey of the Chair of e-Finance at the University of Frankfurt (Cluster 5 of the E-Finance Lab) after two consecutive surveys among German investment firms on the status quo of their implementation of MiFID in early 2006<sup>1</sup> and early 2007<sup>2</sup>.

### 2.1 The sample

The survey covers Regulated Markets / exchanges and (future) MTFs in the EEA that are offering equity trading and that are impacted by the introduction of MiFID. This given we identified 33 institutions, thereof 26 Regulated Markets / exchanges and seven existing or announced MTFs. These 33 institutions were contacted via phone or e-mail and were asked to participate in our study.

### 2.2 The questionnaire

The questionnaire<sup>3</sup> on the implementation of MiFID at the European market venues comprises 38 questions that are organized in six sections<sup>4</sup>.

Section one contains questions on the institution answering the questionnaire. Section two contains questions regarding the MiFID project planning. The aim is to collect information about the organisation of the project, its current status and arising costs in conjunction with the implementation of MiFID. Section three consists of four questions on the topic of Best Execution. Best Execution plays an important role not only for

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<sup>1</sup> See Gomber, P; Gsell, M; Reininger, C (2007): MiFID-Readiness - Die Umsetzung der MiFID "Markets in Financial Instruments Directive" in der deutschen Finanzindustrie. Proceedings of the 8th International Conference Wirtschaftsinformatik (WI 2007), vol. 2, pp. 741-758, Karlsruhe 2007.

<sup>2</sup> See Gomber, P; Chlistalla, M; Gsell, M; Pujol, G (2007): Status und Entwicklung der MiFID-Umsetzung in der deutschen Finanzindustrie. Zeitschrift für Bankrecht und Bankwirtschaft (ZBB), 4/2007, pp. 313-324, Köln.

<sup>3</sup> A copy of the questionnaire can be found in the annex to this report.

<sup>4</sup> The questionnaire of the survey is based on the ones used in our previous two studies with several questions apparently needed to be modified, amended or replaced in order to suit the business models of RMs and MTFs. 25 of the questions are phrased in a way where given answer alternatives need to be ticked. 13 questions are semi-open, providing the possibility for a self-formulated answer.

investment firms that have to provide the necessary arrangements to achieve the best possible results for their clients, but obviously also for execution venues from a competitive perspective. This section also allows obtaining a picture of which data are provided by market venues to investment firms for the set-up of their Best Execution policies. Section four addresses the important field of pre-trade transparency. In this context, the questions also deal with Systematic Internalisers as competitors to RMs and MTFs. Section five covers post-trade transparency and transaction reporting. Section six finally contains questions on further MiFID-related issues and asks institutions to give their estimates on the future development of the European equities trading landscape and its competitive dynamics.

Prior to sending out the questionnaire, pre-tests were conducted together with four participants. In order to reflect the broad range of institutions within our sample, in these pre-tests participants consisted of one small, one mid-size and one large RM as well as one MTF. The questionnaire was discussed and checked for comprehensiveness of questions and answering alternatives.

### **2.3 Timeline and response rate**

The questionnaire was sent out to the potential participants (33 institutions as set out above) on June 20<sup>th</sup>, 2007. In order to assure the questionnaire be answered by the respective MiFID project heads, these individuals were identified beforehand either by support of FESE or directly by contacting the institutions. The original deadline to return the questionnaires was July 15<sup>th</sup>, but this deadline had to be prolonged by one month to August 17<sup>th</sup> due to capacity constraints at the participating institutions given the time pressure that the execution venues have for the MiFID implementation. Altogether, the institutions were given eight weeks for answering and returning the questionnaires. The response rate amounts to 57.6% (19 of 33). The rate of return based on total equity turnover in domestic shares for the year 2006 even represents 76.8%.

### 3 Results of the survey

The following chapters will illustrate and analyse the findings of the survey by means of descriptive statistics.

33 questionnaires were sent out of which 19 responses were received. However, not all questions were answered by all institutions<sup>5</sup>. Where not all responding organisations answered a question, percentages relate to the amount of answers (*n*) to that particular question which is provided with each of the following tables and charts. The following table shows the response rate of the study:

Number of questionnaires sent out	Number of questionnaires returned	Percentage of questionnaires returned
33	19	57.6%

**Table 1: Overview of the response rate of the study**

The following chapters contain the evaluation of the study. The results are described in terms of total and relative frequencies. Answers are generally provided in the sequence of their appearance in the questionnaire.

#### 3.1 Basic information on the participating execution venues

In the first section of the survey, basic information on the responding organisations was captured in order to be able to categorise them adequately.

The first question evaluates whether the respondents are part of a compound or network of exchanges. Results show that 26.3% of the respondents see themselves as part of a compound of exchanges, while the vast majority (73.7%) represents a single market. In case the organisation stated to belong to a network or compound of exchanges, we further asked whether the given answers relate to a single market or to the entire

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<sup>5</sup> This holds true especially for section six, where estimates on the post-MiFID trading landscape in respect to total numbers and market share of MTFs, SIs and OTC trade reporting facilities respectively were asked for.

compound or network of stock exchanges. The result was that 80% were answering for the entire compound and 20% for a single market.

<b>Question 1: Is your organisation part of a compound or network of stock exchanges? If yes, please indicate whether your answers relate to a single market or to the entire compound or network of stock exchanges. [n=19]</b>				
Yes	No	If yes:	Single market	Entire compound
<b>5 (26.3%)</b>	<b>14 (73.7%)</b>		<b>1 (20.0%)</b>	<b>4 (80.0%)</b>

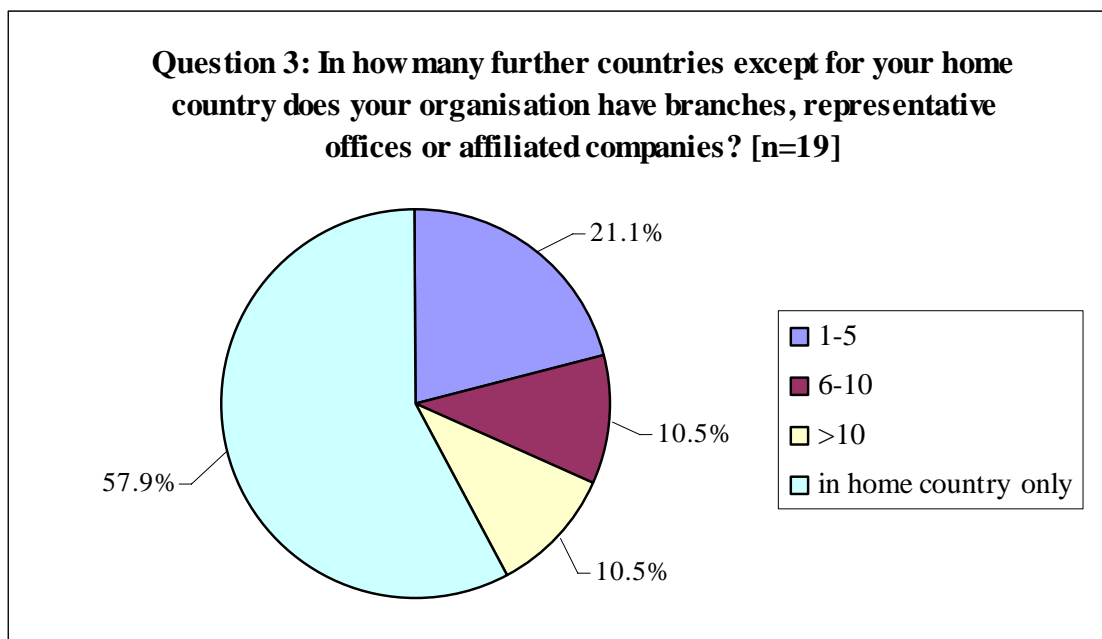
**Table 2: Coverage of markets**

With regard to the number of employees (Question 2), 63.2% of the responding execution venues employ less than 100 staff, 21.0% between 100 and 500 and 3 institutions (15.8%) count more than 1,000 employees.

<b>Question 2: What is the overall number of employees in your organisation? [n=19]</b>			
<100	100 – 500	500 – 1,000	>1,000
<b>12 (63.2%)</b>	<b>4 (21.0%)</b>	<b>0</b>	<b>3 (15.8%)</b>

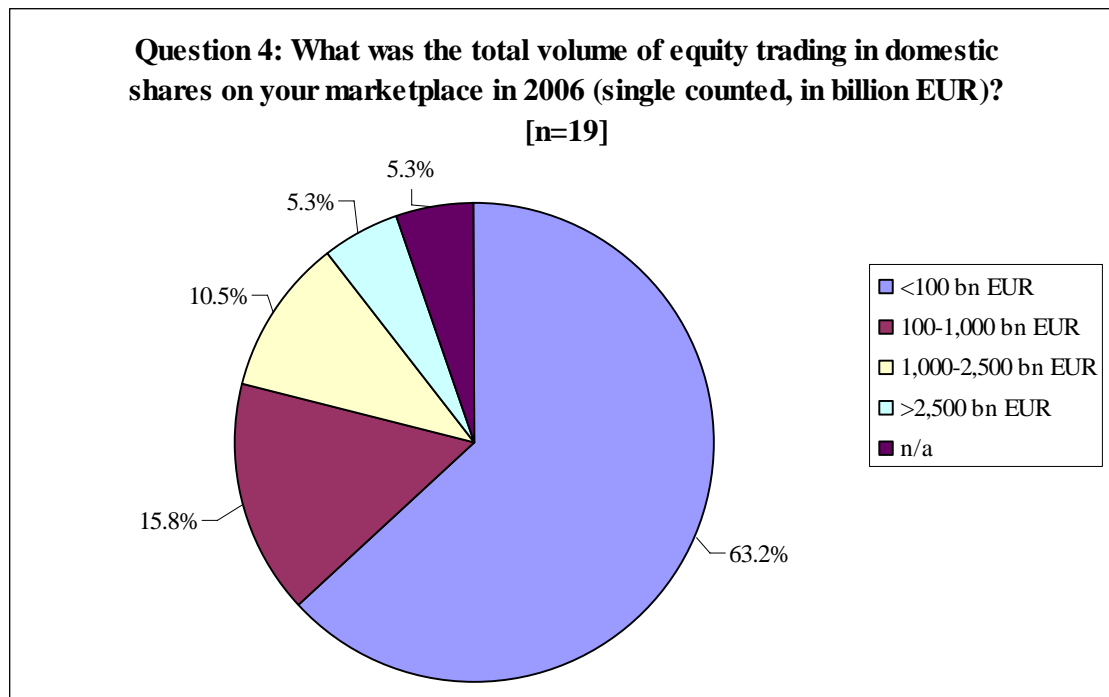
**Table 3: Number of employees**

The majority of the responding institutions (57.9%) has no further branches and hence only runs one or more offices in its home country (Question 3). 21.1% have further branches in up to 5 other countries, 10.5% have branches in up to 10 and another 10.5% have branches in more than 10 states other than their home country.



**Figure 1: Geographical representation of respondents**

An indication of a market's size is the total volume traded on that market (here: domestic equity trading). The responding institutions were asked to classify themselves in one of five size ranges. The first one covers organisations with an equity trading turnover of less than 100 billion EUR in the year 2006. The second range covers those organisations with a turnover of 100 to 1,000 billion EUR, the third covers the range of 1,000 to 2,500 billion EUR and the fourth range covers all organisations with a domestic equity trading volume of more than 2,500 billion EUR in the year 2006. The possibility to tick "not applicable" is offered to the institutions that are not live yet. Figure 2 shows the distribution of the responding execution venues into the different classes.



**Figure 2: Total volume of equity trading in domestic shares**

For the remainder of this evaluation, the responding institutions are categorised into small (volume of domestic equity trading <100 billion EUR) and large companies (>100 billion EUR). The category of small companies accordingly consists of 12 institutions, the category of large companies of 6 institutions with one institution not allocated to either group<sup>6</sup>.

Regarding the total volume of equity turnover in foreign shares, the picture looks differently. For 26.3% of the respondents this question is not applicable as they do not trade foreign shares. 68.4% do trade foreign shares with a total volume of less than 100 billion EUR. Only one institution reports to have a total volume of equity trading in foreign shares of more than 2,500 billion EUR.

<b>Question 5: What was the total volume of equity trading in foreign shares on your marketplace in 2006 (single counted, in billion EUR)? [n=19]</b>				
< 100	100-1,000	1,000-2,500	2,500	n/a
<b>13 (68.4%)</b>	<b>0</b>	<b>0</b>	<b>1 (5.3%)</b>	<b>5 (26.3%)</b>

**Table 4: Total volume of equity trading in foreign shares**

<sup>6</sup> The answers of the institution that stated size as “n/a” is shown separately in the following.

Execution venues across Europe are mainly pursuing the market model of an open limit order book and / or a hybrid model (63.2% and 68.4% respectively). The answers show that the execution venues provide a multitude of market models to cater for the wide range of trading needs of their customers.

