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Dear Sir/Madame,

Consultation Paper

CESR Technical Advice to the European Commission in the Context of the MiFID Review - Equity Markets

We welcome the opportunity to provide comments on this Consultation Paper.

Pipeline Financial Group Limited (PFGL) is a UK FSA authorised securities firm operating a Multilateral Trading Facility (MTF). Pipeline also executes business as an investment firm carrying out agency broking activities. The Pipeline trading system enables institutions and brokerage firms to quickly and efficiently trade blocks of shares, ADRs, GDRs and ETFs across 14 European markets.

The CESR proposal for review and modification of MiFID is naturally an area of considerable interest to us. We are limiting our responses to those aspects of this consultation paper which are of direct relevance to Pipeline.

In the annex to this letter I have included specific evidence to substantiate our responses to some of your questions. I hope that you find this response of assistance, and I am optimistic that the future modifications of MiFID will create a stronger framework for more competitive European markets.

Yours faithfully,



Question 1: Do you support the generic approach described above?

Pipeline Financial Group Limited (PFGL) supports the generic approach described in proposal 19.

While we broadly believe that the current waiver regime is clear and workable, we recognise that there are some technical issues with the waivers which require recasting.

We are entirely in favour of CESR's desire to facilitate regulatory convergence. We believe that the current environment has led to an unlevel playing field for certain similar trading activities. We attribute much of this non-equivalence to some firms adopting policies toward MiFID which rely upon creating intentional ambiguity through distortions of MiFID definitions and terminology. While we believe that a principles based approach to MiFID regulation would be preferable, the current regime is insufficiently precise to adequately facilitate such convergence. Therefore we agree that a more prescriptive rules based approach is appropriate.

As CESR notes and PFGL concurs, this objective to introduce a more prescriptive approach is right and proper so long as the new rules are carefully balanced in order to ensure and to encourage appropriate financial markets innovation.

Question 2: Do you have any other general comments on the MiFID pre-trade transparency regime?

PFGL regards the tiered structure of the MiFID pre-trade transparency regime to be an entirely appropriate framework and sustainable in the long term. We believe that transparency should be mandated under MiFID, with appropriate waivers for complex and / or sensitive trades or trading methods so that the wholesale markets can support efficient and commercially necessary trading methods.

PFGL agrees with CESR that a primary objective is for greater regulatory convergence to be achieved. We also wish to see convergence in ensuring that types of trading activity that are functionally identical should be treated equally in terms of the pre-trade transparency regime.

We consider convergence to be relevant in terms of regional commonality. However, we are concerned at present that the main area for lack of convergence is the existence of trading activities that certain quarters are attempting to "carve out". We believe that attempts are being made to give credence to the argument that somehow certain types of business activity were not considered under the original scope of MiFID. In particular we note recent arguments that "broker crossing networks" and "OTC" business are somehow in need of separate regulation under MiFID.

PFGL does not agree that this is the case.

PFGL does recognise the existence of large scale trading firms that combine multiple methods of trading. We do not however, accept that some of these types of trading obviously fall outside of the scope of existing MiFID regulations and require new segregated regulation under MiFID. Consequently we believe that some trading in the marketplace is not being undertaken in accordance with existing MiFID obligations.

Question 3: Do you consider that the current calibration for large in scale orders is appropriate (Option 1)? Please provide reasoning for your view.

PFGL believes that the current calibration for large in scale orders is **not** appropriate.

In question 4 we offer a proposal to resolve what we see as frequent calculation problems for large in scale minimum sizes. However, we argue to **maintain** the existing tiered ADT multiple calculation, but to introduce an additional “safety valve” override which will rectify occasions when the calculated result is clearly inappropriate and commercially impossible.

PFGL presently operates in 14 European markets with a wide universe of several thousand instruments (both MiFID and non-MiFID), and we provide specific evidence relating to a large instrument universe across these countries in the appendix of this response.

PFGL presently makes use of the large in scale waiver when executing MTF business in Europe. PFGL therefore has a direct interest in the efficient functioning of this waiver.

The present calibration of large in scale thresholds in principle and superficially seems workable, however, in practice is subject to inappropriately distorted results for a very large proportion of the data set. The problem is that in many instances and for prolonged periods of time the present large in scale calculation yields minimum transaction sizes that are entirely inappropriate and not commercially viable as they are far too high.

Our evidence in appendix 1 provides summary statistics for this sample universe. We identify groups of stocks where the large in scale calculation gives rise to minimum transaction sizes that are in fact unrealistically high multiples of the average daily volumes of these stocks as they actually trade.

