

(FISMA)

From: [REDACTED] (MARKT)
Sent: 16 December 2011 11:35
To: [REDACTED] (CAB-BARNIER); PAULIS Emil (MARKT); MARKT LIST G2; MARKT LIST G3
Cc: [REDACTED] (MARKT); [REDACTED] (MARKT)
Subject: Minutes from meeting with ICAP, 15/12/11

For your information, on behalf of [REDACTED] and [REDACTED]:

On Thursday, December 15th, [REDACTED], [REDACTED], Emil Paulis, [REDACTED] and [REDACTED] met with [REDACTED] and [REDACTED] of ICAP, and [REDACTED] of Fleishman Hillard.

ICAP emphasise the importance of creating the OTF category under MiFID in order to create a level playing field and regulate activities which are currently OTC. They stress the need for allowing discretionary execution and the multilateral nature of the OTF. Voice broking is crucial, especially in times of market stress.

For equities, discretion is essentially limited to discretion of selecting the platform where a trade gets executed. For derivatives, discretion entails a search for derivatives. An OTF performs the important function of searching for liquidity. They consider riskless matched principal trades should be allowed.

They distinguish episodic from continuous markets. Trading in non-equity markets is typically episodic; e.g. OTC swaps with only about a hundred trades a day being done. Liquidity may vary by duration and date of the instrument. The hedges for these instruments are typically continuous, and include futures and interest rates. The broker needs discretion to match these markets, and can only offer the best price on the very moment when his hedges are lined up. On transparency, they emphasise they cannot always publish prices because those may not exist at any given time.

ICAP would welcome non-discriminatory access requirements for OTF's in order to emphasise that they are a platform and not acting on behalf of clients.

With regard to the NYSE/DB merger, they consider divestment of the clearing activities may be necessary. This would be needed to ensure that clearing can be accessed through other channels than only the trading platform.

With regard to the Italian sovereign bond market, they note the Italian DMO is imposing unreasonable requirements on them as they seek to offer a trading platform. Notably, the Italians require them to achieve a fifty percent market share from the outset.

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