<b>Question 6: Which market models are currently provided by your organisation in equity trading (multiple answers possible)? [n=19]</b>					
Open limit order book	Physical floor trading	Market-maker model	Internalisation facility	Block trading system	Hybrid model
<b>12</b> <b>(63.2%)</b>	<b>4</b> <b>(21.1%)</b>	<b>6</b> <b>(31.6%)</b>	<b>4</b> <b>(21.1%)</b>	<b>8</b> <b>(42.1%)</b>	<b>13</b> <b>(68.4%)</b>

**Table 5: Market models currently provided**

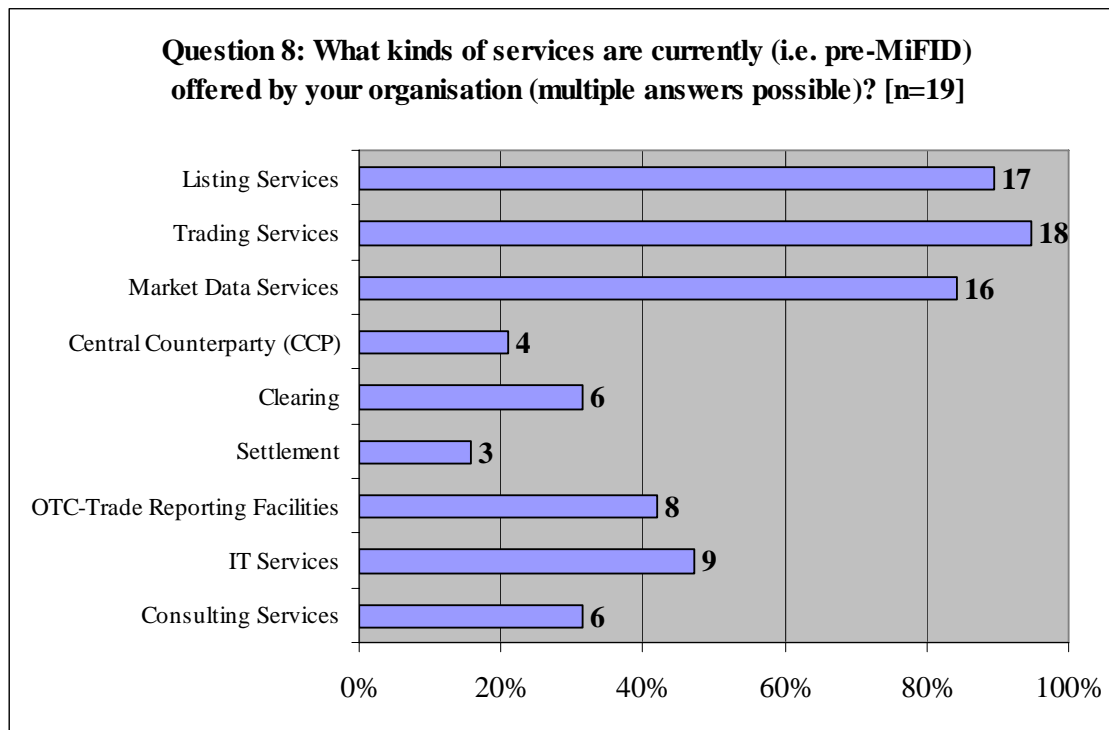
Question 7 addresses the range of products offered by the questioned venues. As this study concentrates on providers that offer trading in equities, 100% of the responding companies offer this possibility. Furthermore, products that are commonly provided include bonds and investment funds (both 84.2%).

<b>Question 7: Please describe the range of products offered by your organisation. [n=19]</b>		
	Absolute frequency	Relative frequency
Equities	<b>19</b>	<b>100%</b>
Bonds	<b>16</b>	<b>84.2%</b>
Warrants	<b>11</b>	<b>57.9%</b>
Options	<b>8</b>	<b>42.1%</b>
Repos	<b>4</b>	<b>21.1%</b>
Futures	<b>7</b>	<b>36.8%</b>
Investment Funds	<b>16</b>	<b>84.2%</b>
Commodities	<b>4</b>	<b>21.1%</b>
Others	<b>8</b>	<b>42.1%</b>

**Table 6: Products currently offered**

Question 8 takes a snapshot of the services offered by the questioned companies in the pre-MiFID world. Being the core function of an execution venue, 94.7% of the

respondents offer trading services to their customers<sup>7</sup>. 42.1% of the responding execution venues already offer OTC trade reporting facilities pre-MiFID.



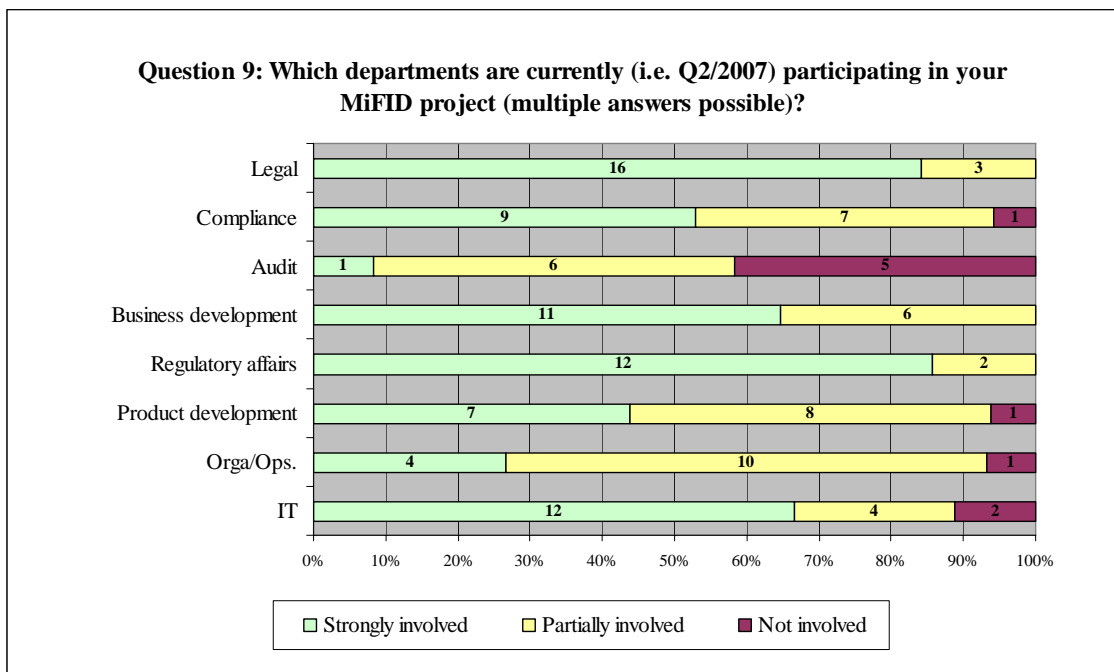
**Figure 3: Services currently offered**

<sup>7</sup> The difference to 100% can be explained because some MTFs will not start offering their services before November 1<sup>st</sup>, 2007 with MiFID being applicable across Europe.

### 3.2 MiFID project planning

The second section of the questionnaire addresses planning, set-up and status of the MiFID projects at the execution venues.

Question 9 inquires which departments of the responding companies currently participate (i.e. in Q2/2007) in the MiFID project. 84.2% of the respondents claim Legal to be strongly involved while 15.8% say it is partially involved in the MiFID project. Also highly involved are the departments “Regulatory affairs” (strongly involved at 85.7%) and “Business development” (strongly involved at 64.7%).



**Figure 4: Departments currently involved in the MiFID project<sup>8</sup>**

The three departments most frequently mentioned in question 9 are also the ones which are in the lead of the MiFID projects. The following table shows the distribution among the respondents<sup>9</sup>.

<sup>8</sup> As some respondents did not tick any of the given answering alternatives for certain departments, not all figures per department add up to 19.

<sup>9</sup> Although 17 institutions responded to this question, the sum of the answers amounts to 18. This can be explained by one institution that claimed 2 departments to be in the lead of its MiFID project. The relative figures, however, relate to n=17.

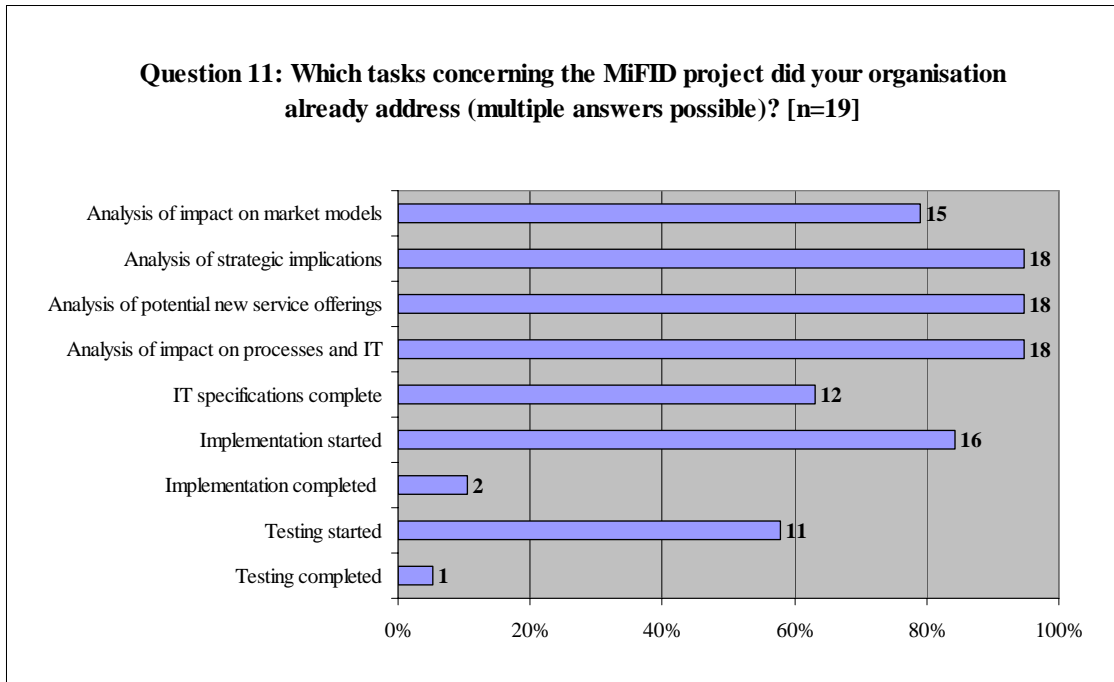
<b>Question 10: Which of the departments mentioned above is currently in the lead regarding the MiFID-project? [n=17]</b>		
<b>Department</b>	<b>Absolute frequency</b>	<b>Relative frequency</b>
Legal	<b>4</b>	<b>23.5%</b>
Compliance	<b>1</b>	<b>5.9%</b>
Audit	<b>0</b>	<b>0%</b>
Business development	<b>5</b>	<b>29.4%</b>
Regulatory affairs	<b>4</b>	<b>23.5%</b>
Product development	<b>1</b>	<b>5.9%</b>
Orga./Ops.	<b>0</b>	<b>0%</b>
IT	<b>0</b>	<b>0%</b>
Others <sup>10</sup>	<b>3</b>	<b>17.6%</b>

**Table 7: Department in the lead of the MiFID project**

Question 11 highlights the status quo of the implementation of the MiFID projects. The following figure shows which of the necessary steps have already been completed by the respondents.

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<sup>10</sup> Since question 9 provided for respondents to add to the given list of answering alternatives, “Management” was named by 2 institutions to be in the lead of the MiFID project which clearly signifies the importance that has been assigned to the project in these institutions. “Service Development” was also listed here as leading department.



**Figure 5: Status quo of the MiFID project**

The figure illustrates that as of August 2007, the majority of the respondents have addressed the first six tasks. 15 institutions out of the 19 responses received (78.9%) have addressed an analysis of the impact of the Directive on their market models. The analysis of strategic implications, the analysis to offer new services as well as the analysis of the impact on processes and IT have been addressed by 18 of the respondents (94.7%). However, only 12 of the respondents (63.2%) have already completed their IT specifications. Still, 16 institutions (84.2%) have started the implementation and even two of the respondents (10.5%) have already completed the implementation. Of 11 institutions (57.9%) that have started testing, only one institution (5.3%) has already finished this task.

Question 12, which asks for the staff resources provided for the adaptations required, was answered by only 13 out of the 19 respondents. All 13 of them answered that it was not yet decided how many staff resources would be provided for the necessary adaptations. Given the fact that most respondents are already in the implementation or testing status, this result might be explained by lack of data at hand for the individual respondents.

Question 13 aims to assess by which external service providers the MiFID projects of the respondents are or shall be supported. 52.6% of the answering institutions assign software and/or system providers to support the project. Consultancies and law firms are also frequently appointed to support in-house resources (31.6% and 36.8% respectively). Nearly one third of the respondents claim to master the project without any support of external service providers and to complete the MiFID project using own resources. Table 8 shows the distribution.

<b>Question 13: By which external service providers is or will your MiFID-project be supported (multiple answers possible)? [n=19]</b>			
Consultancy	Law firm	Software / System provider	No support
<b>6 (31.6%)</b>	<b>7 (36.8%)</b>	<b>10 (52.6%)</b>	<b>6 (31.6%)</b>

**Table 8: Support by external service providers**

The following set of questions addresses budget planning and cost estimates of execution venues in Europe (costs for MiFID compliance and for the implementation of new services). 53.3% of the responding companies estimate total costs (for MiFID compliance and for the implementation of new services) of less than 250,000 EUR and 20.0% calculate costs between 250,000 and 500,000 EUR while each of the remaining categories was only ticked by one institution (6.7% in each instance) with the exception of the range between 5 and 10 million EUR which was not ticked at all.

When aggregating these seven rather granular categories to only three classes, one can conclude that 80% of the respondents approximate total costs for the implementation of MiFID of up to 1 million EUR, 6.7% calculate between 1 and 10 million EUR for this purpose while another 13.3% reckons with costs higher than 10 million EUR. Table 9 shows the cost estimates for each single category.