While we *could* argue that more frequent revision of the ADT might be considered, we do not in fact propose this in our response to question 4, as we think there is a simpler and more appropriate alternative. Neither do we feel that the current tiered ADT multiples need revision, as in principle we believe them to be reasonable.

There are two general situations where we identify fundamental failures in the results of the large in scale calculation:

- Stocks where shares prices and / or liquidity levels have altered significantly since the previous ADT calculation
- Stocks with ADT < €500,000

Question 4: Do you consider that the current calibration for large in scale orders should be changed? If so, please provide a specific proposal in terms of reduction of minimum order sizes and articulate the rationale for your proposal?

Yes the calibration should be changed to account for results which demand excessively high multiples of average daily volume, because these are commercially impossible to work with.

PFGL firmly believes that based on the evidence we have provided in the appendix, in an unacceptably high proportion of circumstances the calculation of the large in scale minimum transaction size fundamentally breaks down.

We **do not** propose a general reduction in the large in scale waiver minimum quantities. We only propose a reduction for those instruments where the calculation breaks down and produces unworkable results.

While it might superficially appear that more frequent revision of the ADT calculation could solve this problem, we do not think it would help in reality. We believe that the recalculation frequency that would be required to permanently avoid problems would be such that it would become far too burdensome and disruptive to the industry. We should also point out that neither would this lead to a better result for problems with stocks below ADT €500,000.

Consequently our proposal is that the MiFID large in scale waiver should be revised to include a “safety valve” override in the event that the table based ADT calculation generates an unrealistic result.

Specifically we propose that the result of the existing large in scale calculation should be subject to a final “safety valve” check, whereby if the required minimum transaction size exceeds a threshold % of average daily volume (ADV), then the minimum large in scale order size should be automatically reduced to this level.

We propose that the “safety valve” ADV multiple should be set at 5%. We propose that the ADV period of analysis would be the previous full calendar month, although the previous 3 months would likely be workable.

The practical upshot of our proposal would be that the large in scale minimum transaction size would never exceed 5% of the recent ADV for any instrument. We believe that this is a perfectly rational threshold for all instruments.

In our evidence in Appendix 1, we have provided summary statistics on two different dates. We feel that the weaknesses of the current calibration are highlighted through the following facts:

- It is important to note that these problems **do not** solely occur with extremely illiquid instruments:
 - In each sample period, 20 high liquidity stocks are specifically cited where the minimum large in scale transaction size is far in excess of a whole day’s normal trading volume
 - This includes instruments with MiFID minimums of €100,000, €250,000 and €400,000.
- In both samples, for instruments with ADT<€500,000:
 - Over 50% of the instrument universe is subject to minimum execution sizes of at least 100% of ADV; i.e. in excess of an average days trading volume
 - The analysis highlights that the extremes produced by the calculation are clearly unbounded
 - There are a significant number of instruments which are subject to minimum trade sizes of **in excess of 1,000 days volume**

Question 5: Which scope of the large in scale waiver do you believe is more appropriate considering the overall rationale for its application (i.e. Option 1 or 2)? Please provide reasoning for your views.

PFGL believes the most appropriate treatment of “stubs” is option2.

We concur with the logic that permitting a stub to retain the large in scale waiver benefits is inconsistent.

We also are of the opinion that the biggest present weakness in MiFID regulation is where multiple regulated activities are being carried out within the same umbrella organisations, yet without full adherence to MiFID compliance due to uncertainty over regulatory intent.

Therefore we believe that in order to avoid future ambiguity it is the right course of action to deploy option 2, so that no ambiguity will occur in the treatment of stubs.

Question 6: Should the waiver be amended to include minimum thresholds for orders submitted to reference price systems? Please provide your rationale and, if appropriate, suggestions for minimum order thresholds.

PFGL thinks that the reference price waiver should not be amended.

While we agree that the tiered approach to these waivers indicates that some form of order size threshold should apply, the small volumes executed under this waiver indicate that this may be too restrictive at this point in time.

Question 7: Do you have other specific comments on the reference price waiver, or the clarifications suggested in Annex I?

PFGL has no specific comments on this.

Question 8: Do you have any specific comments on the waiver for negotiated trades?

PFGL believes that the negotiated trade waiver is a fundamental requirement within MiFID and should be retained. We believe that the context of this waiver has been poorly understood by the marketplace at large, and thus many firms who are conducting business that may fall under this waiver (such as the forms of trading noted by CESR in para. 39.) have not applied for the necessary MTF status to conduct negotiated trade waiver based activities.

