[redacted]

From: [redacted]
Sent: 05 March 2012 17:03
To: [redacted]
Cc:
Subject: MiFID / MIFIR - Some thoughts & a meeting request
Attachments: NYSE Euronext - Briefing on Cross-Venue Cooperation.pdf; NYSE Euronext - Briefing on Payment for Order Flow.pdf; NYSE Euronext Market Structure Overview.pdf

Dear All,

I hope you're all well.

As we understand the Council Working Group will discuss market structure issues this Friday I would like to share with you the attached summary of our main positions on the main relevant points.

In addition, I'm also attaching two further documents on the following issues:

- Payment for order flow
- Suspension / removal of financial instruments from trading.

[redacted] and I would like to request a meeting with you to discuss the overall proposals if we may. Both [redacted] on our cash markets side in Paris) will be in Brussels on **March 22** for a series of meetings and I wonder if this might provide an occasion for a meeting?

Best regards,

[redacted]

[redacted]

NYSE Euronext

Powering the Exchanging World

[redacted]

Does MiFID matter to you? Visit our EU Regulatory Channel to find out more

[redacted]

From: [redacted]
Sent: 18 October 2012 16:09
To: [redacted]
Cc: [redacted]
Subject: [redacted] on MiFID

[redacted]

[redacted]

Re: LSE on MiFID

[redacted] called by yesterday in his LSE CEO role. We had a long chat, mostly about the crisis and the UK in the EU, but on MiFID I asked for his thoughts on going early or holding out for something better. On balance he thinks it's in pretty good shape, and we could do a lot worse, but some issue would need to be addressed first:

- Article 28 he thinks is largely okay, but the point is we'd need to ensure that we got both access to clearing houses, and to the fungability to allow for off-setting. The EP/Council could come out with a position where you have the former, but not the latter, which would be pretty useless from an access point of view;
- Interestingly, he thought article 29 was already as much as we needed or could hope to get. His point was that the Csion were too ambitious in the first place to try and force interoperability, so merely making allowance for it was okay. It doesn't work in the market place to try and force it.
- On IP of indices in article 30, he appreciated it had been taken out at DB's behest by the Parliament, but he thought if we could get it addressed in whatever comes out on indices as a result of the LIBOR review, we could live to fight another day.
- He thought there was scope for a compromise on access to dark trading. For example, you could put some conditionality around it, such as minimum size, or something else that helps control access but is bearable.
- Re. the high frequency debate, he agreed that the minimum resting period was bonkers and needed to come out, but in return thought we should bring it into the regulated space, as there needs to be some compliance structure around algorithms. He thought a harmonised approach to tick sizes, then put them under a regulated regime;
- Finally, he thinks there needs to be consolidated tape, but is worried about the idea of giving it to one company as a concession. If we have to do that, then we needed to separate the jobs of collating and distributing the information, and open the latter up to the market. This was important so that the consolidated info. is available from different information providers in places like Italy, where they don't use Reuters or Bloomberg.

I raised third countries with him, and asked [redacted] His would be a useful voice to have in support of the CX if this goes to ECOGFIN next month. He said he would.

[redacted]

[redacted]

[redacted]

From: [redacted]
Sent: 08 February 2013 19:28
To: [redacted]
Cc:

Subject: LSE on MiFID

[redacted]

[redacted]

Re: LSE on MiFID

I met with [redacted] from the LSE yesterday. We had a long chat about financial services and the EU, and the UK within it etc. but then focused on MiFID.

He reported that one of their guys, [redacted] had recently met your French oppo, and that [redacted] ad suggested a deal whereby France supports us on access, if we supported them on OTF and transparency. JJ then went through a possible compromise on transparency, whereby if you were in the dark space, you had to offer a price improvement reason, not just substitution. This, he thought, would fly with the French, and give us the bulk of what we wanted. We would then be free to fight for this another day in the indices and benchmarks proposals which are on their way. I suppose you could even throw in article 30 as negotiating fat for the Parliament, as they'll need a win, too. (On access btw, he reported that [redacted] an [redacted] were solid when he'd seen them.)

On the deal with the French, you and Richard have both mentioned before, and particularly with the compromise JJ suggested and the fact that we could come back to it in subsequent legislation, it could work. (Notable that Philippe explicitly suggested it, supposedly.) However, and this is what I said to him, it's a pretty big thing to actually go ahead and outvote the Germans, I can only see this working if they realise the game's up and come along quietly. But we wouldn't do that on CRD if we were in that position, and so we need to be wary of interplay between the two and weigh that up in any reaction to this idea of a deal with the French.

(Then on the tape, he's very keen to ensure we don't mandate anything too prescriptive, i.e. not have a single provider for all information, but just a single provider for different types of information, e.g. bonds, or split it geographically, e.g. London exchanges. Either way, he though a single provider for all information would just create a monopoly. It was also important to separate production of the tape from distribution, so Bloomberg's tape could be available on other media in places like Italy where Bloomberg isn't commonplace. All sounded sensible to me, although not first order stuff to date.)

