



THOMSON REUTERS

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Dear Sirs

Response to CESR Technical Advice to the European Commission in the Context of the MiFID Review -- Non-equity markets transparency

Thomson Reuters has comments on the following questions:

Questions 34-38: Pre-trade transparency for derivatives

In general, exchanges, dealers and brokers only make pre-trade information available real-time and on a comprehensive basis to their members and direct customers. Pre-trade prices are also made available to the wider market from most (but not all) venues through information vendors. Transparency for over-the-counter derivatives has increased as more trading has migrated onto electronic platforms which display prices, including providing a composite price from multiple dealers. It is worth noting that prices quoted for an over-the-counter derivative vary according to the dealers' view of the creditworthiness of the counterparty.

Typically, brokers charge vendors a re-distribution fee for access to delayed information, which may also only contain a subset of all data fields available and may update only periodically during the course of the trading day. Restrictions may also be placed on the extent to which information from one venue can be co-mingled with data from other venues for display to customers.

Note - in Europe most non-oil energy markets are operated electronically by brokers using the Trayport GlobalVision trading platform, which given its significant market penetration provides a degree of underlying price normalisation and aggregation through a common technology conduit, but not a consolidated view of all prices at all venues as this is at the commercial discretion of each execution venue.

Better price transparency should enable better trading decisions to be made, encourage keener prices and provide for better pre-trade risk management

The most suitable form of price transparency for any particular market participant may depend on their preferred trading model which reflects the individual properties/nuances of the underlying market. Different trading venues provide price transparency in different ways and market participants should be able to have the benefit of being able to decide their preferred model and (if desired) to be able to consolidate these different forms of transparency to achieve their individual requirements. In this way, competition between different trading models leads to greater price transparency and greater customer choice.



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Questions 39-44: Post-trade transparency for derivatives

In general, exchanges and dealers and brokers only make post-trade information available real-time and on a comprehensive basis to their members and direct customers. Trades are also made available to the wider market from most (but not all) venues through information vendors. Typically, brokers charge vendors a re-distribution fee for access to delayed information, which may also only contain a subset of all data fields available and may update only periodically during the course of the trading day. Restrictions may also be placed on the extent to which information from one venue can be co-mingled with data from other venues for display to customers. A consolidated (or aggregated) accurate and timely view of trades in each market therefore is not easily available.

A timely view of all trades in each market should on balance be beneficial to market participants, although consideration should be given to markets where wholesale traders may withdraw liquidity if compelled to provide transparency to a level where they are clearly disadvantaged. Better trade transparency should enable better trading decisions to be made, encourage keener prices, promote liquidity and provide for better risk management.

In addition, information about aggregated volumes and trade flows across the market as a whole would enable better visibility of overall trading trends, e.g. through the creation of indices, etc.

If a pension fund has a crystallised risk that requires hedging – typically in a large amount – the current environment allows a bank to quote for that trade so that the pension fund can immediately hedge their risk at a defined level. Rules that require full disclosure of this trade's details to the wider market would mean that the wider market is able to trade against the large position, thereby removing the ability of that quoting bank to unwind their position. Depending on the instrument involved this might be relevant for hours days or weeks so a simple delay in publication is not sufficient. (e.g. a 6 month option in an illiquid currency pair could be at risk in this way through to maturity)

We also have a point on paragraph 76, which is that growth in non-bank participation should be noted. Share as shown by BIS Triennial survey shows non-bank share rising each reporting period and in 2007 matching that of banks. A new survey is due later this year.

We hope you found our comments helpful. Please feel free to contact the undersigned.

Yours faithfully,

Henry Manisty

Global Head of Government & Regulatory Affairs