Question 9: Do you have any specific comments on the waiver for order management facilities, or the clarifications provided in Annex I?

It is clear to us from CESR's MiFID consultation paper (Annex 1 of CESR's consultation paper) that there is a dislocation between some of the pre trade transparency waivers and how these waivers may be applied in an operational situation. To this end, we would like to comment on the Order Management Facility waiver.

While CESR takes the view that this waiver was obviously intended for certain order types, such as icebergs, we do not conclude that all workflows for iceberg orders are therefore intended to be exempt under this waiver. We argue this point because (as CESR noted in Annex 1 para. 17) there are times when the borderline appears to be crossed in certain iceberg workflows, and we agree with CESR's analysis.

Whilst it is possible for Iceberg orders to remain hidden in an order management system (pending disclosure to the market), we would argue that in practice, and in most if not all cases, iceberg orders are "in the market" rather than in an order management system where they would not be exposed to the open order book. As CESR has indicated (Annex 1 section 17), the execution of icebergs does not always solely depend upon the peak of the "peak", rather it can be seen or "looked at" by other arriving orders such as a FOK or IOC.

Therefore in these situations we conclude the iceberg must already be "in" the market, not somehow segregated or completely hidden in an order management facility as this waiver clearly intended.

In this scenario we believe that MiFID was clear and that such workflows were not intended to be exempt from pre-trade transparency. PFGL believes it would be against the principles of MiFID to permit this type of workflow to benefit from this waiver whilst other orders of a similar workflow are not.

Question 10: Do you consider the SI definition could be made clearer by:

- i) removing the reference to non-discretionary rules and procedures in Article 21(1)(a) of the MiFID Implementing Regulation?**
- ii) providing quantitative thresholds of significance of the business for the market to determine what constitutes a 'material commercial role' for the firm under Article 21(1)(a) of the MiFID Implementing Regulation.**

PFGL agrees with proposal i) and ii) in principle. We agree that the reference to non-discretionary rules has caused confusion with regard to this definition. Furthermore we agree with CESR that activities of this type by their very nature may be regarded as discretionary, and that this cause too much ambiguity in the application of the rules.

Question 11: Do you agree with the proposal that SIs should be required to maintain quotes in a size that better reflects the size of business they are prepared to undertake?

PFGL agrees with this proposal.

Question 12: Do you agree with the proposed minimum quote size? If you have a different suggestion, please set out your reasoning.

PFGL agrees with this proposal.

Question 13: Do you consider that removing the SI price improvement restrictions for orders up to retail size would be beneficial/not beneficial? Please provide reasons for your views.

In principle PFGL believes that the price improvement regime presents problems in the context of MiFID, insofar as ultimate transparency is not achieved. We also believe that this may have a distorting which may serve to further encourage the execution of high frequency small trades, and so on balance we are opposed to revision of the present rules.

Question 14: Do you agree with the proposal to require SIs to identify themselves where they publish post-trade information? Should they only identify themselves when dealing in shares for which they are acting as SIs up to standard market size (where they are subject to quoting obligations) or should all trades of SIs be identified?

PFGL agrees with this proposal. We believe that this should apply to all trades.

Question 15: Have you experienced difficulties with the application of 'Standard Market Size' as defined in Table 3 of Annex II of the MiFID Implementing Regulation? If yes, please specify.

N/A

Question 16: Do you have any comments on other aspects of the SI regime?

PFGL has no specific comments on this.

Question 17: Do you agree with this multi-pronged approach?

PFGL broadly agrees with this approach.

Question 18: Do you agree with CESR's proposals outlined above to address concerns about real-time publication of post-trade transparency information? If not, please specify your reasons and include examples of situations where you may face difficulties fulfilling this proposed requirement.

PFGL broadly agrees with this approach.

Question 19: In your view, would a 1-minute deadline lead to additional costs (e.g. in terms of systems and restructuring of processes within firms)? If so, please provide quantitative estimates of one-off and ongoing costs. What would be the impact on smaller firms?

PFGL's experience is that for the majority of firms this will not lead to additional costs.

Question 20: Do you support CESR proposal to maintain the existing deferred publication framework whereby delays for large trades are set out on the basis of the liquidity of the share and the size of the transaction?

In line with our responses to questions 3 and 4, we feel that the use of the ADT calculation gives rise to problems. The ADT would require daily calculation to provide a sufficiently strong basis to use it robustly to judge relative liquidity.

Consequently we propose that this regime should be subject to a calculation methodology that is analogous to our proposal in question 4. Our proposal is that this should be dependent upon a metric which is far more representative and commonly used, for which we propose either the 1 or 3 month average daily volume.

