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MiFID II reply CP ESMA
Handled by
Regulatory Affairs
Direct line
+31 30 2779223

ESMA
CS 60747
103 rue de Grenelle
75345 Paris Cedex 07, France

Please quote date and our
reference in all correspondence

Dear Sir, Madam,

We, PGGM, appreciate the opportunity to reply to the Consultation Paper issued by ESMA on December 19, 2014 regarding MiFID II / MiFIR. Within the corporate structure of PGGM there are two entities currently holding a MiFID license, being PGGM Strategic Advisory Services B.V. and PGGM Treasury B.V.

We have chosen to make two general observations rather than addressing each question set out in the Consultation Paper.

General remark

We are in favor of the increase of transparency requirements under MiFID II and MiFIR. As stated before in our previous consultation response, July 29, 2014, we welcome the progress made by ESMA on this matter in MiFID II and MiFIR.

Concern

We have a concern relating to the following issues:

- Liquid market definition fixed income

With regards to the liquid market definition for fixed income financial instruments we find the definition of liquid bonds unsatisfying given the table presented on page 104.

In principle we agree on ESMA's decision regarding the liquidity criteria for a bond stated on page 102 "ESMA decided to consider a bond or SFP liquid if it trades at least on 200 days a year, it records at least 400 trades a year and €100,000 of nominal traded per day (hereinafter liquidity criteria)".

However, we do not agree using issuance size as a leading criterion as ESMA is proposing, because: on total, liquid and illiquid, 86%-99% of bonds are deemed correctly categorized (see table 5 on page 104). For the illiquid part of it 92%-99% is correctly categorized. However, for the liquid part only between a quarter to slightly over half the bonds are correctly categorized.

We would suggest a higher issuance size threshold, so that at least 80% of the ISIN's are correctly categorized.

- Commodity derivatives

With regards to the commodity derivatives we would like to stress our earlier comment as stated in our letter dated July 29, 2014.



A large part of PGGM's commodity transactions consist of trades on American trading venues and therefore are constituted by American Law. We strongly suggest to take the best practices of this American law into account. This will also be the case in relation to the position transparency. Rather than using thresholds, we would like to focus on the American market practice.

If you have any questions regarding our response, please contact Ido de Geus, Head of Treasury & Client Portfolio Management, ido.de.geus@pggm.nl, or Frans de Wit, head of Commodities, frans.de.wit@pggm.nl.

Yours sincerely,

A handwritten signature in blue ink, appearing to be "Jacintha Sreen", with a long horizontal line extending to the right.

Jacintha Sreen
Regulatory Affairs Officer
PGGM Investment Management