Dansk Aktionærforening

European Securities and Markets Authority, ESMA
103, rue de Grenelle
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ESMA Consultation Paper on guidelines on systems and controls in a highly automated trading environment for trading platforms, investment firms and competent authorities
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Comments from Danish Shareholders Association, DAF, the organisation representing retail investors, consumers, in Denmark.

The principles

DAF finds the Consultation Paper on guidelines on systems and controls in a highly automated trading environment for trading platforms, investment firms and competent authorities, very interesting and has no objections to the draft guidelines.

But it is a question to consider, if the guidelines will help. The technologies necessary for making High Frequency Trading and other types of automated trading are available. Detailed guidelines will stymie or stop certain activities, but will they deliver fair and orderly markets?

Comments to Q1 and Q25

DAF receives questions from members about the functioning of the market. Members - i.e. retail investors, consumers, actively trading in the market - are uneasy. Retail investors see a lot of activity and understand that sophisticated trading systems are active in the market. Retail investors find it difficult to judge if they are treated fair in the market or if they fall victims to the activities of highly automated traders.

DAF finds it important to create more transparency about what the rules are and what fair and orderly trading is. The principles behind the rules should be known and followed by all trading platforms, investment firms and other market participants.

Guidelines introduced before the review of MiFID must be based on the existing MiFID rules. The intentions behind the MiFID and MAD rules are good, but it is possible that evolution since the drafting of the directives has made it less immediately understandable what fair and orderly behaviour and trading is.

The challenge is that some persons or companies could be more interested in how to gain money than in the principles behind MiFID, MAD and the guidelines. These persons or companies could find that the narrow and concrete guidelines open up for the use of new methods, new algorithms not within the principles behind the rules.

It must be made clear, that the guidelines are not changing the legal situation. The MiFID and the MAD are still valid. The guidelines are interpretations, not rules that reduce the obligations of trading platforms, investment firms, other market participants, and competent authorities.

Kind regards
Dansk Aktionærforening
Danish Shareholders Association

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