Question 21: Do you agree with the proposal to shorten delays for publication of trades that are large in scale? If not, please clarify whether you support certain proposed changes but not others, and explain why.

PFGL thinks that the present regime is not correctly calibrated. For this reason we would oppose the shortening of delays until an improved basis of calculation has been put into place. We would propose retaining the same delays for the time being, pending this recalibration.

Question 22: Should CESR consider other changes to the deferred publication thresholds so as to bring greater consistency between transaction thresholds across categories of shares? If so, what changes should be considered and for what reasons?

PFGL has no specific comments on this.

Question 23: In your view, would i) a reduction of the deferred publication delays and ii) an increase in the intraday transaction size thresholds lead to additional costs (e.g. in ability to unwind large positions and systems costs)? If so, please provide quantitative estimates of one-off and ongoing costs.

PFGL believes that this would increase the costs of trading and further discourage the provision of capital facilitated trading, which would have a negative long term impact upon the market structure. We do not have any specific quantitative estimates to evidence our belief.

Question 24: Do you agree with the CESR proposal to apply transparency requirements to each of the following (as defined above):

- DRs (whether or not the underlying financial instrument is an EEA share);
- ETFs (whether or not the underlying is an EEA share);
- ETFs where the underlying is a fixed income instrument;
- ETCs; and
- Certificates

If you do not agree with this proposal for all or some of the instruments listed above, please articulate reasons.

PFGL agrees with this proposal.

Question 25: If transparency requirements were applied, would it be appropriate to use the same MiFID equity transparency regime for each of the ‘equity-like’ financial instruments (e.g. pre- and post-trade, timing of publication, information to be published, etc.). If not, what specific aspect(s) of the MiFID equity transparency regime would need to be modified and for what reasons?

PFGL believes this would be appropriate.

Question 26: In your view, should the MiFID transparency requirements be applied to other ‘equity-like’ financial instruments or to hybrid instruments (e.g. Spanish participaciones preferentes)? If so, please specify which instruments and provide a rationale for your view.

In principle we believe this should be extended to “equity like” instruments.

Question 27: Do you support the proposed requirements/guidance (described in this section and in Annex IV) for APAs? If not, what changes would you make to the proposed approach?

PFGL broadly supports the proposals.

Question 28: In your view, should the MiFID obligation to make transparency information public in a way that facilitates the consolidation with data from other sources be amended? If so, what changes would you make to the requirement?

PFGL is broadly in favour of proposals which encourage the consolidation of data. We do not however have any specific present proposals for improvements in this area.

Question 29: In your view, would the approach described above contribute significantly to the development of a European consolidated tape?

PFGL has no specific comments on this.

Question 30: In your view, what would be the benefits of multiple approved publication arrangements compared to the current situation post-MiFID and compared to an EU mandated consolidated tape (as described under 4.1.2 below)?

PFGL has no specific comments on this.

Question 31: Do you believe that MiFID provisions regarding cost of market data need to be amended?

PFGL has no specific comments on this.

Question 32: In your view, should publication arrangements be required to make pre- and post-trade information available separately (and not make the purchase of one conditional upon the purchase of the other)? Please provide reasons for your response.

PFGL has no specific comments on this.

Question 33: In your view, should publication arrangements be required to make post-trade transparency information available free of charge after a delay of 15 minutes? Please provide reasons for your response.

PFGL has no specific comments on this.

Question 34: Do you support the proposal to require RMs, MTFs and OTC reporting arrangements (i.e. APAs) to provide information to competent authorities to allow them to prepare MiFID transparency calculations?

PFGL is in favour of encouraging better market data, however it is unclear to us as to what the specific implications of such a regime would be at this point in time. Given the uncertainty we perceive in this, we tend to feel that the subsequent proposal in the following question would be more workable.

Question 34: Do you support the proposed approach to a European mandatory consolidated tape?

PFGL broadly supports this proposal.

Question 35: If not, what changes would you suggest to the proposed approach?

N/A

Question 36: In your view, what would be the benefits of a consolidated tape compared to the current situation post-MiFID and compared to multiple approved publication arrangements?

PFGL has no specific comments on this.

Question 37: In your view, would providing trade reports to a MCT lead to additional costs? If so, please specify and where possible please provide quantitative estimates of one-off and ongoing costs.

PFGL anticipates that this would give rise to additional costs, but at this point in time and with this level of information we are unable to quantify the extent of these.

Question 38: Do you agree with this proposal? If not, please explain.

PFGL agrees with this proposal.