[redacted]

[redacted]

Annex A – meetings that included discussions on MiFID.

27/1/12: Tradeweb
2/2/12: Barclays Capital
17/2/12: UBS
21/2/12: Goldman Sachs
13/3/12: BNP Paribas
21/3/12: Deustche Borse
21/3/12: ICE
22/3/12: NYSE Euronext
23/4/12: RGM Advisors and Quantlab
26/4/12: Liquidnet
2/5/12: Bloomberg
7/5/12: Chicago Mercantile Exchange Group
8/5/12: IMC Group
15/5/12: MarketAxess
16/5/12: Bank of America Merrill Lynch
30/5/12: BATS Chi-X
8/6/12: London Stock Exchange
11/6/12: JP Morgan
12/6/12: Trayport
19/6/12: NASDAQ OMX
19/6/12: Deustche Bank
20/6/12: Chicago Mercantile Exchange Group
22/6/12: London Stock Exchange
27/6/12: UBS
4/7/12: JP Morgan
5/7/12: Bank of America Merrill Lynch
6/7/12: JP Morgan
16/7/12: DTCC
17/7/12: London Stock Exchange
17/7/12: HSBC
19/7/12: CitiBank
20/7/12: Blackrock
23/8/12: BNP Paribas
31/8/12: ICE
12/9/12: MarketAxess
21/9/12: RGM Advisors and Hudson River Trading
25/9/12: IG Group
26/9/12: Tradeweb
8/10/12: CitiBank
9/10/12: Goldman Sachs
10/10/12: ICE
11/10/12: Bank of America Merrill Lynch
16/10/12: NASDAQ OMX
17/10/12: London Stock Exchange
7/11/12: ITG, Norges, APG, Deka Investment and Pioneer Investments
10/12/12: Blackrock
10/1/13: HSBC
16/1/13: Citadel
16/1/13: Fidelity

25/1/13: LCH Clearnet
29/1/13: Argus Media and ICIS
30/1/13: The Baltic Exchange
30/1/13: Blackrock
30/1/13: ICE
11/2/13: NASDAQ OMX
19/2/13: London Stock Exchange
22/2/13: State Street
25/2/13: DTCC and Avox
26/2/13: Bank of America Merrill Lynch
6/3/13: NASDAQ OMX
12/3/13: CitiBank
20/3/13: State Street, AXA Investment Managers, Pioneer Investments
19/4/13: ICAP

We would suggest that a sensible compromise would be for ESMA to retain the option to dispense with the mandatory trading requirement if certain specific criteria were met. For example, criteria might include low systemic risk, high levels of existing pre-trade transparency and market participants consisting largely of financial institutions already falling under the regulatory umbrella.

We welcome the Parliamentary proposal to ensure that there is no "backsliding" from MTF to OTF, and would consider it helpful in achieving the G20 goals if the Council also supported this position, but of course the problem is one of getting trading to migrate. In this area a concern is with the definition of the OTF. One securities regulator has indicated that they consider that the OTF definition is intended to be a "catch-all" for existing hybrid voice and screen-based broker businesses. If this is to be the case it is clear that there will be no change to trading even if there is an obligation to execute on a regulated market since the (loosely defined) OTF will suffice. Only by ensuring there is minimal difference if any between an OTF and an MTF in the commodities space can we expect to see a real change in the way in which trades in OTC commodities markets are executed.

We briefly discussed the matter of Article 30 of MiFIR, and it may be worth emphasising some aspects of this. We feel strongly that benchmark providers must be free to commercialise their intellectual property as they see fit. If an exchange generates an index then it is free to trade the index exclusively on its own venue and in its own clearing house. However, this does not mean that the underlying data is not available to stimulate competition, since intra-day prices are widely distributed and can be used by competitors to create rival indices. The barriers to entry in market benchmark production are generally low.

Where a benchmark is controlled by an independent third party that party has a commercial incentive to maximise revenues, which may be achieved by implementing a small number of exclusive or semi-exclusive arrangements with exchanges and CCPs, or by making the data widely available to many exchanges or CCPs. An exchange or CCP wishing to facilitate trading in a similar product is free to create one and market it, either on its own or in partnership with a third party. There is therefore no need to oblige benchmark providers to licence their intellectual property to exchanges and CCPs. Market forces should be allowed to operate.

I hope the above comments are useful to you.

Yours sincerely,

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Jeremy Penn Chief Executive Officer

The Baltic Exchange

22 February 2013

[redacted]
Avenue d'Auderghem 10
1040 Bruxelles
Belgique

[redacted]

Dear [redacted]

It was a pleasure to meet with you on 30 January to discuss a range of issues which may have an impact on the Baltic Exchange.

As you requested, I have pleasure in attaching a copy of the Baltic Exchange response to the DG Market consultation on market benchmarks. The key point is that a highly prescriptive approach may lower the quality of information available by failing to take appropriate account of the differences between markets.