<b>Question 14: Please estimate the total costs (for MiFID compliance and for the implementation of new services) in EUR (one-time implementation costs incl. internal and external personnel costs) for the implementation of MiFID in your organisation. [n=15]</b>						
<250'	250' – 500'	500' – 1mn	1mn – 5mn	5mn – 10mn	10mn – 20mn	> 20mn
<b>8</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>1</b>
<b>(53.3%)</b>	<b>(20.0%)</b>	<b>(6.7%)</b>	<b>(6.7%)</b>	<b>(0%)</b>	<b>(6.7%)</b>	<b>(6.7%)</b>

**Table 9: Total costs for MiFID compliance and implementation of new services**

Although the smaller execution venues (in terms of domestic equity turnover; see Figure 2) mostly tend to state costs falling into the lower categories, the reverse cannot be concluded as the larger execution venues distribute nearly equally across all cost categories as the following table shows:

<b>Question 14: Please estimate the total costs (for MiFID compliance and for the implementation of new services) in EUR (one-time implementation costs incl. internal and external personnel costs) for the implementation of MiFID in your organisation. [n=15]</b>							
	< 250'	250'-500'	500'-1mn	1mn-2mn	5mn-10mn	10mn-20mn	> 20mn
Small	<b>7</b> <b>(46.7%)</b>	<b>2</b> <b>(13.3%)</b>	<b>1</b> <b>(6.7%)</b>	<b>0</b> <b>(0%)</b>	<b>0</b> <b>(0%)</b>	<b>0</b> <b>(0%)</b>	<b>0</b> <b>(0%)</b>
Large	<b>1</b> <b>(6.7%)</b>	<b>1</b> <b>(6.7%)</b>	<b>0</b> <b>(0%)</b>	<b>1</b> <b>(6.7%)</b>	<b>0</b> <b>(0%)</b>	<b>1</b> <b>(6.7%)</b>	<b>0</b> <b>(0%)</b>
Size stated as "n/a"	<b>0</b> <b>(0%)</b>	<b>0</b> <b>(0%)</b>	<b>0</b> <b>(0%)</b>	<b>0</b> <b>(0%)</b>	<b>0</b> <b>(0%)</b>	<b>0</b> <b>(0%)</b>	<b>1</b> <b>(6.7%)</b>

**Table 10: Total costs for MiFID compliance in dependence of the size of the institutions**

Question 15 addresses the total annual ongoing costs for MiFID compliance and new services. Here the picture looks quite similar. The largest proportion of respondents (6 institutions, 37.5%) estimates their costs to fall within the smallest category, i.e. less than 20,000 EUR annually, closely followed by five execution venues that estimate costs to lie between 20,000 to 60,000 EUR (31.3%). Only one company (6.3%) estimates the total ongoing costs to be between 60,000 and 100,000 EUR while 3 institutions (18.8%) estimate their annual ongoing costs between 100,000 and 500,000 EUR. Finally one institution even expects its costs to exceed 1 million EUR per year. Three companies abstained from voting here. The distribution is depicted in table 11.

<b>Question 15: Please estimate the total annual ongoing costs in EUR for MiFID compliance and new services under MiFID in your organisation. [n=16]</b>					
< 20'	20' – 60'	60' – 100'	100' – 500'	500' – 1mn	> 1mn
<b>6</b> <b>(37.5%)</b>	<b>5</b> <b>(31.3%)</b>	<b>1</b> <b>(6.3%)</b>	<b>3</b> <b>(18.8%)</b>	<b>0</b> <b>(0%)</b>	<b>1</b> <b>(6.3%)</b>

**Table 11: Total annual costs for MiFID compliance and new MiFID services**

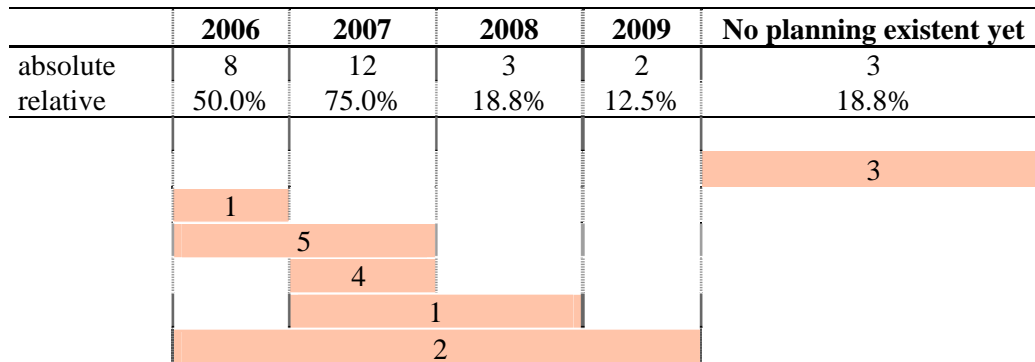
Budgets for the implementation of MiFID (Question 16) are mainly provided for the current year 2007. 75.0% of the institutions that answered this question have provided budget accordingly. 50.0% provided a budget for the year 2006. For the future, only few companies have already planned budgets.

<b>Question 16: For which years have budgets for the implementation of MiFID been provided in your organisation? (multiple answers possible) [n=16]</b>				
Budget for 2006	Budget for 2007	Budget for 2008	Budget for 2009	No planning existent yet
<b>8 (50.0%)</b>	<b>12 (75.0%)</b>	<b>3 (18.8%)</b>	<b>2 (12.5%)</b>	<b>3 (18.8%)</b>

**Table 12: Budget planning**

Figure 6 further details the answers to question 16, i.e. the periods in which budgets are provided by the execution venues. It shows that most of the institutions have planned budgets for the two consecutive years 2006 and 2007. Still, two execution venues have scheduled a budget for the whole period of time from 2006 to 2009.

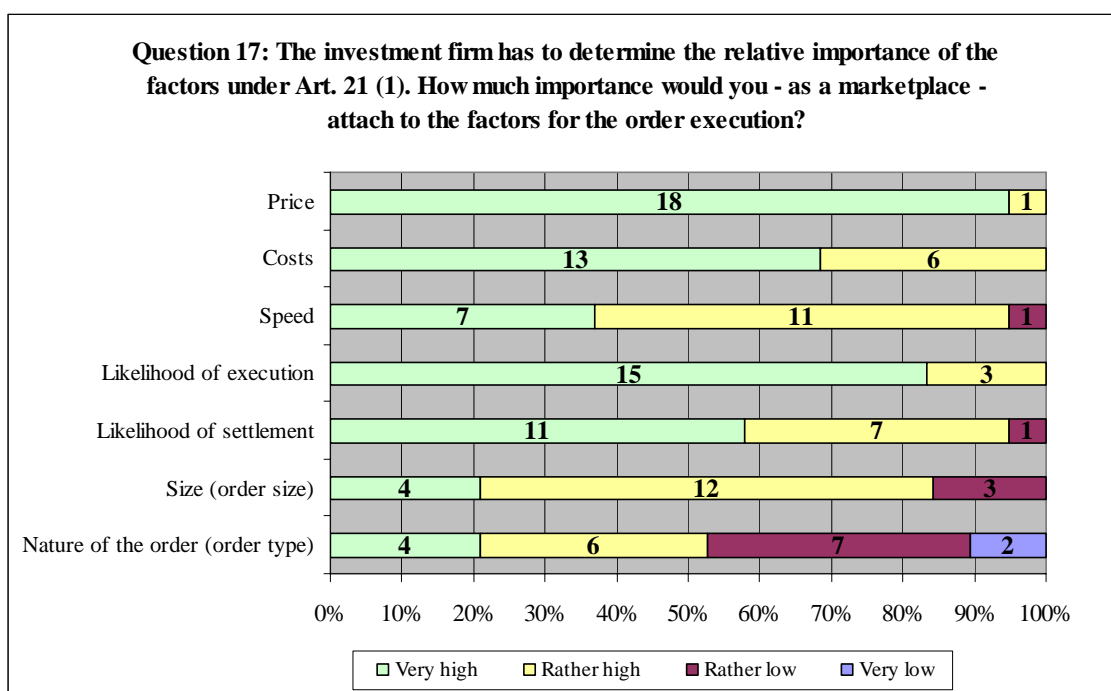
**Question 16: For which years have budgets for the implementation of MiFID been provided in your organisation? [n=16]**



**Figure 6: Budget planning for consecutive years**

### 3.3 Best Execution

The third section of the questionnaire addresses Best Execution. In order to fulfill their Best Execution requirements as set out in MiFID, investment firms will have to consider a number of parameters such as price, costs, speed, likelihood of execution etc. Question 17 evaluates how the execution venues would rank the different factors in terms of importance for the order execution. The most relevant factor is “price”. 94.7% of the respondents rank this factor as “very high” and 5.3% as “rather high”. The second most important factor is “costs”. According to 68.4% of the respondents, the importance of this factor is “very high” and for the remaining 31.6% it is “rather high”. The nature of the order (order type) is seen as the least important factor. Figure 7 illustrates the importance of the factors for the order execution from the point of view of the responding market places.



**Figure 7: Relative importance of the factors under Art. 21 (1) MiFID**

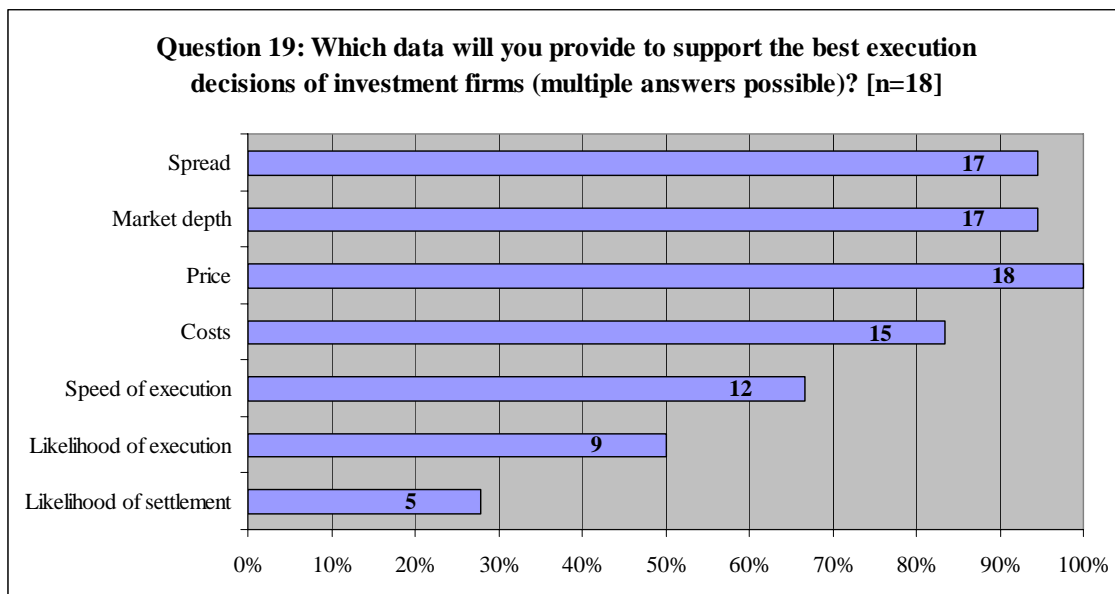
The next question (Question 18) deals with the data which the market places provide to investment firms to define their Best Execution policies. It turns out that 50.0% of the respondents plan to leave their data provision unchanged in a post-MiFID world and only offer already existing data. 22.2% of the respondents intend to provide additional

data. 38.9% have decided to provide the investment firms with a separate structured MiFID Best Execution report.

<b>Question 18: Which data are provided by your organisation to investment firms to define their Best Execution policy? [n=18]</b>		
Provision of already existing data	Provision of additional data, but no structured MiFID Best Execution report	Provision of a separate, structured MiFID Best Execution report
<b>9 (50.0%)</b>	<b>4 (22.2%)</b>	<b>7 (38.9%)</b>

**Table 13: Data provided to investment firms to define their Best Execution policy<sup>11</sup>**

Question 19 queries which specific data contents execution venues will provide to support the Best Execution decisions of investment firms. As expected, data on execution prices is with 100% most prominent, closely followed by information on market depth and on the spreads (each with 94.4% of the respondents). Figure 8 shows the feedback concerning the different data that will be provided.



**Figure 8: Best Execution data to be provided to investment firms**

Recital 76 of the Level 2 directive does not explicitly mandate the publication of execution quality data by execution venues. The development of solutions concerning the provision of execution quality data shall lie with the market forces before the

<sup>11</sup> Although not intended in the questionnaire, multiple answers occurred in question 18.

European Commission evaluates this approach by November 1<sup>st</sup> 2008. Question 20 lists three possibilities of how the publication of execution quality data may be realised in the future. We asked the participants of our study for their preferred solution.

<b>Question 20: For the provision of execution quality data, we prefer... [n=18]</b>		
...solutions developed by individual execution venues	...an open standard agreed by the industry	...standardised formats (pre-defined by regulator, comparable to the United States)
<b>7 (38.9%)</b>	<b>11 (61.1%)</b>	<b>0 (0%)</b>

**Table 14: Provision of execution quality data**

Standardised formats pre-defined by the regulator – a scenario similar to how publication of execution quality data is handled in the US<sup>12</sup> – have not been received enthusiastically and none of the respondents ticked this box. The majority of respondents opts for an open standard to be agreed by the industry (61.1%) while the remainder prefers solutions to be developed individually by the execution venues (38.9%).

### **3.4 Pre-trade transparency**

The first question in section 4 is on Systematic Internalisers, which are put on an equal level with RMs and MTFs by MiFID in order to foster competition in Europe. The aim of question 21 is to show how the responding execution venues evaluate this new type of competition. 15.8% of the respondents strongly agree that internalisation presents a threat to their business model (47.4% somewhat agree). Nevertheless, 63.2% of the execution venues consider it an opportunity to provide additional services (31.6% strongly agree and 31.6% somewhat agree). 73.7% of the respondents strongly or somewhat agree that internalisation will decrease the efficiency of the price formation process. Table 15 illustrates the answers to question 21.