Whilst MiFID may not presently formally mandate these organisational requirements, the practical reality is that many regulatory frameworks recognise the requirements that CESR proposes under section 102.

PFGL already takes account of 102. a. b. & c. in the operation of its business activities, and believes it already has such controls and processes in place.

In line with our previous comments where we state our belief that certain types of trading may not presently be captured adequately under MiFID, we believe this holds true for trading that we believe should fall under MTF supervision, but presently does not. Where a firm conducts multiple forms of trading activity, we believe the management of conflicts of interest is a matter that should receive the highest attention, and should be specifically recognised within MiFID as per CESR's proposals.

PFGL recognises that firms who come to introduce MTFs will be held to a higher standard than might presently be the case with regard to conflicts of interest, and we consider this to be an appropriate requirement.

Question 39: Do you consider that it would help addressing potential unlevel playing field across RMs and MTFs? Please elaborate.

PFGL believes that such a proposal would encourage good practice across all forms of market operator, whether RM or MTF, and that addressing this through uplift in organisational requirements appears proportionate.

Question 40: In your view, what would be the benefits of the proposals with respect to organisational requirements for investment firms and market operators operating an MTF?

PFGL believes that these proposals would make it clearer to market participants that MTFs are held to a similar standard as RMs, and that this will be overall good for market confidence.

Question 41: In your view, do the proposals lead to additional costs for investment firms and market operators operating an MTF? If so, please specify and where possible please provide quantitative estimates of one-off and ongoing costs.

We believe these proposals may lead to additional costs for a minority of firms.

In the present formulation of CESR's proposals we do not understand that there will **necessarily** be increased capital requirements for firms, as we understand that this would still retain the test of proportionality.

That aside, we think the only firms who might incur material additional costs would be those who are insufficiently robustly organised at present.

Question 42: Do you agree to introduce the definition of broker internal crossing process used for the fact finding into MiFID in order to attach additional requirements to crossing processes? If not what should be captured, and how should that be defined?

PFGL does not think the introduction of bespoke requirements for “broker internal crossing processes” is appropriate.

PFGL feels that no additional trading activities need to be captured, but that a clarification of MiFID or publication of additional guidance notes is required specifically with regard to firms performing multiple types of trading activity within the same entity.

We feel that CESR’s current proposal will fail to encourage regulatory convergence and is not actually necessary in the present regulatory structure in any case. In line with CESR’s recognition of proportionality, we believe that it is already possible to maintain a proportionate environment under present regulations that will adequately deal with this issue and does not require any form of additional MiFID regulated activity such as “broker crossing networks”.

PFGL believes that a primary goal of MiFID was to achieve regulatory convergence, and this applies as much to the nature of trading activity as it does to regional convergence. PFGL would advocate that MiFID should regulate common forms of trading activity in common ways.

Therefore, irrespective of the scale of business, if MTF activity is being performed it should be regulated as per all other MTF business.

We propose alternative methods for dealing with this issue in our response to question 43.

Question 43: Do you agree with the proposed bespoke requirements? If not, what alternative requirements or methods would you suggest?

PFGL does not agree with the current proposed bespoke requirements. We do not believe that additional carve outs are required, and we feel they are unhelpful as they will work against regulatory convergence.

We believe it is no more or less than a commercial organisational matter for any firm as to how to satisfactorily resolve this issue under existing MiFID regulations. However, we can understand the impact on some firms that may arise from such a simple analysis, and so offer an alternative for firms where this activity is a large part of their ongoing business. Therefore we propose two steps to resolving this issue:

1. An immediate realignment whereby small scale broker crossing activities are clearly and immediately taken outside the possible scope of RM / MTF activity
2. A transition or grandfathering process whereby large scale broker crossing activities benefit from a transition regime pending their transition to either RM or MTF obligations

We note that CESR makes a very important distinction between “client-oriented” and “market-oriented” activities (para. 104). We highlight this terminology because we feel it focuses on the central point of this particular issue.

In our opinion, the action of a broker internally matching trades on an electronic crossing system in a non-discretionary manner is market-oriented activity. We are very clear that such activity is analogous to MTF activities, yet is not subject to the limitations applied to MTFs.

However, should the same broker identify the **ability** to match a trade, but instead of actually carrying out the trade, instead immediately send this to a RM or MTF for execution on a matched trade basis then we consider this to be client oriented activity. As such, we see that this situation would create no conflict with the current scope and interpretation of MiFID and would therefore already be entirely compliant.

Where such activities are a very small part of a given firm’s regulated activity, and bearing in mind the low frictional costs of performing such a market based transaction, we fail to see any reason why a firm would object to observing compliance in this manner.

