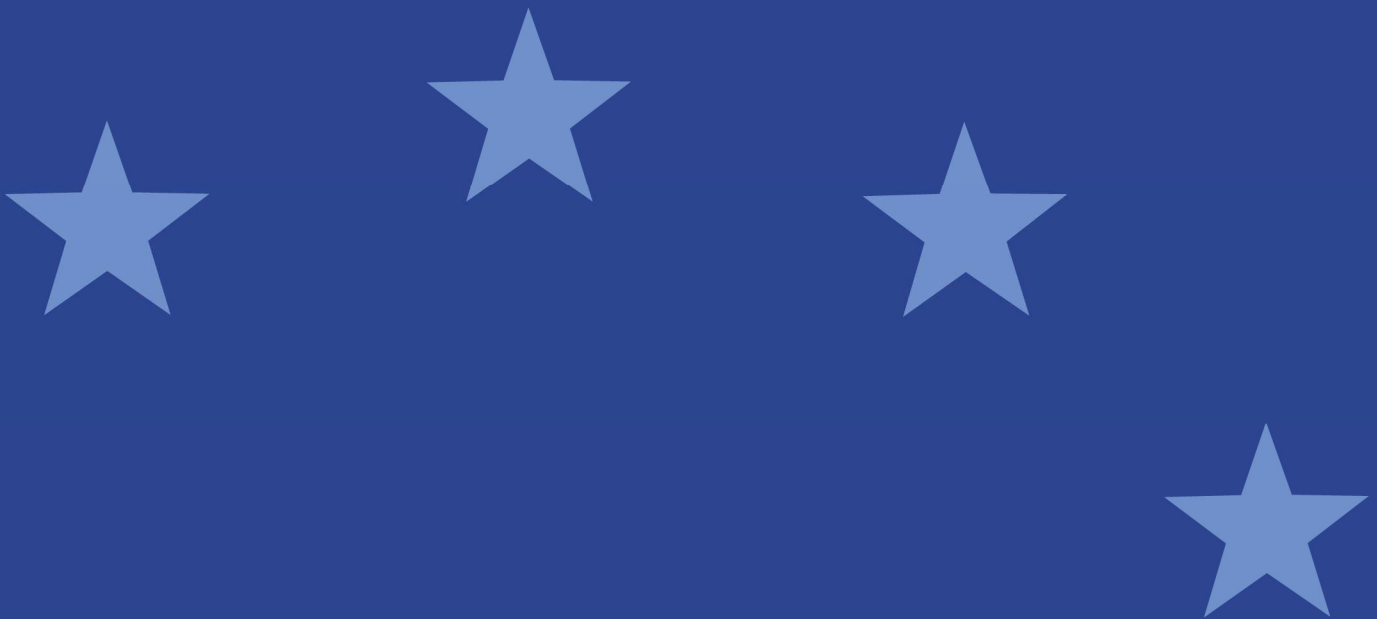




European Securities and
Markets Authority

Reply form for the Consultation Paper on the trading obligation for derivatives under MiFIR





Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in the ESMA Consultation Paper on the trading obligation for derivatives under MiFIR, published on the ESMA website.

Instructions

Please note that, in order to facilitate the analysis of the large number of responses expected, you are requested to use this file to send your response to ESMA so as to allow us to process it properly. Therefore, ESMA will only be able to consider responses which follow the instructions described below:

- use this form and send your responses in Word format (pdf documents will not be considered except for annexes);
- do not remove the tags of type <ESMA_QUESTION_MIFID_TO_1> - i.e. the response to one question has to be framed by the 2 tags corresponding to the question; and
- if you do not have a response to a question, do not delete it and leave the text "TYPE YOUR TEXT HERE" between the tags.

Responses are most helpful:

- if they respond to the question stated;
- contain a clear rationale, including on any related costs and benefits; and
- describe any alternatives that ESMA should consider.