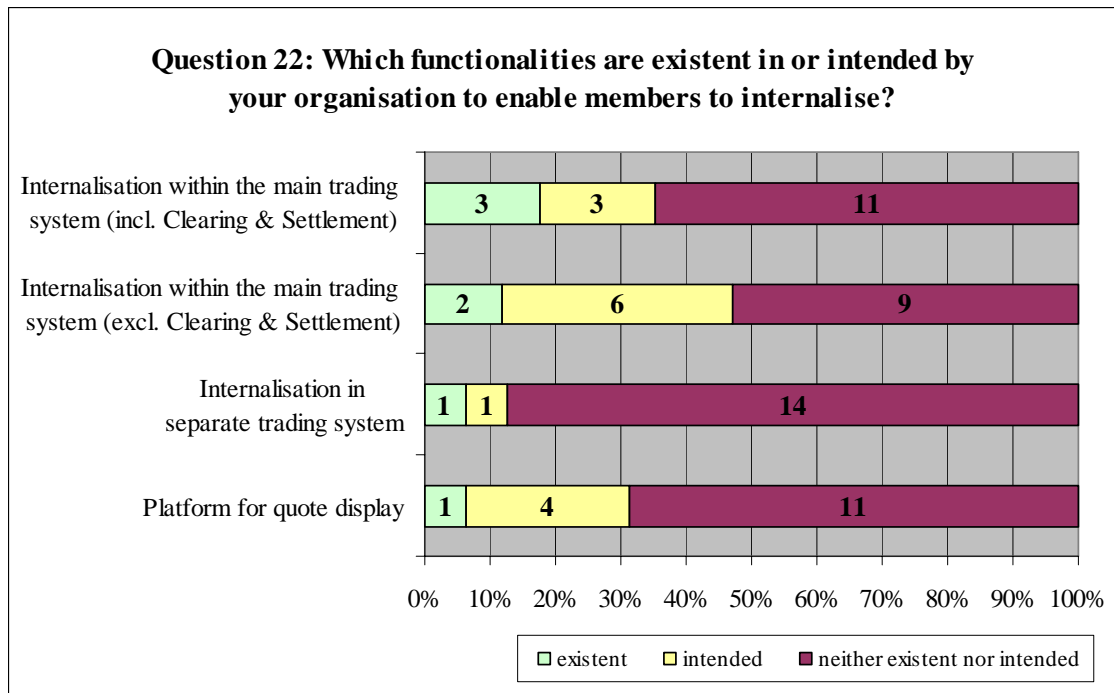
<sup>12</sup> See SEC Rule 11Ac 1-5 and SEC Rule 11Ac 1-6 reports.

<b>Question 21: What is your opinion on the following statements? [n=19]</b>				
	<b>Strongly agree</b>	<b>Somewhat agree</b>	<b>Somewhat disagree</b>	<b>Strongly disagree</b>
Internalisation is a threat to our business model.	<b>3 (15.8%)</b>	<b>9 (47.4%)</b>	<b>6 (31.6%)</b>	<b>1 (5.3%)</b>
Internalisation is an opportunity for us to provide additional services.	<b>6 (31.6%)</b>	<b>6 (31.6%)</b>	<b>4 (21.1%)</b>	<b>3 (15.8%)</b>
Internalisation will decrease the efficiency of the price formation process.	<b>9 (47.4%)</b>	<b>5 (26.3%)</b>	<b>4 (21.1%)</b>	<b>1 (5.3%)</b>

**Table 15: Competition from Internalisation**

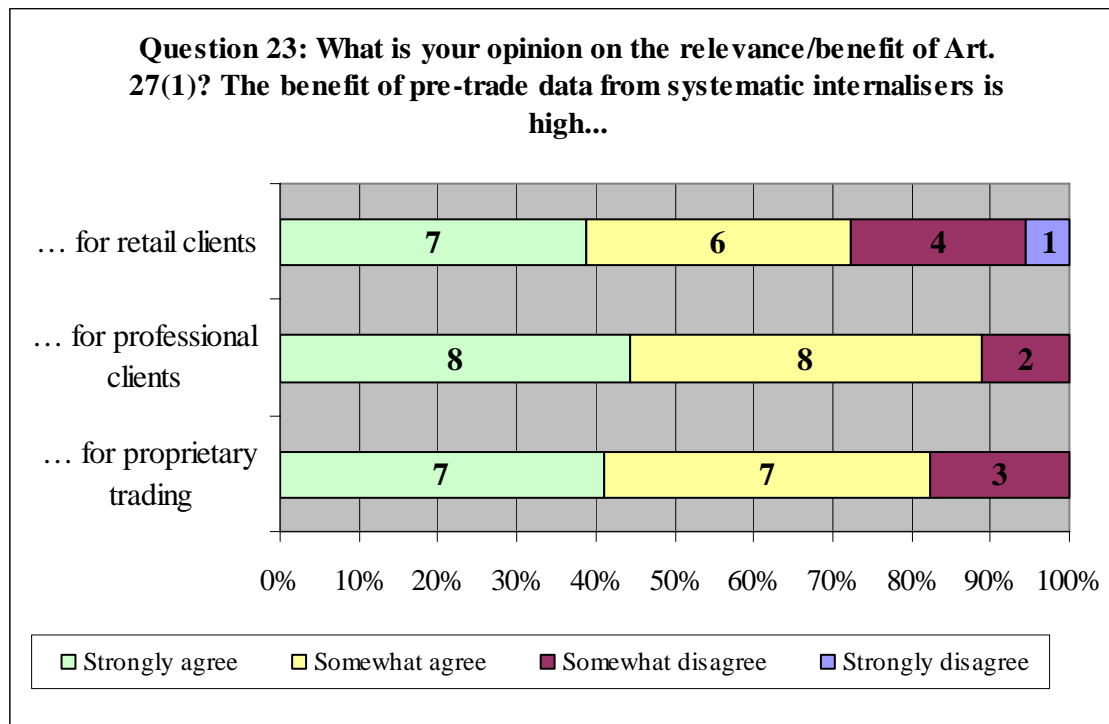
Strikingly, when comparing the different groups it shows that all responding MTFs disagree to the statement that internalisation is a threat to their business model, but very much agree on the fact that internalisation is an opportunity for the provision of additional services. When taking a look at the respondents' assessment of this question in dependence of their size, it can be stated that the majority of the small institutions (75.0%) sees internalisation as a threat to their business models, whereas only 42.9% of the larger execution venues share this opinion.

Question 22 investigates which functionalities are already existent at or are intended to be offered by the respective execution venues to enable members to internalise orders. Figure 9 shows the distribution of the responses between the different possible functionalities in this context. Seven of the responding institutions stated in all answering options that they neither provide these functionalities nor intend to do so in the future.



**Figure 9: Existing or intended functionalities for internalisation**

The last question in this section evaluates how the execution venues rate the potential benefits of pre-trade transparency of Systematic Internaliser quotes for retail clients, professional clients and for proprietary trading. Nearly 89% of the respondents agree that pre-trade data from SIs will be beneficial for professional clients; 82.4% of the respondents state that proprietary trading may benefit from the pre-trade transparency data of SIs. 72.2% consider this data provision beneficial for retail clients. Figure 10 shows the results to question 23.



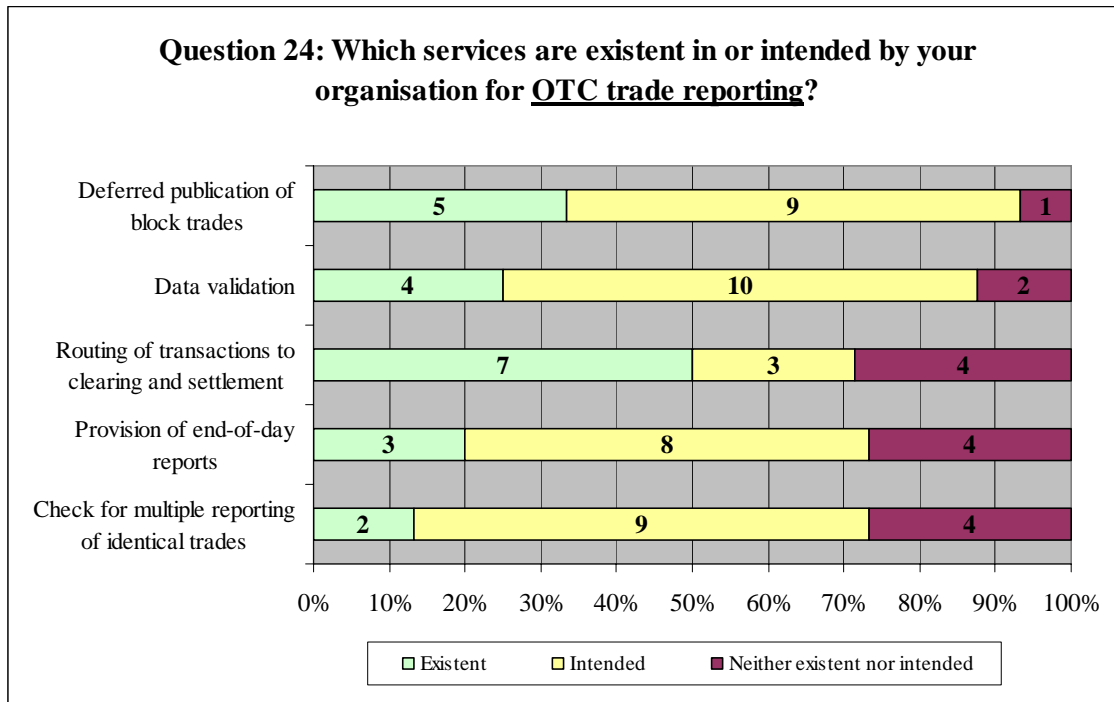
**Figure 10: Benefits of pre-trade data from Systematic Internalisers**

### 3.5 Post-trade transparency & transaction reporting

Section 5 of our questionnaire deals with post-trade transparency and transaction reporting. According to the Level 2 requirements, all trades must be made public within 3 minutes after the trade, irrespective of where the trade was conducted. Question 24 evaluates which services in the context of OTC trade reporting are either existent or intended by the execution venues.

93.3% of the respondents either already provide (33.3%) the possibility of deferred publication of block trades or intend to offer it (60.0%). A further service that 87.5% of the respondents already offer or intend to offer is data validation. 50.0% of the respondents already offer the possibility to route these transactions to clearing and settlement facilities. Another 21.4% of the respondents intend to offer this service.

While currently only 20.0% of the respondents offer the provision of end-of-day reports further 53.3% want to offer this service in the future. Checking for multiple reporting of identical trades is currently offered by only 13.3% of the respondents, but another 60.0% intend to offer it in the future. Figure 11 shows the evaluation of question 24.



**Figure 11: Services existent or intended for OTC trade reporting**

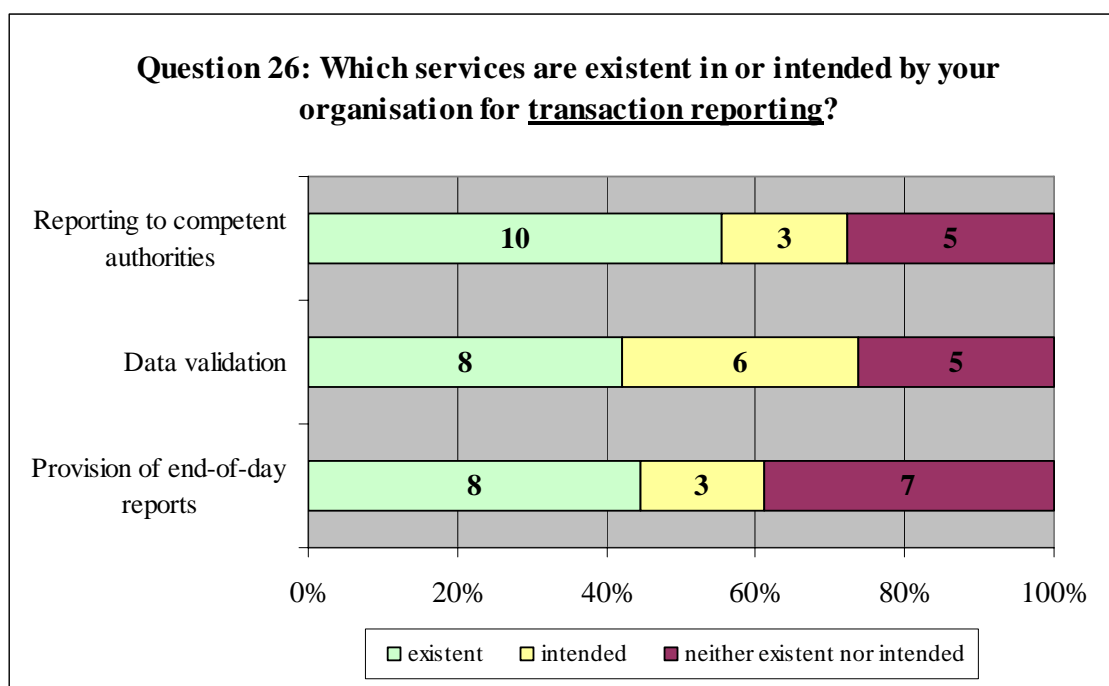
Question 25 addresses the additional one-time implementation costs (including costs for internal and external staff) the participants deem necessary for the provision of the new OTC trade reporting services. This question was answered by 11 institutions. Six of them see their costs to be below 250,000 EUR. Another three (27.3%) estimate costs between 250,000 and 500,000 EUR and only two respondents calculate costs above 500,000 EUR. Cost categories higher than 2 million EUR were not ticked at all.

**Question 25: Please estimate the additional costs in EUR (one-time implementation costs incl. internal and external personnel costs) for the provision of the intended new OTC trade reporting services. [n=11]**

	Absolute frequency	Relative frequency
<250,000	<b>6</b>	<b>54.5%</b>
250,000 – 500,000	<b>3</b>	<b>27.3%</b>
500,000 – 1mn	<b>1</b>	<b>9.1%</b>
1mn – 2mn	<b>1</b>	<b>9.1%</b>
2mn – 5mn	<b>0</b>	<b>0%</b>
>5mn	<b>0</b>	<b>0%</b>

**Table 16: Additional costs for the provision of new OTC trade reporting services**

The final question in Section 5 deals with the reporting of transactions to the competent authorities. Again the study evaluates which services for transaction reporting execution venues are already offering or intend to offer to market participants. 55.6% of the respondents claim that the reporting to competent authorities is already existent in their organisation. Further 16.7% intend to offer this possibility. While 42.1% of the respondents already provide data validation, 31.6% intend to offer this service in the future. 44.4% of the companies are already providing end-of-day reports and 16.7% intend to do so in the future. For nearly 40%, however, this option does not seem to be of interest. Figure 12 shows the evaluation of question 26.



