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'I/A' ITEM NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council

Subject: Draft DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE
COUNCIL amending Directive 2014/65/EU on markets in financial
instruments **(first reading)**
- Adoption of the legislative act
- Statement

Statement of the Czech Republic

The Czech Republic has been continuously supporting further development of CMU and in this regard, it has pinned its hopes, among others, on the revision of the Markets in Financial Instruments rules. Partially, these hopes have been materialised. For instance, the final compromise has brought a consolidated tape protective of smaller trading venues. Moreover, there are number of improvements mitigating excessive administrative burden for market participants, which were not justified. These amendments are highly appreciated by us.

On the other hand, the final compromise, in our opinion, is not proportionate enough in terms of transparency of bond market, which might lead to limitation of trading and listing of corporate bonds on less liquid markets. In this context, the Czech Republic communicated its serious concerns supported by data on its bond market and warned against excessive regulation.

Nevertheless, these concerns and warnings have not been taken into consideration. The whole structure of quite short deferrals is fixed at level I, which does not give ESMA necessary flexibility to adjust deferrals, should our concerns materialise. This might have a detrimental effect not only on the Czech bond market, but also on the other MSs markets of similar liquidity.

In addition, due to the ban on PFOF, this compromise will substantially limit mainly accessibility of trading of shares for EU clients. On top of that, the ban, as it stays, will prohibit offering of any discounts from systematic internalisers or other EU or non-EU liquidity providers to retail and some professionals.

Thus, the provision, which was included in order to limit a disputable practice, has resulted in restriction on execution of orders on EU or non-EU trading venues only, regardless best execution rules and the cost paid by retail or some professionals.

Finally, being fully aware of many challenges preceding this compromise, from the procedural point of view, the Czech Republic would have welcomed to hold more discussion on particular issues in the Council and assess potential implications of considered solutions all together.

As we acknowledge, there is a number of positive changes in the proposal, and taking the whole picture into consideration, we have decided to support the file.