Naming protocol

In order to facilitate the handling of stakeholders responses please save your document using the following format:

ESMA_MiFID_TO_NAMEOFCOMPANY_NAMEOFDOCUMENT.

e.g. if the respondent were ESMA, the name of the reply form would be:

ESMA_MiFID_TO_ESMA_REPLYFORM or

ESMA_MiFID_TO_ESMA_ANNEX1

Deadline

Responses must reach us by **31 July 2017**.

All contributions should be submitted online at www.esma.europa.eu under the heading 'Your input/Consultations'.



Publication of responses

All contributions received will be published following the end of the consultation period, unless otherwise requested. **Please clearly indicate by ticking the appropriate checkbox in the website submission form if you do not wish your contribution to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.** Note also that a confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make is reviewable by ESMA's Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.esma.europa.eu under the headings 'Legal notice' and 'Data protection'.



General information about respondent

Name of the company / organisation	Click here to enter text.
Activity	Choose an item.
Are you representing an association?	<input type="checkbox"/>
Country/Region	Choose an item.



Introduction

Please make your introductory comments below, if any:

<ESMA_COMMENT_MIFID_TO_0>

Due to the impossibility to populate the preceding 4 fields, please read our answers:

Name of the company / organisation : Amundi
Activity: Investment firm (Asset management)
Are you representing an association?: No
Country/Region: France

Amundi is the largest European asset manager by the size of assets under management (AuM) and ranks in the top 10 worldwide. Following the integration of Pioneer Investments, it now manages over 1.3 trillion euros of assets across six main investment hubs. Established in 37 countries, Amundi offers its clients in Europe, Asia-Pacific, the Middle-East and the Americas a wealth of market expertise and a full range of capabilities across the active, passive and real assets investment universes. Headquartered in Paris, and listed since November 2015, Amundi is the 1st asset manager in Europe by market capitalization and the 5th globally .

Amundi supports the impressive regulatory move made by European Regulators in order to enhance the EU market and more precisely the financial markets in the EU through appropriate legislation. The review of MIF is a new development that we support and we agree that more secure derivative markets are key for the financial stability and ultimately for investors protection. If we are not as active as investment banks on the derivative markets, we have a real experience from the buy side point of view. We answer the questionnaire of the Consultation Paper but do not show those statistics and data on our own activity that are asked for in the CBA questionnaire.

The main lines in our view are as follows:

- we support the introduction of a Trading Obligation (TO) for a limited number of highly liquid contracts and with some exceptions;
- we ask for an exemption for trades that are large in size and might often be better executed outside an official venue;
- the criteria for TO are more demanding than for Compensation Obligation (CO) and only a subset of contracts subject to CO will be concerned by TO;
- we do not consider that the concept of liquidity provider is valid to estimate the liquidity of a market and have a clear view that committed market makers are what matters;
- we can agree with the inclusion to the list of contracts subject to TO of the sole contracts, for which ESMA presents a clear evidence that liquidity is high; in several occasions the figures published by ESMA are not convincing;
- we think that the introduction of CO and TO at the same time is very positive, but insist on the advantage that a phasing-in over several years would have if the exemption for large in size orders were not definitely confirmed.

<ESMA_COMMENT_MIFID_TO_0>

Q1. Do you agree with ESMA’s assessment and proposed way forward for the criteria assessing the number and types of active market participants? If not, please explain your position and how you would integrate these elements into the liquidity test.

<ESMA_QUESTION_MIFID_TO_1>

Amundi shares ESMA’s analysis that the liquidity test has already been conducted in order to decide that concerned derivatives are eligible for compensation obligation (CO) and that the same test should not be conducted again when deciding Trading Obligation (TO). TO implies CO and only a subset of those contracts that are subject to CO will have to be traded on specific venues according to MIFIR. ESMA is right to follow the criteria specified in MIFIR to conduct its assessment of the TO.