**Figure 12: Services existent or intended for transaction reporting**

### 3.6 Final questions covering further MiFID-related issues

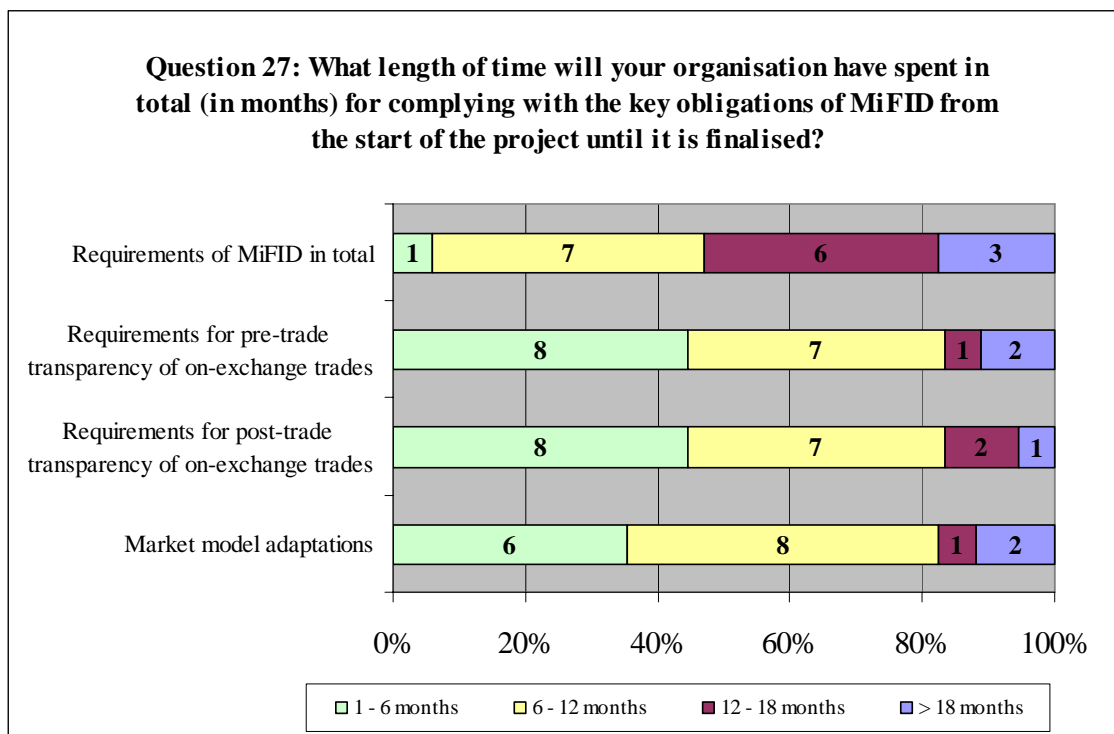
The last section of our questionnaire covers further MiFID-related issues and attempts to draw a picture of the European trading landscape post-MiFID, based on the opinion of the respondents.

Question 27 addresses how long it will take the execution venues to comply with the key obligations of MiFID. The vast majority (82.4%) of the responding companies

deems up to 18 months necessary for complying with MiFID’s key obligations in total; only 17.6% expect even more time to be needed. In detail, 41.2% of the respondents said they will need 6 to 12 months and 35.3% said they needed 12 to 18 months from the start of the project until its finalisation. Only one institution (5.9%) expects to be able to comply with the key obligations in less than 6 months.

Concerning the time needed to implement both the requirements for pre- and for post-trade transparency, 83.3% of the respondents claim that they will have spent less than 12 months for compliance. Thereof, 8 institutions anticipate less and 7 institutions more than 6 months to be necessary.

For market model adaptations, too, the majority (82.4%) of the execution venues assume less than 12 months, with the category 6 to 12 months being ticked by 8 institutions (47.1%) and the category 1 to 6 months by 6 institutions (35.3%).



**Figure 13: Time required for compliance with key MiFID obligations**

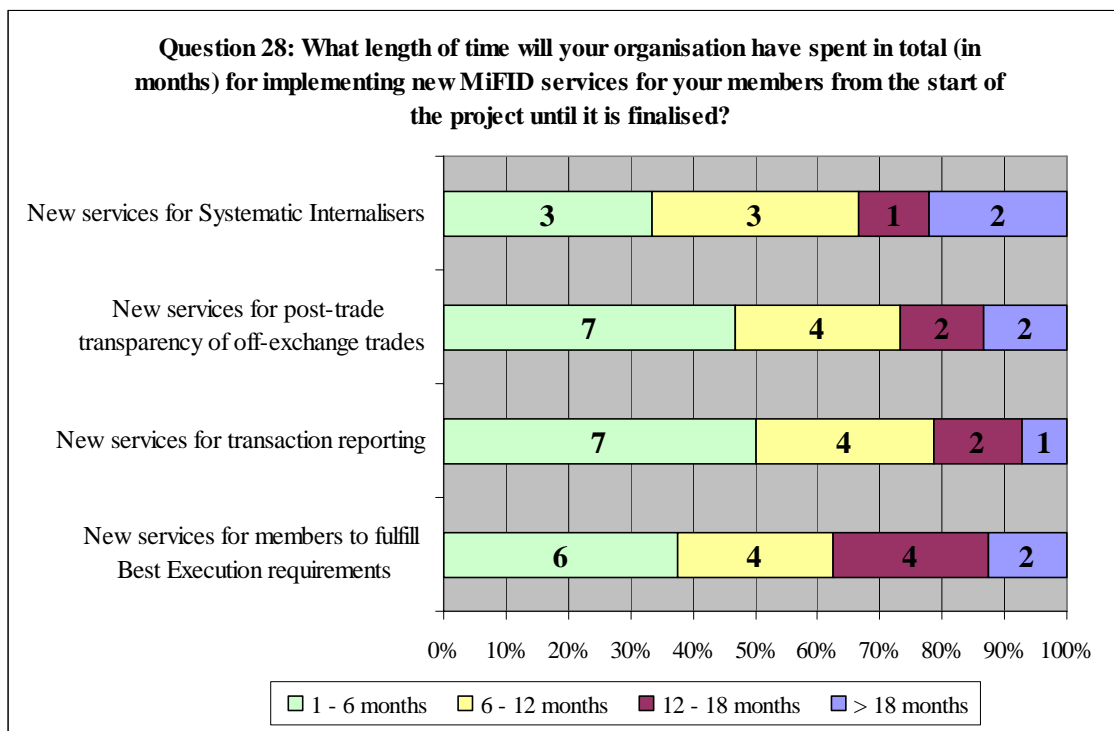
Question 28 investigates into how much time execution venues will have spent in total for the implementation of new MiFID services for their members.

For the implementation of new services for Systematic Internalisers, one third of the respondents expect less than 6 months and another third 6 to 12 months. The last third anticipates more than 12 months for the implementation of this type of service.

Regarding the implementation of new services for the post-trade transparency of OTC trades nearly half of the respondents (46.7%) say that they will need less than 6 months time. Further 26.7% state that they will need between 6 and 12 months time for implementing this service, 13.3% consider between 12 and 18 months necessary and another 13.3% calculate more than 18 months.

For the implementation of new services for transaction reporting, 50.0% of the institutions claim to need less than 6 months, 28.6% between 6 and 12 months and 14.3% up to 18 months. Only 7.1% expect to require more than 18 months.

In respect of new services for members to fulfil their Best Execution requirements, 37.5% of the respondents state that they anticipate requiring up to 6 months time, further 25.0% said they needed 6 to 12 months and another 37.5% expects to necessitate more than 12 months.



**Figure 14: Time required for implementing new MiFID services**

MiFID leaves it open to the Member States to expand the requirements to financial instruments other than equities. Current discussions give attention especially to a potential expansion of MiFID’s transparency obligations to bonds in particular. Article 65 requires the Commission to discuss and report the possible extension of the pre- and

post-trade transparency obligations to transactions in classes of financial instruments other than shares. Question 29 investigates whether execution venues deem such an expansion reasonable and if so, for which classes of financial instruments<sup>13</sup>. 15 execution venues answered this question. Only one respondent (6.7%) says that the transparency obligations should not be extended to any other financial instrument. This result is in sharp contrast to our earlier studies among German investment firms. There, 48.9% of the responding German investment firms in early 2006 and 50.0% in early 2007 considered that a future extension of the transparency obligations beyond equities is not reasonable from their perspective.

As the following table depicting the detailed answers to question 29 shows, most of the respondents consider an extension of the transparency requirements to corporate bonds reasonable (38 ticks), which are closely followed by government bonds (36 ticks).

<b>Question 29: In Art. 65 MiFID the scope of application of the transparency requirements is considered to be extended to financial instruments other than equities. What is your opinion? The extension to... [n=15]</b>					
	<b>For retail transactions</b>		<b>For wholesale transactions</b>		<b>Total</b>
	<b>Pre-trade</b>	<b>Post-trade</b>	<b>Pre-trade</b>	<b>Post-trade</b>	
...government bonds is reasonable.	8	9	8	11	36
...corporate bonds is reasonable.	8	11	7	12	38
...options is reasonable.	2	4	2	4	12
...investment certificates is reasonable.	7	7	5	7	26
...foreign exchange is reasonable.	2	2	2	3	9
...derivative contracts is reasonable.	3	4	2	4	13
...money-market instruments is reasonable.	2	2	2	3	9
...shares in a fund is reasonable.	6	7	4	7	24
...commodities is reasonable.	3	3	2	3	11
...further financial instruments (except equities) is <b>not reasonable</b> .	1				1
<b>Total</b>	<b>41</b>	<b>49</b>	<b>34</b>	<b>54</b>	

**Table 17: Expansion of transparency requirements**

<sup>13</sup> In addition to the instruments defined in the Directive, “foreign exchange” was given as answering option.

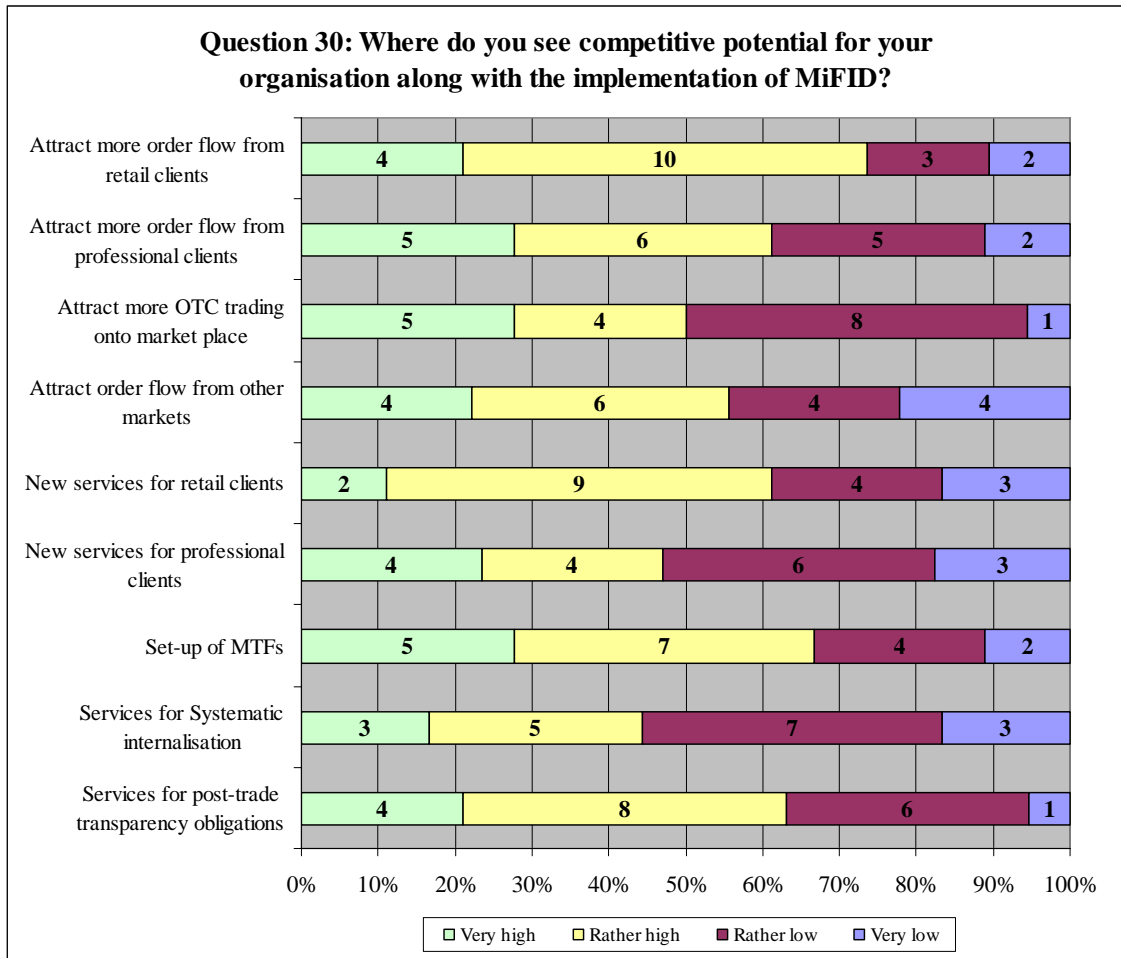
As one of the most important topics, question 30 addresses how the respondents estimate the competitive potential for their organisation resulting from the implementation of MiFID. Comparing the results to the previous two surveys among German investment firms, it is remarkable that execution venues as a whole are significantly more optimistic about the competitive potential for their institutions than were the investment firms. All listed services are seen to have very high or rather high competitive potential by at least 44.5% of the responding institutions.

