



London Stock Exchange Group's response to ESMA's Consultation Paper on Amendments to Commission Delegated Regulation (EU) 2017/587 (RTS 1)

London Stock Exchange Group (LSEG) is delighted to respond to ESMA's Consultation Paper on Amendments to Commission Delegated Regulation (EU) 2017/587 (RTS 1).

Introduction

- **We welcome the intervention from ESMA and the European Commission on the issue**, the recent ESMA Q&A, as well as the Commission's amendment to the specification of the definition of systematic internalisers, which we believe go a long way towards clarifying the rules. We firmly support ESMA's ongoing technical work on this topic and the proposed amendment to RTS 1 to clarify that, for equity instruments subject to the minimum tick size regime under RTS 11, SI quotes would only be considered to reflect the prevailing market conditions where those quotes reflect the price increments applicable to EU trading venues trading the same instruments.

Our support for the diversity of execution venues under MiFID II /R

- **We support the MiFID II/R vision of more open and transparent markets, and recognise that each type of trading venue can make a contribution towards this**, provided that the rules of operation and conduct are clearly understood. By undertaking risk-facing transactions, SIs are a valuable source of liquidity to market participants. We support a regulatory landscape that promotes competition and the right of market practitioners to innovate and apply technological solutions to regulatory challenges in the interests of efficiency and customer choice (so long as these can be demonstrated to be regulatory compliant). We believe there should be no undue restrictions on market practitioners who seek to innovate – in particular as in many cases these are the same players that are essential partners in the financial ecosystem to deliver other innovations such as efficient large in scale trading in the interest of the buy-side in particular.



Why we support the amended delegated regulation.

- **We believe that in order to ensure a fair competitive environment, a level playing field should be restored and maintained.** We fully agree with ESMA's opinion and believe that, consistent with the fairness sought in relation to routing of client orders, SIs should not receive a competitive advantage in relation to tick sizes (price increments). SIs, as execution venues, should be subject to the same tick size regime as trading venues (RMs, OTFs and MTFs), with the inclusion of half-ticks to allow mid-price trading as available on trading venues, to ensure a level playing field is maintained. The inconsistency of tick size regime between execution venues (TVs and SIs) in the RTS 11 example would result in an unintended unfair advantage for SIs. We believe that ESMA's proposed amendment to address this issue would further enhance and ensure a fair and even application of the regulations.

Conclusion

- **We support the scrutiny placed on the potential for any firms to misinterpret the MiFID/R transparency rules.** We will continue to engage actively with all market participants and regulators as the discussion on this topic evolves.