With respect to “active market participants”, we agree that it is more a question of diversity than of number of participants that enables the market to develop: differences in sides and interests are key to generate trades. We are not in agreement with the view to accept that only one trade venue would suffice and support the remark in §71 that some competition among trading venues is necessary. We tend to think that 3 is the minimum number and agree that we should not put them on a test of active trading before TO: their existence, their competitiveness and the possibility to choose is what matters.

Amundi does not like the fact that some actors may be considered as liquidity providers. We oppose this view that entities that are not market makers could be seen as providing liquidity. The market works first when a final buyer and a final seller meet. It is efficient to have in-between a market maker who will take the risk to carry the position and find the other side. A market maker is structurally a provider of liquidity, on both sides, and it is committed to offer prices. All other actors will be “fair weather” liquidity providers when and if it suits them and there should not be any specific consideration for their activity. A trading venue may perfectly work on a pure agency business with no market makers and, hence, no committed liquidity provider; but such a venue will not be a strong support for TO.

We do not see “the ratio of market participants to products/contracts traded in a given product market” as highly relevant, but it is a requirement in article 32 3 (b) of MIFIR that ESMA shall consider it to determine if a class of derivatives is sufficiently liquid. We do not think that ESMA can decide not to include it in the criteria as stated §79. We recommend to use another wording around such phrases as “low weighting”, “secondary criteria in specific circumstances” or “not necessary if...” in order not to conflict with level 1 text.

<ESMA_QUESTION_MIFID_TO_1>

Q2. Do you agree with the revised proposal not to exempt post-trade LIS transactions? If not, please explain and present your proposal.

<ESMA_QUESTION_MIFID_TO_2>

No, Amundi does not agree with ESMA that, irrespective of their size, all trades should be subject to TO. Our experience is that direct negotiation is advantageous for our client investors when there is a large in size order. For derivatives, we do not think that fragmentation, that will be the consequence of routing orders to venues, will produce benefits for participants: liquidity for large sizes is more a question of interesting a counterparty than splitting an order in many small deals. We see further risks that on time centralised compensation in one and the same CCP might be difficult when trades are placed on various venues as some may work in silo or not be operationally connected.

We further, do not understand why ESMA has drastically changed its mind on this issue when only a minority of respondents to the previous consultation did not share ESMA’s proposal to exempt larger trades from TO. We think that ESMA has gone too fast in §93 when it refers to foreseen development of trading protocols that allow (or will allow) private negotiation of large trades. A more profound assessment of these trading facilities should have been conducted with a proper public consultation instead of relying on some comments that do not reflect our view of the current efficiency of the market. Furthermore, we

are surprised that ESMA acknowledges a divergence with the US where there is the possibility of a “more flexible execution regime” and concludes in favour of the absence of TO exemption in the EU. It is rather puzzling to anticipate what could be the state of play in the US in the future. If anything, the example of the US should make it clear that a long phasing in period is appropriate.

Our proposal is to maintain an exemption of TO for transactions above post trade LIS threshold.
<ESMA_QUESTION_MIFID_TO_2>

Q3. Do you agree with this proposal? If not, please explain why and provide an alternative proposal for ESMA to populate and maintain the register.

<ESMA_QUESTION_MIFID_TO_3>

No, we cannot agree with a proposal that does not bring legal certainty and introduces risk in our processes. Amundi thinks that ESMA has shown some initiative in eliminating a referenced criterion, the ratio of market participants to products/contracts traded in a given product market, that is listed in level 1 text and cannot pretend to be bound by the level 1 text on another issue where level 1 is simply mute. We see inconsistency and asymmetry in these attitudes. Yes, we would like an emergency procedure to suspend the TO in case the liquidity of a derivative subject to the TO drops significantly. Of course, if the liquidity declines so drastically that the CO will be removed, there will not be any TO left. We think that this evidence should be clarified and it can be in a Q and A. But, we believe that, capitalising on the break through gained under EMIR, ESMA is in a good position to suggest an autonomous possibility to suspend TO. Yes, we think that packages should be specifically considered and we do not think that the possibility of a no-action letter (which we vehemently ask for) is the only way to address a point that is sufficiently operational for being dealt with at level 2.