Most of the respondents of the study at hand expect the competitive potential of attracting more order flow from either retail (73.7%) or professional (61.1%) clients to be very high or rather high. Potential for attracting more OTC trading onto the own market place is seen by exactly 50.0% of the respondents. The possibility of attracting order flow from other markets is seen by 55.6% of the respondents to be very high or rather high. Offering new services is understood to be of interest by 61.1% of execution venues regarding retail clients and by 47.1% regarding professional clients (among which 23.5% see “very high” potential).

In setting-up an MTF, 66.7% of the companies see the possibility to compete with other market places.

“Very high” competitive potential is seen by 16.7% of the respondents in the provision of services for Systematic Internalisation. Another 27.8% anticipate “rather high” potential in this respect. Services for post-trade transparency obligations are understood to be of very high competitive potential by 21.1% of the execution venues and of rather high potential by another 42.1%.

Figure 15 summarises the thoughts and views of the respondents on the competitive potential from the implementation of MiFID.



**Figure 15: Competitive potential from the implementation of MiFID**

The intention of the next group of questions was to have respondents give their opinion regarding the future securities trading landscape in a post-MiFID world.

The first of these six questions asked the execution venues to estimate the number of MTFs in their home market and across Europe respectively, both until the end of 2008 and in the long run. The range of estimations is quite high, reaching from 0 to 20. Here and in the following, the arithmetical averages of the respondents' estimations are shown.

<b>Question 31: Please estimate the <u>number of MTFs</u> (excluding re-brandings of existing market segments operated by Regulated Markets) that will try to enter your home market / Europe (overall)...</b>				
	<b>Until the end of 2008</b>		<b>In the long run</b>	
	In the company's home market [n=14]	Across Europe (overall) [n=11]	In the company's home market [n=13]	Across Europe (overall) [n=11]
Number of MTFs (average of estimations by the respondents)	<b>1.21</b>	<b>7.77</b>	<b>0.81</b>	<b>4.41</b>

**Table 18: Number of MTFs attempting market entry**

Table 18 indicates that the respondents expect 1.21 MTFs for their home market and 7.77 MTFs across Europe overall until the end of 2008. In the long run, a consolidation and a decline in the number of MTFs – after trying to enter the market – are anticipated by the respondents (0.81 MTFs in the company's home market, 4.41 across Europe). One possible reason for this assumption might be that some MTFs will not be able to reach a critical mass in trading and will therefore have to cease their operations or seek mergers with competitors.

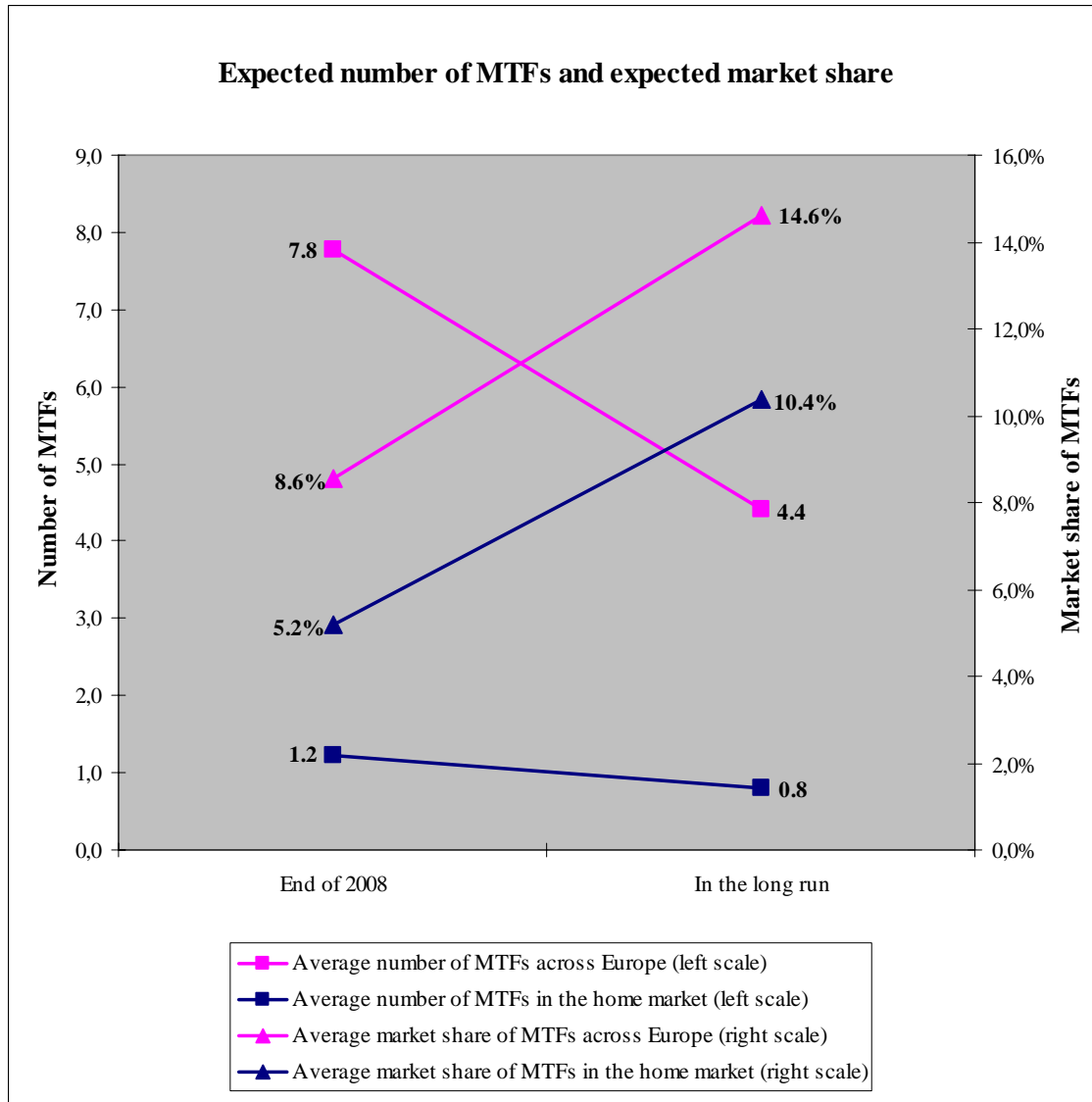
In the following question we asked the participants to give their estimations on the future market share of MTFs in equity trading. The results are shown in Table 19.

<b>Question 32: Please estimate the <u>market share of equity trading on MTFs</u> (excluding re-brandings of existing market segments operated by Regulated Markets) in your home market / Europe (overall) (in %)...</b>				
	<b>Until the end of 2008</b>		<b>In the long run</b>	
	In the company's home market [n=13]	Across Europe (overall) [n=10]	In the company's home market [n=11]	Across Europe (overall) [n=10]
Market share of MTFs (average of estimations by the respondents)	<b>5.2%</b>	<b>8.6%</b>	<b>10.4%</b>	<b>14.6%</b>

**Table 19: Market share of MTFs attempting market entry**

The respondents expect the market share of MTFs to increase significantly between the short term (end of 2008) and the long term view, both in their respective home markets as well as across Europe overall. In conjunction with the results from question 31, one can conclude that the respondents expect a declining number of MTFs following a high

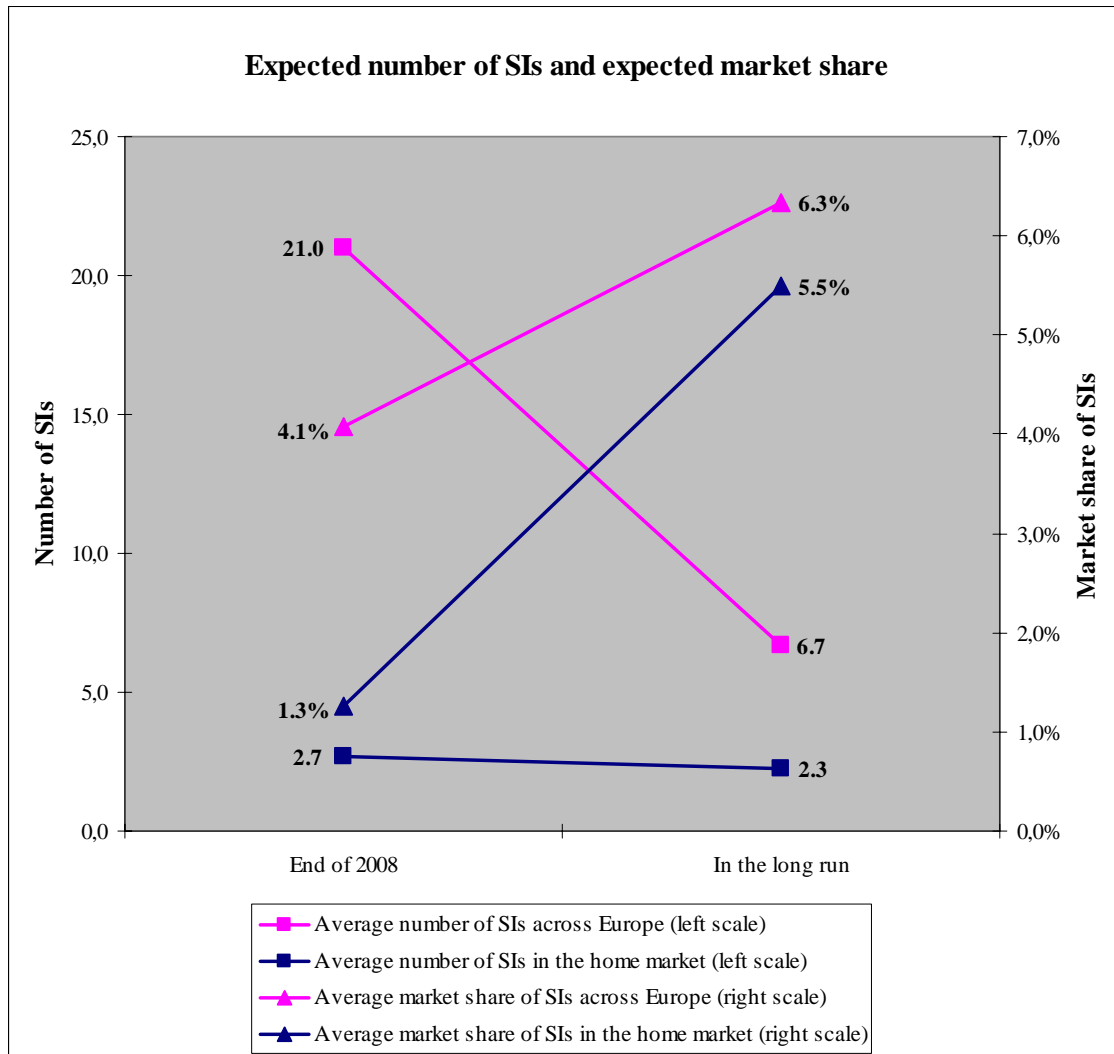
number of market entrants immediately after the application of MiFID. Nevertheless, their market share is expected to grow over time, i.e. the survivors of shut-down and take-over activities will be able to establish relevant market shares. The relation between the number of MTFs and their market shares is illustrated in Figure 16 which summarises the outcome of questions 31 and 32.



**Figure 16: Expected number and corresponding market share of MTFs**

The left ordinate of the diagram represents the number and the right ordinate the market share of MTFs. The abscissa represents time. The two lines declining over time correspond to the number of MTFs; the two ascending lines describe the market share of the MTFs in the answering institution’s home market and across Europe respectively.

An analogous picture results regarding the expected number and market share of Systematic Internalisers (questions 33 and 34) as well as regards OTC trade reporting facilities (questions 35 and 36)<sup>14</sup>. In both cases the number of providers is expected to decline over time while the respective market share is expected to grow.

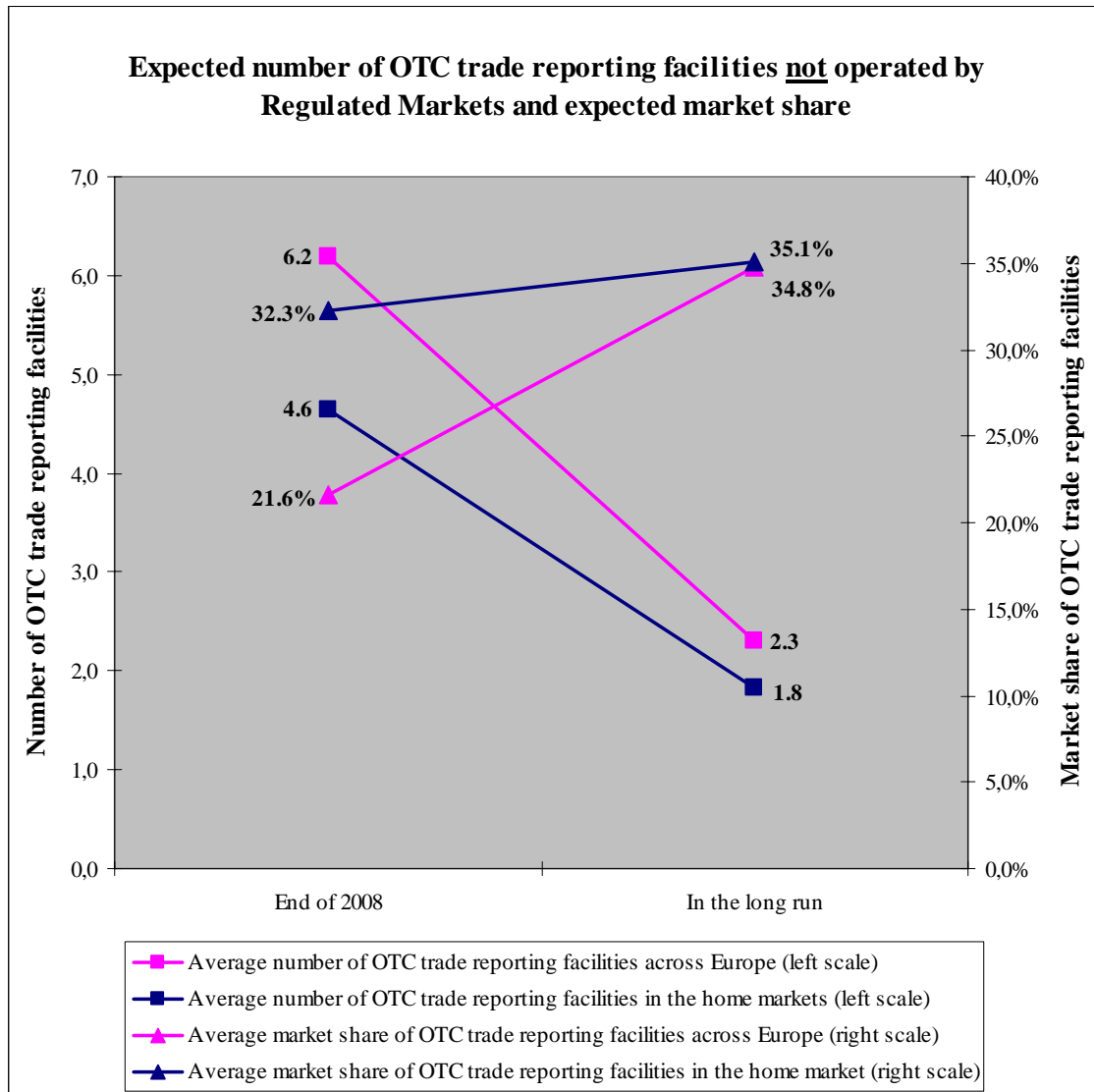


**Figure 17: Expected number and corresponding market share of SIs**

With regard to the expected future number of Systematic Internalisers across Europe, the respondents on average anticipate a decline from 21.0 SIs at the end of 2008 to 6.7 in the long run. At the same time, execution venues on average expect the market share for SIs across Europe to rise from 4.1% to 6.3% over time. For the respective home markets of the institutions it is expected that SIs will extend their market share from

<sup>14</sup> In order to increase the comprehensiveness, the answers to these four questions (33 to 36) are shown in overview diagrams in figures 17 and 18.