Among other matters we discussed was the issue of incentivising trading of OTC instruments on MTFs. We take the view that the Dodd Frank legislation in the US has so far failed in this area because trading of OTC instruments continues to be via opaque telephone broking rather than on regulated markets. Trades are being reported via futures exchanges (such as ICE and CME) because they have modified the "normal market size" definition for their "block" trading rules so that now all normal trades can be treated as blocks. This means of course that not only does the execution still take place "off market", but because the trade is deemed to be a future rather than a swap, it is subject to lower margin requirements in clearing than is the case for a swap. This offers an incentive to traders to follow the approach.

We draw attention to this situation since there must be a concern that the EU makes similar mistakes in the implementation of its own legislation and therefore also fails to achieve the goals set out by the G20.

We understand that current proposed Parliamentary and Council drafting for MiFIR contemplates that there will be no automatic link between the mandatory clearing obligation and the requirement for executions to take place on regulated markets (MTF or OTF). We understand that the proposal is for ESMA to make judgements instrument by instrument on this matter. In our view this will lead to protracted debate and negotiation between ESMA and market participants and little progress. The implementation of Dodd Frank has demonstrated how difficult it is to migrate trading to the regulated markets sought by G20.

[redacted]

From: [redacted]
Sent: 14 February 2012 15:59
To: [redacted]
Subject: NYSE Euronext - Position Paper
Attachments: NYSE Euronext MiFID II - MiFIR Position Paper Feb 2012.pdf; NYSE Euronext MiFID II - MiFIR Summary of Recommendations Feb 2012.pdf

Dear [redacted]

I hope you are well.

Please find attached our Position Paper on MiFID II / MiFIR as well as a note summarising our recommendations.

We would very much welcome an opportunity to touch base with you on these proposals, particularly in respect of market structure, algorithmic trading and commodity derivatives and I wondered if we could schedule a meeting at your earliest convenience.

Best regards,

[redacted]

[redacted]
NYSE Euronext
Tel: [redacted]
Mob: [redacted]
Fax: [redacted]
E-mail: [redacted]

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[redacted]

From: [redacted]
Sent: 13 February 2012 13:53
To: [redacted]
Subject: RE: congratulations!!
Attachments: EP questionnaire version 14jan.pdf

Ok thanks. We've been asked to do a board update so would be great if you could send a copy when it's ready (kind of like driving with our eyes shut at the moment!)

Guess you'll be turning your gaze to mifid now? Let me know if you want to discuss anything. I've attached our response to the EP's questionnaire. not a bad intro and you can pick and choose the questions you read into.

[redacted]

From: [redacted] [mailto: [redacted]
Sent: 13 February 2012 13:50
To: [redacted]
Subject: RE: congratulations!!

Thanks – no text yet, we are expecting a draft soon

From: [redacted]
Sent: 13 February 2012 12:50
To: [redacted]
Subject: congratulations!!

Well done on EMIR [redacted]

Is a final text available yet?

[redacted]

[redacted]

From: [redacted]
Sent: 09 February 2012 09:04
To: [redacted]Restricted)
Cc: [redacted]
Subject: FW: HSBC - Meeting with [redacted] Co-Head of Global Markets - Tuesday 28 February
Attachments: [redacted] Bio with photoPDF.PDF; [redacted]Questionnaire_HSBC_Final.pdf

Dear [redacted]

As agreed by you and [redacted] below in the meeting request sent on behalf of [redacted], HSBC.

Kindly,

[redacted]

From: [redacted]
Sent: jeudi 2 février 2012 10:37
To: [redacted]
Cc: HSBC BRUSSELS
Subject: HSBC - Meeting with Spencer Lake, Co-Head of Global Markets - Tuesday 28 February

Dear [redacted]

I write to you on behalf of HSBC regarding a meeting request from [redacted], Co-Head of Global Markets [redacted] biography is attached.]

As a key representative of HSBC's markets activity in Europe, [redacted] is in close contact with European policymakers in order to participate in the dialogue on regulatory initiatives in financial markets. If possible, we'd like to set up a meeting with you on Tuesday 28 February, in which to discuss the ongoing review of the Markets in Financial Instruments Directive (MiFID).

HSBC supports measures to harmonize regulation that facilitates cross-border business within the EEA, and is following the review process of MiFID with interest. In January 2012, HSBC submitted its views to [redacted] questionnaire on this matter. [A copy of this document is attached.]

With the legislative process now under way, [redacted] would be keen to discuss certain key issues in relation to European markets infrastructure. Such issues include:

- The calibration of post trade transparency requirements;
- The extension of the SI regime to non-equity instruments;
- The differentiation between high frequency trading and algorithmic trading, and;
- The requirements used for the OTF category.

An opportunity to share views on other issues such as developments in sovereign debt markets, infrastructure finance and the impact of the Volcker rule, would also be greatly appreciated.

I will be in touch in the coming days to follow up on this meeting request.

With kind regards,