It is not viable to maintain an official register that will not publish up dated data. The easiest way to make ESMA’s register a golden source for information would be to seize the opportunity of the redefinition of the equivalence process and its monitoring over time to demand a systematic transfer of data from CAs to ESMA. We actually feel that, even under the present regime, the exchange of data is a prerequisite for equivalence.

<ESMA_QUESTION_MIFID_TO_3>

Q4. Do you agree with this proposal? Would you add other parameters e.g. day count convention of the floating leg, notional type (constant vs. variable), fixed rate type (MAC vs. MAC)? If yes, please explain why and provide the parameters.

<ESMA_QUESTION_MIFID_TO_4>

Yes.

<ESMA_QUESTION_MIFID_TO_4>

Q5. For each Case, specify if you agree with the proposal of qualifying the sub-classes as liquid for the purpose of the trading obligation and if not, please explain why and provide an alternative proposal

<ESMA_QUESTION_MIFID_TO_5>

We do not see in the figures presented page 35 a clear evidence of liquidity for € IRS versus Euribor 3M on 3Y, 6Y, 15Y, 20Y or 30Y maturities. We agree with the proposal on Euribor 6M IRS and wonder whether it would be more consistent to align maturities subject to TO. We would support the idea of aligning all the maturities between the 2 sets of € IRS provided that the exemption for large in scale trades be confirmed.

<ESMA_QUESTION_MIFID_TO_5>

Q6. Would you also consider any of these possible sub-classes as liquid? Which other combinations of fixed leg payment frequency and floating leg reset frequency specifically would you consider to be sufficiently liquid?

<ESMA_QUESTION_MIFID_TO_6>

Amundi sees merits in aligning EU and US rules, but sees far more dangers in imposing TO in the EU on derivatives that are not totally liquid locally. Only a clear evidence that these sub-classes are liquid in the EU could lead to the conclusion that TO is appropriate. It is not the case today.

<ESMA_QUESTION_MIFID_TO_6>

Q7. For each Case, specify if you agree with the proposal of qualifying the sub-classes as liquid for the purpose of the trading obligation and if not, please explain why and provide an alternative proposal.

<ESMA_QUESTION_MIFID_TO_7>

We can understand that IMM swaps be less regularly traded than standard \$ Libor 3M swaps. Actually, the volumes traded on IMM are impressive and justify in our view their inclusion in the TO. For standard spot \$ IRS we think that 7Y maturity does not show a sufficient activity on both volume and percentage of Days traded and we recommend to withdraw it from the list.

<ESMA_QUESTION_MIFID_TO_7>

Q8. Would you also consider any of these possible sub-classes as liquid? Which other combinations of fixed leg payment frequency and floating leg reset frequency specifically would you consider to be sufficiently liquid?

<ESMA_QUESTION_MIFID_TO_8>

Amundi sees merits in aligning EU and US rules, but sees far more dangers in imposing TO in the EU on derivatives that are not totally liquid locally. Only a clear evidence that these sub-classes are liquid in the EU could lead to the conclusion that TO is appropriate. It is not the case today.

<ESMA_QUESTION_MIFID_TO_8>

Q9. For each case, specify if you agree with the proposal of qualifying the sub-classes as liquid for the purpose of the trading obligation and if not, please explain why and provide an alternative proposal.

<ESMA_QUESTION_MIFID_TO_9>

We maintain our position that only a clear evidence that these sub-classes are liquid in the EU could lead to the conclusion that TO is appropriate. We do not see in the Consultation Paper such clear evidence, since data are missing and ESMA refers to suggestions made by stakeholders which are not publicised to share the assessment. We have to refuse the proposed extension of TO to Libor 3 month GBP IRS.

