

**From:** [REDACTED] (MARKT)  
**Sent:** 18 October 2013 11:50  
**To:** MARKT LIST G3  
**Subject:** info: meeting with BATS Chi-X re MIFID II

On 17/10-2013, Maite Fabregas, Philip Tod, [REDACTED] and [REDACTED] met with [REDACTED] (CEO BATS Chi-X Europe) and team to discuss MIFID II.

In May 2013 BATS obtained the status of regulated market, the objective being to attract a wider group of investors with conservative investment strategies, such as investment managers with mandates restricted to RMs. BATS can now also list shares, including ETFs.

BATS strategy is to contribute to enhancing EU investment growth by tapping more cross border investments - both intra and extra EU - by offering a pan-European-platform. This strategy has been successful for large cap companies. The aim is now to extend this cross-border offering to small and mid-cap companies.

BATS is now acquiring a participation in EMCF-Euro CCP. By having a minority stake in this company, BATS want to ensure that their horizontal business model can be maintained at sufficient scale (not only Deutsche Börse seen as a concern, but potentially also LSE's acquisition of LCH.Clearnet means that there may potentially be no independent horizontal CCP's ).

BATS is also launching trade reporting services which eventually would become an APA under MIFID II. This is a first step in shifting OTC trades (much covered by small and mid-size cap company trades) on venue. For this purpose, BATS is developing a standard for data reporting (MMT).

To achieve real integration of EU capital markets, a well-functioning consolidated tape provider (CTP) is essential (both pre- and post-trade). While not difficult technically speaking, the strong commercial interest of data producers makes it unlikely to be achieved absent effective regulation. A public tender with 4-5 players with say 4 year renewable contracts would be a way forward to foster innovation and competition.

As regards cross market surveillance, BATS believe that the answer is CTP with pre- and post-trade functionality with proper standards. This could also be used for supervision by obliging CTPs to provide all data to competent authorities (or ideally an EU supervisory authority) including counterparty information.

The lion's share of dark trade is OTC, not broker crossing networks. Negotiated trade waivers should be kept as they enable venues to attract OTC trades onto venues since trades put through venues have the benefit of clearing and lower capital charges. Putting a cap as proposed would punish the most efficient venues with largest volumes.

Fee structures must not have a harmful effect on liquidity or create entry barriers for new venues with larger spreads; the case for EP's proposal for higher fees for cancellations and order-to-cancellation ratios would be very damaging to markets, competition and in particular small less liquid shares.

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