1.3% at the end of 2008 to 5.5% in the long run. Their number is expected to decrease slightly from 2.7 to 2.3. Consistent with our study among German investment firms, MTFs are expected to gain a higher market share and therefore seem to represent more relevant competitors to execution venues than SIs.



**Figure 18: Expected number and corresponding market share of OTC trade reporting facilities**

Compared to the expected future development of MTFs and SIs, OTC trade reporting facilities not operated by Regulated Markets are seen by the respondents to be far more successful both in the short term as well as in the long run. The responding execution venues expect a market share of OTC trade reporting facilities in Europe of 34.8% in the long run (21.6% until the end of 2008). Their number is expected to decrease from 6.2 until the end of 2008 to 2.3 in the long run. As regards the expectation with respect

to the respondents' particular home countries, the number of OTC trade reporting facilities is on average expected to reduce from 4.6 at the end of 2008 to 1.8 in the long run and their market share is seen to increase from 32.3% to 35.1%.

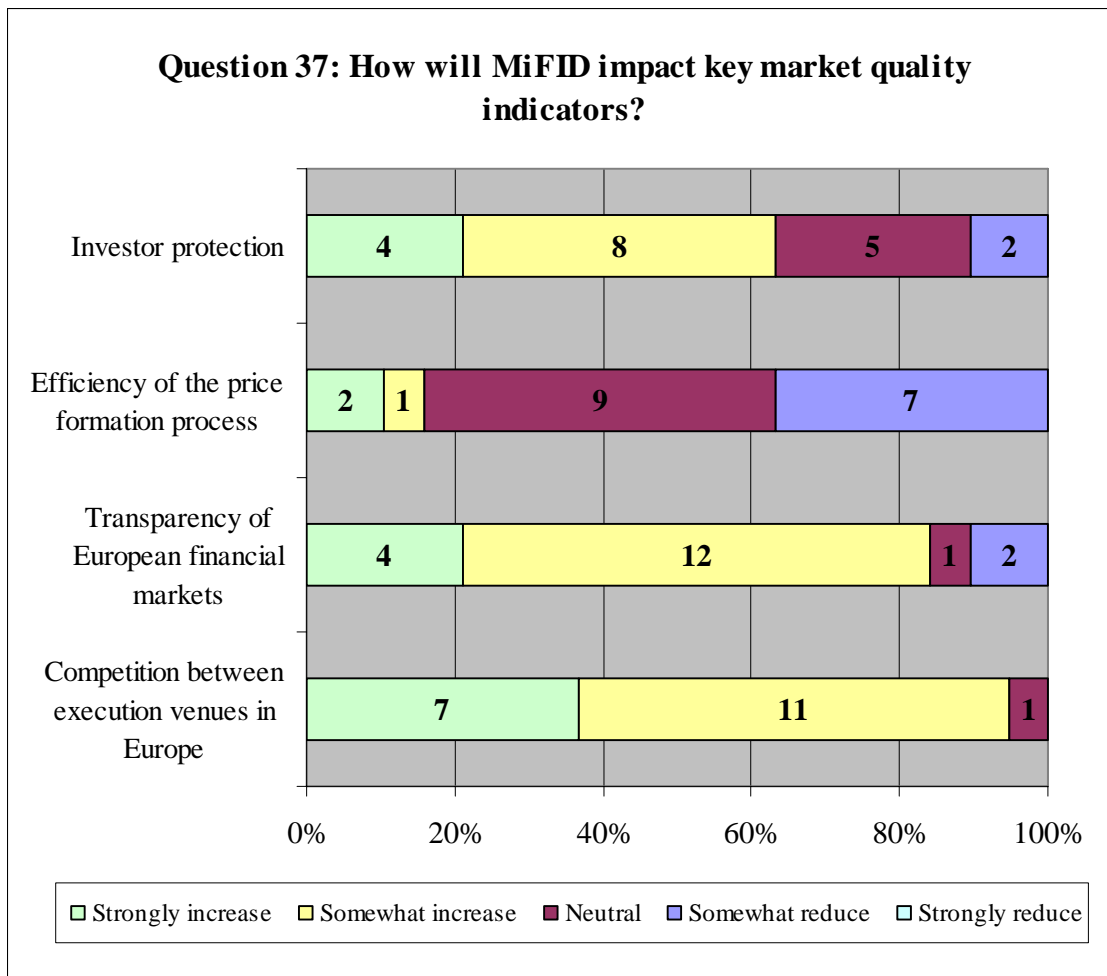
In Question 37 we asked the participants of our survey to give their opinion on the effects that MiFID will have on four key market quality indicators. These indicators include investor protection, efficiency of the price formation process, transparency and competition.

Nearly 95% of the respondents are convinced that MiFID will strongly (36.8%) or somewhat (57.9%) increase competition between execution venues in Europe. Only 5.3% consider the impact to be neutral in this respect.

The second most important impact of MiFID from the perspective of the execution venues are the new requirements for pre-and post-trade transparency. The majority of the market venues (84.3%) consider those requirements to be able to strongly (21.1%) or somewhat (63.2%) increase the transparency of the European financial markets. 5.3% are indifferent about this statement and 10.5% state that from their perspective transparency will somewhat reduce.

A large proportion of respondents (36.8%), however, think that MiFID (and the induced market fragmentation) will somewhat reduce the efficiency of the price formation process. Still, 47.4% of the respondents are neutral regarding this statement while only 15.8% assume that the efficiency of the price formation process will increase with MiFID being applicable.

Although investor protection is one of the main drivers of MiFID and has played a vital role in the motivation and conception of the Directive and its accompanying documents, two respondents (10.5%) even think MiFID will somewhat reduce investor protection. 26.3% state that they are neutral. Still, 63.2% of the respondents are confident as regards MiFID's ability to increase investor protection. Figure 19 summarises the expectations of the respondents in respect to the impact of MiFID on these key market quality indicators. The answering option "strongly reduce" was never selected in any of the four statements by the participants.



**Figure 19: MiFID’s impact on key market quality indicators**

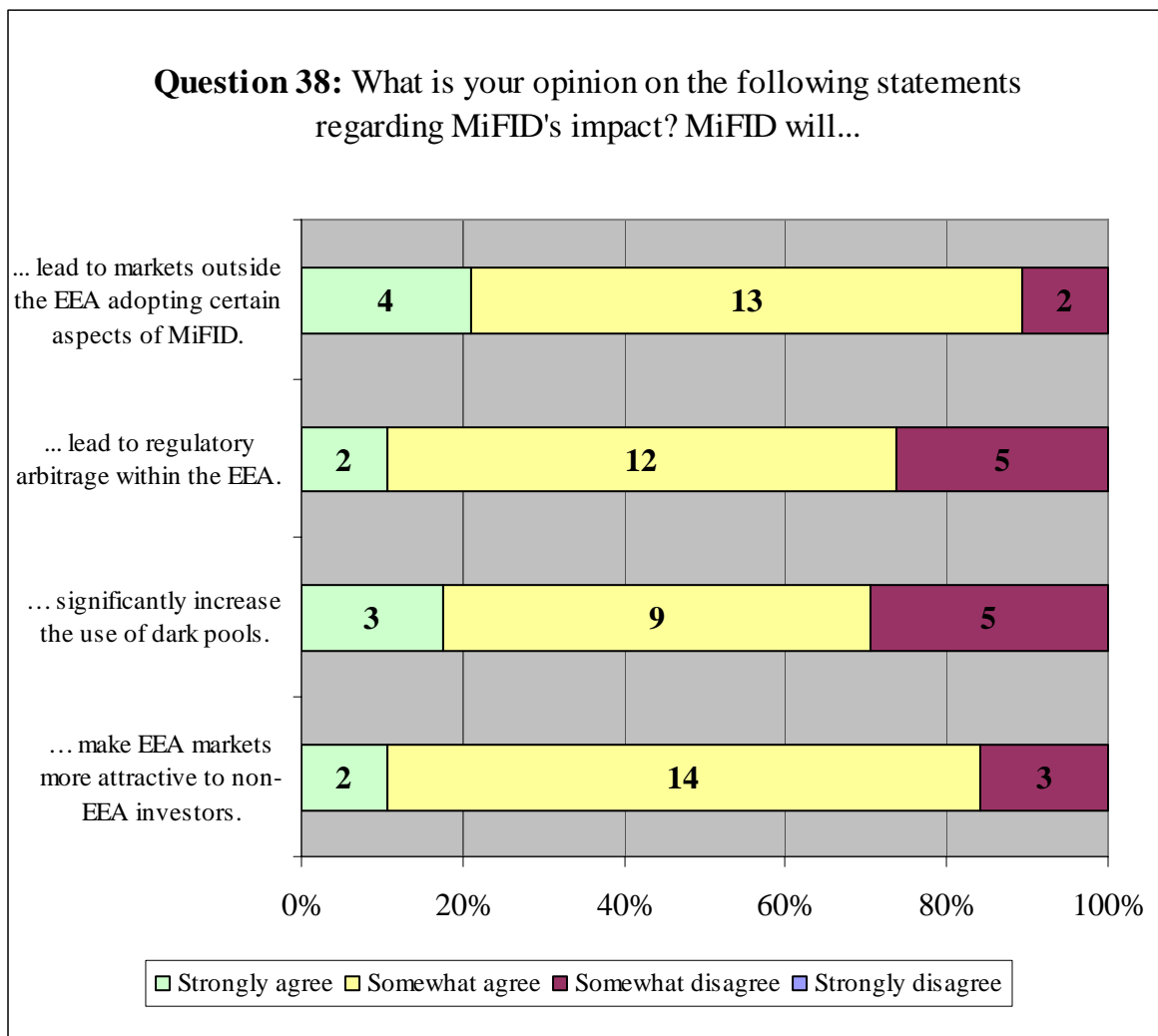
Finally, a number of statements regarding potential future developments in the markets were assessed by the participants (see Figure 20): Firstly, it was asked whether MiFID will lead to markets outside the EEA adopting certain aspects of the new rules and regulations. Most of the respondents (89.5%) agree to this statement (thereof 21.1% strongly) while only 10.5% somewhat disagree. No respondent strongly disagreed. This clearly shows that the responding execution venues expect to a certain degree spill over effects from parts of the new regulations to markets outside the EEA.

The second statement in question 38 refers to the possibility of MiFID leading to regulatory arbitrage within the EEA. Indeed, 73.7% of the respondents endorsed this statement. 26.3% somewhat disagreed and no respondent strongly disagreed to this statement.

The third statement put up to discussion in question 38 was whether MiFID would significantly increase the use of dark pools of liquidity. 70.5% of the answering

institutions are backing this assertion, 29.5% somewhat disagreed and – again – no respondent strongly disagreed to this statement.

With the introduction of the Financial Services Action Plan (FSAP), the EU associated the aim to become the most competitive financial market in the world. This involves the frictionless functioning of the capital markets which ensure fair and orderly trading with a high degree of investor protection. The participants of our study were asked whether they think that MiFID will make the EEA markets more attractive to non-EEA investors. The broad approval of 84.2% of the respondents to this statement (thereof 10.5% agreeing strongly) suggests that in their view MiFID will be a facilitator to attracting more investors to trade on European markets which would in turn benefit all market participants as it increases turnover and liquidity.



**Figure 20: The impact of MiFID on the markets**

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## **Annex: The questionnaire**

**Questionnaire**

**The Implementation of MiFID  
“Markets in Financial Instruments Directive“ in Europe  
– The Perspective of the Markets –**

## About this questionnaire

The „Markets in Financial Instruments Directive“ (MiFID) affects all intermediaries who offer investment services and will also have an impact on markets, their structures and processes. The implementation deadline set by the EU-Commission is November 1<sup>st</sup>, 2007. MiFID contains new regulations for investor protection and enhanced provisions for market transparency. This questionnaire examines the status of preparation of the European markets.

We thank FESE for their support in designing and setting up this study.