<ESMA_QUESTION_MIFID_TO_9>

Q10. Would you also consider the possible sub-classes here below as liquid? Which other combinations of fixed leg payment frequency and floating leg reset frequency specifically would you consider to be sufficiently liquid?

<ESMA_QUESTION_MIFID_TO_10>



Amundi sees merits in aligning EU and US rules, but sees far more dangers in imposing TO in the EU on derivatives that are not totally liquid locally. Only a clear evidence that these sub-classes are liquid in the EU could lead to the conclusion that TO is appropriate. It is not the case today with quarterly payment on £ IRS.

<ESMA_QUESTION_MIFID_TO_10>

Q11. Do you agree with this proposal? If not, please explain why and provide an alternative proposal.

<ESMA_QUESTION_MIFID_TO_11>

Yes, we agree for both JPY and SEK.

<ESMA_QUESTION_MIFID_TO_11>

Q12. Do you agree with this proposal? If not, please explain why and provide an alternative proposal

<ESMA_QUESTION_MIFID_TO_12>

No. If we do not challenge the liquidity assessment, we do not agree to have 2 successive series subject to TO. The reason is that the absence of a satisfactory solution for package transactions will create a difficulty at the time of the roll of I-Traxx positions. Liquidity of both legs does not amount to liquidity of the roll and our dedication to act for the best interest of our client investors questions the proposed solution. Furthermore, the uncertainty about the exemption from TO for larger trades makes the issue of the i-Traxx rolls highly sensitive.

<ESMA_QUESTION_MIFID_TO_12>

Q13. Do you agree to the proposed timeline? If not, please explain why and present your proposal.

<ESMA_QUESTION_MIFID_TO_13>

Yes, we are satisfied that the Trading and Compensation obligations will be coordinated. However, we urge ESMA to introduce a phasing-in period if the exemption for large in scale transactions (that we ask for) were not confirmed.

<ESMA_QUESTION_MIFID_TO_13>

CBA QUESTIONS

Q14. This first question aims at identifying the category of firm/entity you belong to. Please provide the total notional amount traded in derivatives (trading venues + OTC) in 2016 in thousands euros and the related total number of trades in the relevant boxes

<ESMA_QUESTION_MIFID_TO_14>

Category	Number of employees	Total Notional traded 2016 (in thousands euros)	Total number of trades 2016
EMIR Category 1	[1-50]	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
	[51-250]	TYPE YOUR TEXT	TYPE YOUR TEXT

		HERE	HERE
	[251-1000]	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
	>1000	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
EMIR Category 2	[1-50]	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
	[51-250]	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
	[251-1000]	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
	>1000	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
EMIR Category 3	[1-50]	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
	[51-250]	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
	[251-1000]	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
		TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
EMIR Category 4	[1-50]	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
	[51-250]	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
	[251-1000]	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
	>1000	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
Trading Venue	[1-50]	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
	[51-250]	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
	[251-1000]	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
	>1000	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE



<ESMA_QUESTION_MIFID_TO_14>

Q15. Based on the draft RTS, which percentage of your derivative trading (notional amount and number of trades) do you expect to be captured by the TO? Please provide the data for derivatives globally, and then for interest rate derivatives and for credit default swaps, using 2016 trading data?

<ESMA_QUESTION_MIFID_TO_15>

% of trading captured by the TO	Year 2016
% of total notional amount traded in derivatives captured by the TO	TYPE YOUR TEXT HERE
% of total number of transaction in derivatives captured by the TO	TYPE YOUR TEXT HERE
% of total notional amount traded in interest rate derivatives captured by the TO	TYPE YOUR TEXT HERE
% of total number of transactions in interest rate derivatives captured by the TO	TYPE YOUR TEXT HERE
% of total notional amount traded in credit default swaps captured by the TO	TYPE YOUR TEXT HERE
% of total number of transactions in credit default swaps captured by the TO	TYPE YOUR TEXT HERE

<ESMA_QUESTION_MIFID_TO_15>

CBA Questions 16 and 17 are to be answered by investment firms and significant non-financial counterparties

Q16. Out of the trading activity expected to be captured by the TO, as identified under Q2, which % is already traded on an EU regulated market, an EU Multilateral Trading Facility (MTF), a US Swap Execution Facility (SEF) or another third-country trading venue?