However, as noted in our proposed option 2 above, we fully recognise that for those firms where such activity is a significant component of their business activities, an immediate switchover may have immediate commercial implications.

We remain staunch in our view that such activity is within MTF scope, however, an immediate switchover is impractical.

Consequently, we propose that there should be a transition or grandfathering process whereby such firms may transition these MTF activities into an MTF.

As per CESR’s comments in para. 112, we believe this indicates that some firms already understand such activities must indeed be performed as an MTF, and also recognise that this may be a significant task for some firms.

However, we feel that this clearly demonstrates that at present there is inconsistency and a failure to achieve regulatory convergence, undoubtedly for reasons of commercial impact.

Consequently, we believe that a transition period to permit such firms to bring these activities within regulatory scope is the appropriate course of action.

However, we do feel strongly that this represents a lack of common compliance until the transition has taken place. Consequently we believe that additional post-trade transparency should make up for the lack of pre-trade transparency during the intervening period. Specifically we believe that such firms who choose to take advantage of the transition period should be subject to full post trade disclosure as to which trading has in fact been carried out as matched trades and will subsequently fall under MTF rules following the transition.

Question 44: Do you agree with setting a limit on the amount of client business that can be executed by investment firms' crossing systems/processes before requiring investment firms to establish an MTF for the execution of client orders ('crossing systems/processes becoming an MTF)?

PFGL does not agree with this proposal.

We find it entirely inconsistent that a threshold should apply to one type of activity but not another, when those activities are identical other than the way in which they are described.

We also feel this entirely conflicts with the overwhelming need for regulatory convergence.

In making this threshold proposal we feel very strongly that CESR is indicating if not clearly stating that broker crossing and MTF activities are obviously identical when high volumes are achieved. PFGL does not believe that MiFID foresaw the question of volume or scale in constructing this aspect of the regulation, and we are fundamentally opposed to this inconsistency.

As per our proposal above, we feel that the decision to operate an MTF or not is entirely a commercial one for a firm under MiFID. Setting a threshold will serve to divert this decision away from being an active commercial one.

a) What should be the basis for determining the threshold above which an investment firm's crossing system/process would be required to become an MTF? For example, should the threshold be expressed as a percentage of total European trading or other measures? Please articulate rationale for your response.

N/A

b) In your view, should linkages with other investment firms' broker crossing systems/processes be taken into account in determining whether an investment firm has reached the threshold above which the crossing system/process would need to become an MTF? If so, please provide a rationale, also on linking methods which should be taken into account.

N/A

Question 45: In your view, do the proposed requirements for investment firms operating crossing systems/processes lead to additional costs? If so, please specify and where possible please provide quantitative estimates of one-off and ongoing costs.

PFGL believes the cost of complying with the proposal as it stands would be substantially less than the costs required to own and operate an MTF. PFGL believes that this also creates an unlevel environment.

Question 46: Do you think that replacing the waivers with legal exemptions (automatically applicable across Europe) would provide benefits or drawbacks? Please elaborate.

PFGL believes that replacing the waivers with legal exemptions will encourage regulatory convergence and is therefore preferable for the long term effectiveness of MiFID.

Questions 47: Which reasons may necessitate the application of both criteria?

PFGL has no specific comments on this.

Questions 48: Is a unique definition of liquid share for the purposes of Article 27 necessary?

PFGL has no specific comments on this.

Questions 49: If CESR were to propose a unique definition of 'liquid share' which of the options do you prefer?

a) apply condition a) and b) of the existing Article 22(1), or

b) apply only condition a), or

c) apply only condition b) of Article 22(1)?

Please elaborate.

PFGL has no specific comments on this.

Questions 50: Is this discretion (for Member States to decide that investment firms comply with this obligation by transmitting the client limit order to a regulated market and/or an MTF) of any practical relevance? Do you experience difficulties with cross-border business due to a divergent use of this discretion in various Member States?

PFGL has no specific comments on this.

Question 51: Should the discretion granted to Member States in Article 22(2) to establish that the obligation to facilitate the earliest possible execution of an unexecuted limit order could be fulfilled by a transmission of the order to a RM and/or MTF be replaced with a rule?

PFGL has no specific comments on this.

Question 52: Should the option granted to Member States in Article 36(2) of the MiFID Implementing Regulation be deleted or retained? Please provide reasoning for your view.

PFGL has no specific comments on this.

Appendix I

The following evidence relates to PFGL's answers to questions 3 and 4.

Large in scale minimum transaction size calculations give rise to minimum share quantities which must be traded in order to satisfy large in scale requirements.

