

(FISMA)

From: [REDACTED] (MARKT)
Sent: 16 July 2013 14:45
To: MARKT LIST G3
Subject: Meeting with ICI re MIFID

Maite Fabregas, [REDACTED] and [REDACTED] met with [REDACTED] and [REDACTED] from ICI re MIFID.

US developments

As regards transparency, FINRA will propose enhanced reporting obligation for dark pools (two weeks delay).

Operational risks: SCI will increase requirements for brokers/exchanges. Sell side pushes back but ICI is supportive.

The Duffy bill was circulated but so far not introduced. If adopted, it will require 10 cents increments to improve market maker incentives.

HFT trading debate is no longer a live issue in the US. A high SEC official has stated that no proof of harmful effects has been produced and the regulators are generally unwilling to move forward with rules without proof.

ICI believes that order routing is much outside of buy side control (the only constraint is best execution). Markets turned too complex. ICI therefore took the initiative to set up a forum for industry participants to informally discuss the economics of order routing and related issues and to possibly find solutions (discussing lower or abolished access fees vs. new ways to structure fees to incentivise liquidity). Australia e.g. introduced price improvement).

Data reporting not always simultaneous to all investors; this was not the case recently where Nasdaq circulated proprietary data early for a fee to, typically HFT traders. This is a concern.

No order type harmonisation. Commercially speaking, trading venues cannot refuse new order types. There are more than 100 different, of which investment managers use only a handful.

Possibility for indirect issuer sponsoring of market makers tried out in the US as regards ETFs; conflict of interest a concern but unemployment even bigger concern and this is supposed to contribute to liquidity.

EU

The single most pressing issue in MIFID now (which needs more attention) is the need for consolidated tape in Europe.

ICI would support cap on the use of pre-trade transparency waiver (although they want "choice"). SEC is probably more focused on reporting issues rather than transparency or market structure.

HFT not a real issue; this should be addressed with clear market making regime (current definitions broadly ok).

Supportive of cancelling fees but against resting periods.

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