



GL TRADE SA

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CESR SECRETARIAT

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We welcome the opportunity to provide comments on CESR's consultation paper (CESR's Draft Technical Advice on Possible Implementing Measures of the Directive 2004/39/EC on Markets in Financial Instruments – 2nd Set of Mandates, October 2004).

1. GL TRADE Presentation

Established in 1987, GL TRADE provides its clients with Trading & Order Management Software, Network, Market Data and Services to cover the entire order flow from the Buy-Side to the Sell-Side.

GL TRADE provides the financial community with global and open solution dedicated to order capture & execution. Relying on scalable and high-volume handling technology, GL TRADE has developed GL STREAM™ a real-time integrated software suite. This solution aims to bring our clients the software architecture suitable for the Best Execution, compliant with legal issue and designed to optimize our clients order flow.

Moreover, GL TRADE also provides the Financial Services actors with the GL NET, a trading network application, linking together Buy-Side and Sell-Side institutions. GL NET offers access to more than 100 cash & derivative liquidity pools worldwide on a remote contribution principle.

Today, GL TRADE employs more than 1000 people and has 23 offices on the five continents. It has over 3500 clients including 500 major international financial institutions.

2. GL TRADE General Comments on MiFID

GL TRADE would like to thank the CESR for its involvement and in particular for the work produced for the protection of investors. We welcome the CESR involvement in carrying Financial Services to an European level, unifying primary markets and allowing a wider competition on the liquidity.

As a leading ISV on Market Access, Trading Systems and Order Management, all our clients acting in Europe will be impacted by the MiFID and its implementation. We welcome the opportunity the CESR is giving us to share our views and concerns about the MiFID.

As a prelude to our responses on consultation paper, we will briefly discuss on GL TRADE position on certain key issues with respect to the Transparency and Best Execution principles.

GL TRADE supports the fundamental principles and objectives about Best Execution and pre and post trade transparency as set by MiFID.

We thanks the CESR to emphasize process rather than price concerning Best Execution and we welcome the link made with the needs of a greater transparency over the pre and post trade.

As an ISV, we are following closely and carefully the CESR recommendations to adapt and develop our solutions so our product portfolio fits to the final regulation and its interpretations. However, we would like the regulator to precise further the framework in which the ISV status will evolve with the MiFID. In particular: where does the accreditation of technical solutions will start? Do and how the regulators intend to associate ISV market players in the last steps of the MiFID implementation? Do the European authorities intend to create specific commission for ISV? These are some of the outstanding questions we have on the MiFID process.



With regards to the MiFID implementation measures, we are very concerned over the fact that the impacts of the directive on ISV market players still remain unclear. We would like to underline the fact that the aims and the obligations pursued by the MiFID directive cannot be reached without any technological means. Therefore, market players producing these means should be involved in the implementation process.

We would like to emphasize the valuable help independent software vendors such as GL TRADE can bring to the CESR. Because we - and our competitors - are providing the whole financial community, we can bring the CESR an aggregated and synthetic view of financial services market issues and best practices.

3. GL TRADE Comments on consultation

1.1. BEST EXECUTION

GL TRADE thinks that IT Systems and fair access to market data are key elements in the implementation of the Best Execution policy.

In our opinion Best Execution relies first on qualitative and quantitative factors concerning order entry conditions (market data relevance, client typology, instruments, execution delay, brokerage fees and associated taxes...); and issues relating to execution (actual execution price, exchanges fee, settlement and clearing fees).

It is also greatly dependent on the process within the institution. These processes are relying more and more on software and networking architecture. The ability of the intermediaries to be linked to the others players and to track the order is more than ever mandatory.

That's why we feel that technical definition and integration will be a key part of the answer given to the Best Execution challenge. As an independent and broker neutral ISV, we are at the disposal of the CESR to conduct discussion and workshop on practical implementation of Best Execution process and measurement.

1.2. DISPLAY OF CLIENT LIMIT ORDERS (Article 22)

GL TRADE generally agrees with the CESR proposals on article 22.2

Since, we have few questions on BOX13: when having to favour the execution of a client limit orders, how the intermediaries make the choice of the execution? Based on execution price? Based on execution price + fees? GL TRADE asks for the CESR to precise the implementation measures on this point unless the answer is in the Best Execution articles.

Question 7.1: In your views, what types of arrangements other than RMs and MTFs could be considered as complying with article 22.2?