The questionnaire contains 38 questions which to answer will take you approximately 30 minutes. It is subdivided into the following sections: 1.) Basic Information on your organisation, 2.) MiFID-Project Planning, 3.) Best Execution, 4.) Pre-Trade Transparency, 5.) Post-Trade Transparency & Transaction Reporting, and 6.) Final Questions covering further MiFID-related issues. **If not stated explicitly different, all the questions are focussing on equities.**

The questions are numbered consecutively. Please tick the answers which are applicable for your organisation. In case of open questions, please write down your remarks in the designated form fields.

For further inquiry Mr Thomas Schulte will be at your disposal by e-mail on [tschulte@wiwi.uni-frankfurt.de](mailto:tschulte@wiwi.uni-frankfurt.de).

**Your data will be treated confidentially and your identity will be kept secret from third parties at any time.** If you are interested in the results of our survey, you may receive the analysis by email.

We are interested in the results. .... yes  no

Please send the analysis by email to:

---

We kindly ask you to return this questionnaire by July 15<sup>th</sup> to the following e-mail address:  
[tschulte@wiwi.uni-frankfurt.de](mailto:tschulte@wiwi.uni-frankfurt.de)

*Thank you very much for your support!*

# 1. Basic Information on your Organisation

**Question 1: Is your organisation part of a compound or network of stock exchanges?**

If yes, please indicate whether your answers relate to a single market or to the entire compound or network of stock exchanges.

Yes	No	Answers relate to:	Single Market	Entire compound
<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

**Question 2: What is the overall number of employees in your organisation?**

<100	100-500	500-1,000	>1,000
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Question 3: In how many further countries except for your home country does your organisation have branches, representative offices or affiliated companies?**

1-5	6-10	>10	Only in home country
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Question 4: What was the total volume of equity trading in domestic shares on your marketplace in 2006 (single counted, in billion EUR)?**

<100	100-1,000	1,000-2,500	>2,500	n/a
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Question 5: What was the total volume of equity trading in foreign shares on your marketplace in 2006 (single counted, in billion EUR)?**

<100	100-1,000	1,000-2,500	>2,500	n/a
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Question 6: Which market models are currently provided by your organisation in equity trading (multiple answers possible)?**

- ◆ Open Limit Order Book.....
- ◆ Physical Floor Trading .....
- ◆ Market-maker model .....
- ◆ Internalisation facility.....
- ◆ Block trading system .....
- ◆ Hybrid model (integration of limit order book with liquidity providers).....
- ◆ Others: \_\_\_\_\_

**Question 7: Please describe the range of products offered by your organisation (multiple answers possible).**

- ◆ Equities .....
- ◆ Bonds .....
- ◆ Warrants .....
- ◆ Options .....
- ◆ Repos .....
- ◆ Futures .....
- ◆ Investment Funds.....
- ◆ Commodities.....
- ◆ Others: \_\_\_\_\_

**Question 8: What kinds of services are currently (i.e. pre-MiFID) offered by your organisation (multiple answers possible)?**

- ◆ Listing Services .....
- ◆ Trading Services .....
- ◆ Market Data Services .....
- ◆ Central Counterparty (CCP) .....
- ◆ Clearing .....
- ◆ Settlement .....
- ◆ OTC-Trade Reporting facilities.....
- ◆ IT Services.....
- ◆ Consulting Services .....
- ◆ Others: \_\_\_\_\_

**2. MiFID-Project Planning**

**Question 9: Which departments are currently (i.e. in Q2/2007) participating in your MiFID-project (multiple answers possible)?**

	Strongly involved	Partially involved	Not involved
Legal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compliance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Business Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Regulatory Affairs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Product Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Organisation / Operations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information Technology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Question 10: Which of the departments mentioned above is currently in the lead regarding the MiFID project?**

Department: \_\_\_\_\_

**Question 11: Which tasks concerning the MiFID project did your organisation already address (multiple answers possible)?**

- ◆ Analysis of impact on market models .....
- ◆ Analysis of strategic implications.....
- ◆ Analysis of potential new service offerings .....
- ◆ Analysis of impact on processes and IT .....
- ◆ IT specifications completed.....
- ◆ Implementation started .....
- ◆ Implementation completed .....
- ◆ Testing started .....
- ◆ Testing completed .....

**Question 12: How many staff resources (in man-days) are or will be provided for the adaptations required (approximate number)?**

Internal resources	External resources	Not decided yet. .... <input type="checkbox"/>
Man-days: <input type="text"/>	Man-days: <input type="text"/>	

**Question 13: By which external service providers is or will your MiFID project be supported (multiple answers possible)?**

- ◆ Consultancy .....
- ◆ Law firm .....
- ◆ Software provider / system provider .....
- ◆ No support from external service providers .....
- ◆ Others: \_\_\_\_\_

**Question 14: Please estimate the total costs (for MiFID compliance and for the implementation of new services) in EUR (one-time implementation costs incl. internal and external personnel costs) for the implementation of MiFID in your organisation?**

<250,000    250,000-500,000    500,000 - 1 mn.    1-5 mn.    5-10 mn.    10-20 mn.    >20 mn.  
                                                                                                                       

**Question 15: Please estimate the total annual ongoing costs in EUR for MiFID compliance and new services under MiFID in your organisation?**

<20,000    20,000 - 60,000    60,000 - 100,000    100,000 - 500,000    500,000 – 1mn    >1mn

**Question 16: For which years have budgets for the implementation of MiFID been provided in your organisation?**

Budget for 2006	Budget for 2007	Budget for 2008	Budget for 2009	No planning existent yet
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### 3. Best Execution

**Background:** For execution on terms most favourable to the client according to **Art. 21(1) MiFID** the investment firm has to consider the following factors: **price, costs, speed, likelihood of execution and settlement, size, nature**, or any other consideration relevant to the execution of the order. (Art. 21 MiFID applies to **all** financial instruments.)

**Question 17: The investment firm has to determine the relative importance of the factors under Art. 21(1). How much importance would you – as a marketplace – attach to the factors for the order execution?**

	very high	rather high	rather low	very low
Price	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Speed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Likelihood of execution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Likelihood of settlement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Size (order size)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Nature of the order (e.g. order type)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Question 18: Which data are provided by your organisation to investment firms to define their best execution policies?**

- ◆ Provision of already existing data only .....
- ◆ Provision of additional data, but no structured MiFID best execution report .....
- ◆ Provision of a separate, structured MiFID best execution report .....
- ◆ Others: \_\_\_\_\_

**Question 19: Which data will you provide to support the best execution decisions of investment firms (multiple answers possible)?**

- ◆ Spread .....
- ◆ Market Depth .....
- ◆ Price .....
- ◆ Costs .....
- ◆ Speed of execution .....
- ◆ Likelihood of execution .....
- ◆ Likelihood of settlement .....
- ◆ Others: \_\_\_\_\_

**Best Execution**

**Background:** According to **Recital 76**, the **Level 2 Directive** does not mandate the publication by execution venues of their execution quality data, as execution venues and data providers should be **permitted to develop solutions concerning the provision of execution quality data**. The Commission should submit a report by 1 November 2008 on the market-led developments in this area with a view to assessing **availability, comparability and consolidation** at a European level of information concerning execution quality.

**Question 20: For the provision of execution quality data, we prefer...**

- ◆ solutions developed by individual execution venues.....
- ◆ an open standard agreed by the industry .....
- ◆ standardised formats (pre-defined by regulator, comparable to the United States).....

## 4. Pre-trade transparency

**Background:** According to **Art. 4(7) MiFID** a systematic internaliser (SI) means an investment firm which, on an **organised, frequent and systematic basis**, deals on own account by executing client orders outside a regulated market or an MTF.

**Art. 27(1) MiFID** requires that systematic internalisers **publish a firm quote** in those **shares** admitted to trading on a regulated market for which they are systematic internalisers and for which there is a **liquid market**.

**Question 21: What is your opinion on the following statements?**

	Strongly agree	Some-what agree	Some-what disagree	Strongly disagree
Internalisation is a threat to our business model.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internalisation is an opportunity for us to provide additional services.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internalisation will decrease the efficiency of the price formation process.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Question 22: Which functionalities are existent in or intended by your organisation to enable members to internalise?**

	existent	intended	neither existent nor intended
Internalisation within the main trading system incl. Clearing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internalisation within the main trading system incl. Settlement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internalisation within the main trading system, excluding Clearing and Settlement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internalisation in a separate trading system	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Platform for quote display to enable SIs to fulfil transparency obligations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Question 23: What is your opinion on the relevance/benefit of Art. 27(1) MiFID?**

	Strongly agree	Some-what agree	Some-what disagree	Strongly disagree
<b>The benefit of pre-trade data from systematic internalisers is high...</b>				
... for retail clients.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
... for professional clients.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
... for proprietary trading.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## 5. Post-trade transparency & Transaction reporting

**Background:** According to **Art. 28(1) MiFID** investment firms are required to make public the **volume and price** of all transactions in shares **outside** a regulated market or MTF and the **time** at which they were concluded. This information shall be made public **as close to real-time as possible**, on a **reasonable commercial basis**, and in a manner which is **easily accessible** to other market participants.

**Question 24: Which services are existent in or intended by your organisation for OTC trade reporting?**

	existent	intended	neither existent nor intended
Deferred publication of block trades	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Data validation (e.g. check for ISIN, Member ID etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Routing of transactions to clearing and settlement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provision of end-of-day reports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Check for multiple reporting of identical trades (e.g. double reporting of buyer and seller)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Question 25: Please estimate the additional costs in EUR (one-time implementation costs incl. internal and external personnel costs) for the provision of the intended new OTC trade reporting services?**

<250,000    
  250,000-500,000    
  500,000 - 1 mn.    
  1-2 mn.    
  2-5 mn.    
  >5 mn.

**Background:** According to **Art. 25(5) MiFID** reports of transactions shall be made to competent authorities either by the investment firm itself, a third party acting on its behalf or by a trade-matching or reporting system approved by the competent authority or by the regulated market or MTF through whose system the transaction was completed.

**Question 26: Which services are existent in or intended by your organisation for transaction reporting?**

	existent	intended	neither existent nor intended
Reporting to competent authorities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Data validation (e.g. check for ISIN, Member ID etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provision of end-of-day reports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## 6. Final questions covering further MiFID-related issues

**Question 27: What length of time will your organisation have spent in total (in months) for complying with the key obligations of MiFID from the start of the project until it is finalised?**

	1-6	6-12	12-18	>18
Requirements of MiFID in total	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Requirements for pre-trade transparency of on-exchange trades	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Requirements for post-trade transparency of on-exchange trades	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Market model adaptations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Question 28: What length of time will your organisation have spent in total (in months) for implementing new MiFID services for your members from the start of the project until it is finalised?**

	1-6	6-12	12-18	>18
New services for Systematic Internalisers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
New services for post-trade transparency of off-exchange (OTC-) trades	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
New services for transaction reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
New services for members to fulfil best execution requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Question 29: In Art. 65 MiFID the scope of application of the transparency requirements is considered to be extended to financial instruments other than equities. What is your opinion?**

The extension to...	For retail-transactions		For wholesale-transactions	
	pre-trade	post-trade	pre-trade	post-trade
... government bonds is reasonable.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
... corporate bonds is reasonable.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
... options is reasonable.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
... investment certificates is reasonable.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
... foreign exchange is reasonable.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
... derivative contracts is reasonable.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
... money-market instruments is reasonable.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
... shares in a fund is reasonable.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
... commodities is reasonable.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
... further financial instruments (except equities) is <b>not reasonable</b> .	<input type="checkbox"/>			

**Question 30: Where do you see competitive potential for your organisation along with the implementation of MiFID?**

	very high	high	low	very low
Attract more order flow from retail clients	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Attract more order flow from professional clients	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Attract more OTC trading onto marketplace	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Attract order flow from other markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
New services for retail clients	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
New services for professional clients	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Set-up of MTFs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Services for Systematic internalisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Services for post-trade transparency obligations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Question 31: Please estimate the number of MTFs (excluding re-brandings of existing market segments operated by Regulated Markets) that will...**

	Your home market	Europe (overall)
...try to enter the market short term (i.e. until end of 2008)		
...be able to capture relevant liquidity in the long run		

**Question 32: Please estimate the market share of equity trading on MTFs (excluding re-brandings of existing market segments operated by Regulated Markets) (in %) ...**

	Your home market	Europe (overall)
... until end of 2008	%	%
... in the long run	%	%

**Question 33: Please estimate the number of Systematic Internalisers that will...**

	Your home market	Europe (overall)
...try to enter the market short term (i.e. until end of 2008)		
...be able to capture relevant liquidity in the long run		

**Question 34: Please estimate the market share of equity trading on Systematic Internalisation platforms (in %)...**

	Your home market	Europe (overall)
... until end of 2008	%	%
... in the long run	%	%

**Question 35: Please estimate the number of OTC trade reporting facilities that are not operated by Regulated Markets and that will...**

	Your home market	Europe (overall)
...try to enter the market short term (i.e. until end of 2008)		
...be able to capture relevant trade reporting business in the long run		

**Question 36: Please estimate the market share of OTC trade reporting facilities in equities (in %) that are not operated by Regulated Markets...**

	Your home market	Europe (overall)
... until end of 2008	%	%
... in the long run	%	%

**Question 37: How will MiFID impact key market quality indicators?**

	Strongly increase	Some-what increase	Neutral	Some-what reduce	Strongly reduce
Investor protection	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Efficiency of the price formation process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transparency of European financial markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Competition between execution venues in Europe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Question 38: What is your opinion on the following statements regarding MiFID's impact?**

	Strongly agree	Some-what agree	Some-what disagree	Strongly disagree
<b>MiFID will ...</b>				
... lead to markets outside the EEA adopting certain aspects of MiFID.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
... lead to regulatory arbitrage within the EEA.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
... significantly increase the use of dark pools.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
... make EEA markets more attractive to non-EEA investors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*Thank you very much for your help!*