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Barclays Response to ESMA Consultation Paper on Exemption for Market Making Activities and Primary Market Operations under Regulation (EU) 236/2012 of the European Parliament and the Council on Short Selling and certain aspects of Credit Default Swaps

We appreciate the opportunity to comment on this consultation document on Exemption for Market Making Activities and Primary Market Operations under the Regulation on Short Selling and certain aspects of Credit Default Swaps. Barclays are generally supportive of the objective to harmonise the rules on short selling and the tools that are available to regulators across the European Union.

The Investment Banking arm of Barclays provides large corporate, government and institutional clients with a full spectrum of solutions to their strategic advisory, financing and risk management needs. It does this through the provision of ongoing liquidity to financial markets in transferable securities and related derivative products across all asset classes, as well as through the creation of individual bespoke products designed to meet the exact needs of clients.

We have contributed to, and are fully supportive of, the joint AFME and ISDA submissions in response to ESMA's Consultation including and wish to reaffirm our view on the matters raised in that submission in our summary below.

Yours sincerely,

A handwritten signature in black ink, consisting of a stylized 'B' followed by a horizontal line and a diagonal stroke.

Eric Bommensath

Head of Markets – Corporate and Investment Banking

Executive Summary

As outlined in the joint AFME/ISDA response, market making is a vital function in the effective running of the markets. We believe the narrow interpretation of market making in ESMA's draft guidelines will have a detrimental effect on liquidity, competition, risk management and the ability of member states to access finance. Where firms are unable to act as market makers in certain instruments, liquidity will decrease and costs to execute will increase for the end investor.

We urge ESMA to review their interpretation of trading venue and the suggested requirement for a link between venue membership and market making in a financial instrument. We are unclear as to what benefit this link provides to regulators or what protection it provides to the market. There are numerous instruments with significant client flow that trade solely OTC. Additionally, by requiring market makers to be a member of a venue, you are reducing competition as many small and medium firms are not members of trading venues.

We recommend an activities-based market making exemption consistent with existing market practice rather than the instrument by instrument exemption proposed in the consultation.

Finally, we ask ESMA to review their interpretation of hedge activity as it relates to proxy hedging and hedging in anticipation of client orders. Specifically, we ask ESMA to recognize that bona fide and reasonable anticipatory hedging is legitimate market making activity which is in the trading interests of clients, in the same way in which it is recognized as such under the US Volcker Rule.