GL TRADE thinks that it could be possible to transfer the order to other financial intermediaries in non direct market access basis. This can be a solution for an intermediary to comply with the clients' demand when he does not have the means to execute the order. For instance if the broker is not a member of the execution venue (A) - where the order could be executed – it could be possible to transfer it to a broker member of the execution venue (A) - which will favour the order execution. This can be additional arrangements to sending orders to RMS and/or MTFs.

Question 7.2: Do you consider the proposal on publishing the client limit order in a quote driven system appropriate?

GL TRADE agrees on this proposal.

1.3. PRE-TRADE TRANSPARENCY – SYSTEMATIC INTERNALISERS

In the formal mandate, CESR was asked to take “all the necessary elements for eliminating the barriers for the consolidation of market information as well as all other means for ensuring that this information is handled in a manner that provides for its effective consolidation”

GL TRADE completely agrees with this mandate. Box 14, CESR recommends the use of the same channel for publishing internalization quotes and announcing the cease of the internalisation. We would like the CESR to precise the term “Channel”. Does it mean that systematic internalisers have to use the same technical means or the same process? Usually the channel used to send a quote is not the same as the one used to send “qualitative” information. This could be a problem for our clients to be in compliance with CESR recommendations.

Question 8.1: Do consultees agree with criteria for determining systemic internalisers? Should additional / other criteria be used and if so, what should these be?

CESR has identified the appropriate criteria. To GL TRADE, it is not necessary to add criteria, considering internalisation as a business model and not as a technical approach is for us a critical point.

1.4. SCOPE OF THE RULE (ARTICLE 27.1)

On possible methods to define liquidity, GL TRADE would like to give its feedback on such issue. First, liquidity is a difficult and complex notion to apprehend as it varies among market and client types. Among the methods used to calculate and estimate the liquidity of a share, we think that the question of the reference for the liquidity is the key issue. The RM is currently the reference, but how will it be in few years? The question “who owns the share quote” is the issue.

Thus, confidence and aggregation on market data are critical elements.

On questions asked (8.5 to 8.9) by the CESR, GL TRADE thinks that the regulator should choose more a pragmatic approach rather than an “exact” method. Business models, views are too different among the financial services market to success in defining one and unique method. We think an approach based mainly on average volumes, numbers of trades and spread size should be a good option.

Market impact seems more a tuning and market differentiation approach than a pragmatic one. We agree with the CESR that such methods are good but “CPU consuming”.

Finally, we think that the CESR should promote a model favouring the activity among Europe and so define that shares are liquid on a national basis so it can be leveraged on European level.

1.5. DETERMINATION OF THE SMS

With regards to the issue of SMS, GL TRADE wants to emphasise that providing the market with the means to aggregate market data in post trade is crucial, especially as it relates to internalisation. For Data Vendors market players, it is essential to have the assurance from the CESR of a fair access to market data, both on pre and post trade.

Question 9.6: Do you consider a two weeks period from publication as sufficient for systematic internalisers to adapt

GL TRADE thinks that since the use of SMS by its clients should be integrated in IT systems, it is not for us a relevant parameter. The key question is how our customer will be alerted of a SMS changes.



1.6. OBLIGATION OF THE INTERNALISERS

Question 10.2: Do consultees agree that the availability of quotes during 100 % of normal trading hours of the firm is reasonable and workable requirement for “on a continuous basis”?

GL TRADE agrees on the CESR recommendations. As far as its clients are concerned, publishing part time or full time is not a difficult implementation measure to handle.

Question 10.3: Do consultees think that publication of quotes solely on the firm’s own website meets the “easily accessible”-test?

GL TRADE agrees that Website can a complementary option to quotes publication. To us, it cannot be the only mean to disseminate the quotes of a systematic Internalizer. As a data vendor, it seems to us important to favour an easy and large access to financial information.

On this point, we fully support the FDVA¹ comments made on this consultation asking to capitalize on existing financial information dissemination means. GL TRADE joins the FDVA request and asks the CESR to precise that website can be an option but is not sufficient to meet the “easily accessible” test since a website is not a workable format for dissemination through market data screens.

GL TRADE would like to take the opportunity of this consultation to point out that visualisation business represents more than 900 000 screens worldwide and is one of the preferred mean of information for the investor.

1.7. Conclusion

GL TRADE has tried with this document to answer on specific questions asked by the CESR. We limit our answer to questions directly in relation with our clients’ current architecture.

Of course we stay at the disposal of the CESR for any additional comments, information. It will be also our pleasure to help the CESR in his work on points involving trading and order management systems, client connectivity or market data issues.

Sincerely

GL TRADE SA.

For any additional information, please contact:

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¹ FDVA (French Data Vendors Association)