<ESMA_QUESTION_MIFID_TO_16>

Trading activity expected to be captured by the TO	Traded on a regulated market	Traded on an EU MTF	Traded on a US SEF	Traded on another 3rd country venue
% of total trading volume captured by the TO already traded on an EU trading venue, a US SEF or another third-country venue	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
% of total number of transactions captured by the TO already traded on an EU trading venue, a US SEF or another	TYPE YOUR TEXT	TYPE YOUR TEXT	TYPE YOUR TEXT	TYPE YOUR TEXT



third-country venue	HERE	HERE	HERE	HERE
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<ESMA_QUESTION_MIFID_TO_16>

Q17. Compliance with the TO may require some further trading arrangements. Which of the following statement would you consider relevant regarding the steps you might be taking to that end?_Please add any comment as appropriate.

<ESMA_QUESTION_MIFID_TO_17>

Arrangements contemplated to comply with the TO	Yes	No	Comments
1. Current membership/Direct Electronic Access (DEA) arrangements are sufficient to comply with the TO	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
2. I intend to become a member/ participant/client of one (or multiple) EU trading venues for the first time	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
3. I intend to become a member/participant/client of additional EU trading venues	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
4. I intend to seek access to EU trading venues through Direct Electronic Access (DEA)	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
5. I intend to combine membership (2.or 3) with DEA (4.)	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
6. I am considering other arrangements; Please explain those arrangements in the Comments section	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE

<ESMA_QUESTION_MIFID_TO_17>

CBA Question 18 is to be answered by trading venues

Q18. Question 5: Which of the derivatives subject to the TO, based on the draft RTS, are currently available for trading on your trading venue? Do you consider extending trading on your venue to other derivatives subject to the TO?

<ESMA_QUESTION_MIFID_TO_18>

Derivatives potentially subject to the TO currently available for trading on your venue	Derivatives potentially subject to the TO that may become available for trading on your venue
TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE



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<ESMA_QUESTION_MIFID_TO_18>

CBA Questions 19 to 22 are to be answered by all respondents

Q19. Based on the draft RTS, which impacts do you expect from the TO in the short and medium term? Please elaborate as appropriate under Positive or Negative impact.

<ESMA_QUESTION_MIFID_TO_19>

TO Impact	Positive Impact	Negative impact
Impact on your business model/ organisation/ client relationship	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
Impact on your revenues	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
Impact on market structure (e.g. principal vs. agency trading etc).	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
Impact on market liquidity and execution costs.	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
Other impacts. Please elaborate	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE

<ESMA_QUESTION_MIFID_TO_19>

Q20. Is there any specific provision in the draft RTS that you would expect to be a source of significant cost? If so, please elaborate.

<ESMA_QUESTION_MIFID_TO_20>

TYPE YOUR TEXT HERE

<ESMA_QUESTION_MIFID_TO_20>

Q21. Please provide an indication, even a rough one, of compliance costs (in thousands of euros).

<ESMA_QUESTION_MIFID_TO_21>

Draft RTS on the TO	a. IT costs	b. Training costs	c. Staff costs	d. Other costs (please identify)	Total costs (if a., b, c or d. are not available separately)
One-off costs	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE



Recurring costs (on an annual basis)	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE	TYPE YOUR TEXT HERE
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<ESMA_QUESTION_MIFID_TO_21>

Q22. Taking into account the size of your firm, would you qualify overall compliance costs with the draft RTS as low, medium or high?

<ESMA_QUESTION_MIFID_TO_22>

Please enter here "Low", "Medium" or "High" TYPE YOUR TEXT HERE
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<ESMA_QUESTION_MIFID_TO_22>