MELDRUM Brona (MARKT)

From: LEDURE Valerie (MARKT)
Sent: 23 February 2012 17:13
To: MARKT LIST G3
Subject: Meeting report: City of london 23/02

Maite, Giles and I met with representatives from the International Regulatory Stategy Group of the City of London (from City of London, from Goldman Sachs, from IMA, from Thomson Reuters, a buy side representative from Allianz). Most of the discussion went around the third country regime.

Third country regime

- The exemption for non solicited services does not reassure them. For example, brokers usually call them to inform them about new services so its scope is potentially very narrow. They would prefer clearer wider drafting.
- Leaving aside the solicitation test they were in particular concerned about the application of the third country regime to the professional category. Their high level position is that the regime should protect retail clients but that it would apply to wholesale-like activities that were now classified as professional. They gave some concrete examples of unpractical / unintended effects of our proposed regime:
- Upgrade of the safekeeping of assets as a main service: would a third country custodian bank need to set up a branch in the EU to offer their services to professional investors (i.e. fund managers)?
- Brokerage services: portfolio managers have often resisted to be classified as ECP because they would not benefit from best execution obligations while having to offer these to their clients. If they would ask to be classified as ECP for the purpose of the third country regime they would loose the benefits of best execution.
- Portfolio management: would a third country firm offering delegated portfolio management services to EU portfolio managers need to establish a branch in the EU? They also raised the question about the interaction with the provisions regarding outsourcing in the existing MiFID level 2 directive.
- Although they understood on our high level objectives (cfr. mutual recognition), they have doubts that equivalence could work in practice - in particular how it would work for smaller countries, larger countries and those less beholden to the G20 and in particular to Asian economies. Even for the US there are for example no capital requirements for fund managements in the US.

Pre-trade transparency

Bonds markets will be critical to EU growth and recovery. To try to implement pre-trade, post-trade and the OTF category in the bonds markets all at the same time makes them nervous. They fully support post-trade but ideally would like to see pre-trade confined to the retail market. They also would like to see the powers given to COM better framed in terms of what the objectives were.