This sample is a wide universe of instruments traded on the 14 largest equity markets in Europe. The sample includes large, medium and small capitalisation stocks. The data sample was taken on 2 different dates, 1st December 2009 and 26 February 2010. The tables summarise the minimum percentage of the rolling prior 3 month average daily volume that had to be executed in order to satisfy the minimum large in scale requirements.

The summary is divided into stocks that fall into the lowest (<€500,000 ADT) category, and all other ADT bands.

a.)

MiFID stocks with ADT <€500,000

On 1st December 2009

% of 3 month ADV	Instrument count	% of sample	Cumulative % of sample
# under 5%	63	2.8%	2.8%
# 5% & above, below 10%	93	4.2%	7.0%
# 10% & above, below 25%	238	10.6%	17.6%
# 25% & above, below 50%	274	12.3%	29.9%
# 50% & above, below 75%	153	6.8%	36.7%
# 75% & above, below 100%	136	6.1%	42.8%
# above 100%	1,279	57.2%	100.0%

Total 2236 100.0%

MiFID stocks with ADT >=€500,000

On 1st December 2009

% of 3 month ADV	Instrument count	% of sample	Cumulative % of sample
# under 5%	526	42.7%	42.7%
# 5% & above, below 10%	208	16.9%	59.5%
# 10% & above, below 25%	271	22.0%	81.5%
# 25% & above, below 50%	98	7.9%	89.5%
# 50% & above, below 75%	56	4.5%	94.0%
# 75% & above, below 100%	20	1.6%	95.6%
# above 100%	54	4.4%	100.0%

1233 100.0%

b.)

**Top 20 highest ADV multiples
MiFID stocks with ADT <€500,000**

On 1st December 2009

Instrument	MiFID ADT	MiFID €		Large in scale	
		minimum	3 month ADV	minimum	% of ADV
SCT PL	43,718	50,000	0.5	12,500	2500000%
SPNCA DC	1,215	50,000	0.05	413	826000%
BAF LN	1,260	50,000	7.9	42,503	538013%
BOE IM	1,925	50,000	0.5	2,500	500000%
WAT1S FH	1,708	50,000	1.75	7,924	452800%
OROS FP	1,216	50,000	0.1	432	432000%
VIINT DC	785	50,000	1.35	4,115	304815%
TEF FP	668	50,000	1.85	4,546	245730%
SACI FP	42	50,000	1	2,107	210700%
THAR FP	1,468	50,000	1	2,042	204200%
TFV LN	509	50,000	100	196,168	196168%
SAB BB	1,411	50,000	2.25	3,776	167822%
BEVER NA	1,439	50,000	17.5	25,063	143217%
GUI/P SM	4	50,000	4.6	5,788	125826%
IFSA SS	129	50,000	7.65	8,839	115542%
SVM LN	1,539	50,000	62.5	69,551	111282%
CVA LN	90	50,000	7.7	6,956	90338%
NTY LN	25	50,000	1.65	1,392	84364%
BPFV LN	1,178	50,000	20	16,632	83160%
ISSG NO	1,607	50,000	10.1	7,826	77485%

**Top 20 highest ADV multiples
MiFID stocks with ADT >=€500,000**

On 1st December 2009

Instrument	MiFID ADT	MiFID €		Large in scale	
		minimum	3 month ADV	minimum	% of ADV
MEDN SW	1,004,217	250,000	22	8,916	40527%
IYP GY	2,793,923	250,000	14.05	3,954	28142%
HXCI GY	1,041,010	250,000	4966.35	200,000	4027%
TWN GY	543,757	100,000	2790.9	49,876	1787%
USA GY	1,122,848	250,000	991.05	15,838	1598%
CK FP	3,081,390	250,000	339.75	5,209	1533%
FUNCOM NO	1,007,156	250,000	100937.25	605,298	600%
BBVAL SM	3,807,941	250,000	889.4	5,264	592%
MPC GY	3,584,537	250,000	10909.42483	57,764	529%
VIA GY	5,187,570	250,000	64469.55	337,838	524%
VTW GY	1,131,860	250,000	6930.25	35,487	512%
STEAS SS	33,361,508	400,000	12592.4	61,633	489%
BHS GY	712,004	100,000	6605.05	31,348	475%
GALQ SM	1,469,312	250,000	10223.38724	47,471	464%
DYK3 GY	639,702	100,000	524.9	2,413	460%
REY SM	1,418,001	250,000	21745.6	97,088	446%
SFX GY	939,394	100,000	7436.4	29,630	398%
AS1 GY	1,039,186	250,000	7083.65	27,189	384%
ITS GY	1,036,268	250,000	1464.95	5,028	343%
AIC IM	1,176,053	250,000	281986.9	734,215	260%

c.)

