[redacted] (FISMA)

From: [redacted] (MARKT)
Sent: 20 February 2012 08:59
To: MARKT LIST G3
Subject: Meeting with BAML

On Thursday, February 16th, Ugo Bassi, [redacted], [redacted], [redacted] and [redacted] met with [redacted], [redacted], [redacted], [redacted] and [redacted] of Bank of America Merrill Lynch.

With regard to the ban for OTF's to execute against their proprietary capital, they note that proprietary capital is needed to allow customers to transact large sizes, and to hedge contracts for differences. This is client driven trading. The ban would increase the cost of capital significantly.

On HFT, they welcome the general alignment of requirements with those recently adopted in the US. However, they caution against the requirement to provide liquidity, which would be inappropriate especially for execution algorithms.

For fixed income, they consider that pre-trade transparency requirements would not be appropriate for secondary trading of private placement and structured notes. In the fixed income markets, trades are generally not done as crosses, but with dealers acting as principal. Therefore, firm quotes would not be appropriate;They welcome post-trade transparency, but urge to adopt a phased approach, and highlight the importance of block trading.

For derivatives, they note the importance of request for quote models. They support the MiFIR access requirements, and would welcome an exemption from mandatory centralised trading for blocks.

They support the general idea of having a third country regime, but would favour an exemptive relief approach. They ask how professionals which have opted up would be treated.

[redacted] | Policy Officer | Securities Markets Unit | DG Internal Market and Services | Phone : [redacted] | Mobile : [redacted] | [redacted]@ec.europa.eu