MiFID stocks with ADT <€500,000

On 26th February 2010

% of 3 month ADV

under 5%
 # 5% & above, below 10%
 # 10% & above, below 25%
 # 25% & above, below 50%
 # 50% & above, below 75%
 # 75% & above, below 100%
 # above 100%

Instrument count	% of sample	Cumulative % of sample
52	2.3%	2.3%
108	4.9%	7.2%
252	11.3%	18.5%
290	13.0%	31.5%
178	8.0%	39.5%
132	5.9%	45.5%
1,214	54.5%	100.0%

Total 2226 100.0%

MiFID stocks with ADT >=€500,000

On 26th February 2010

% of 3 month ADV

under 5%
 # 5% & above, below 10%
 # 10% & above, below 25%
 # 25% & above, below 50%
 # 50% & above, below 75%
 # 75% & above, below 100%
 # above 100%

Instrument count	% of sample	Cumulative % of sample
535	43.5%	43.5%
189	15.4%	58.9%
271	22.0%	80.9%
119	9.7%	90.6%
44	3.6%	94.1%
26	2.1%	96.3%
46	3.7%	100.0%

1230 100.0%

d.)

**Top 20 highest ADV multiples
MiFID stocks with ADT <€500,000**

On 26th February 2010

Instrument	MiFID ADT	MiFID €		Large in scale	
		minimum	3 month ADV	minimum	% of ADV
OROS FP	1,216	50,000	0.03	437	1420250%
EGO NA	2,500	50,000	5.69	73,530	1291743%
MEDE FP	446	50,000	4.51	23,753	526944%
OTV2 LN	75	50,000	15.63	44,740	286336%
SACI FP	42	50,000	1.08	2,118	196671%
ART BB	1,570	50,000	24.91	40,323	161890%
GAMMP NA	4,386	50,000	10.54	16,026	152072%
TXH LN	798	50,000	48.91	70,189	143517%
LEBL FP	30,644	50,000	3.08	3,125	101563%
AAEV LN	54	50,000	52.09	49,679	95365%
SPNCA DC	1,215	50,000	0.46	430	93414%
CVA LN	90	50,000	6.59	5,886	89266%
MPE FP	281	50,000	53.09	41,153	77512%
WATKV FH	1,057	50,000	9.68	7,332	75764%
GPA PL	674	50,000	18.35	12,500	68106%
BEVER NA	1,439	50,000	23.86	14,286	59870%
GANT FP	2,173	50,000	27.23	14,493	53223%
NTY LN	25	50,000	2.69	1,417	52726%
CRP LN	5,941	50,000	39.56	18,660	47166%
MBRE FP	470	50,000	62.42	25,126	40256%

**Top 20 highest ADV multiples
MiFID stocks with ADT >=€500,000**

On 26th February 2010

Instrument	MiFID ADT	MiFID €		Large in scale	
		minimum	3 month ADV	minimum	% of ADV
USA GY	1,122,848	250,000	154.25	15,143	9817%
HXCI GY	1,041,010	250,000	5,888.81	174,826	2969%
TWN GY	543,757	100,000	1,967.37	51,151	2600%
MEDN SW	1,004,217	250,000	846.26	8,755	1035%
STEA SS	33,361,508	400,000	9,718.74	79,079	814%
IYP GY	2,793,923	250,000	494.89	3,979	804%
MPC GY	3,584,537	250,000	8,956.58	62,251	695%
VIA GY	5,187,570	250,000	76,833.40	462,963	603%
AS1 GY	1,039,186	250,000	5,410.68	26,882	497%
AIC IM	1,176,053	250,000	188,240.08	924,215	491%
FUNCOM NO	1,007,156	250,000	118,139.75	463,251	392%
VTW GY	1,131,860	250,000	9,357.48	33,899	362%
MAN3 GY	1,121,293	250,000	1,721.70	6,221	361%
SFX GY	939,394	100,000	12,218.43	35,027	287%
ITS GY	1,036,268	250,000	1,894.65	5,236	276%
GALQ SM	1,469,312	250,000	30,655.19	81,301	265%
BHS GY	712,004	100,000	17,562.44	38,227	218%
FM IM	931,814	100,000	11,715.08	24,548	210%
ISG IM	576,170	100,000	15,806.70	30,936	196%
ESC GY	2,143,816	250,000	441,599.14	778,817	176%