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| 9 November 2017 |

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| Reply form for the Consultation Paper on Amendments to Commission Delegated Regulation (EU) 2017/587 (RTS 1) |
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| Date: 9 November 2017 |

Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in the ESMA Discussion Paper on the amendments to Commission Delegated Regulation (EU) 2017/587 (RTS 1), 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\_RTS1\_AMND\_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\_RTS1\_AMND\_NAMEOFCOMPANY\_NAMEOFDOCUMENT.

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

ESMA\_RTS1\_AMND\_ESMA\_REPLYFORM or

ESMA\_RTS1\_AMND\_ESMA\_ANNEX1

***Deadline***

Responses must reach us by **25 January 2018.**

All contributions should be submitted online at [www.esma.europa.eu](http://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](http://www.esma.europa.eu) under the headings ‘Legal notice’ and ‘Data protection’.

1. Do you agree with ESMA’s proposal to clarify that SIs’ quotes would only reflect prevailing market conditions where the price levels could be traded on a trading venue at the time of publication?

<ESMA\_QUESTION\_RTS1\_AMND\_1>

The Investment Association (IA) is the trade body that represents investment managers, whose 220 members collectively manage over GBP6.9 trillion on behalf of clients. Our purpose is to ensure investment managers are in the best possible position to:

• Build people’s resilience to financial adversity

• Help people achieve their financial aspirations

• Enable people to maintain a decent standard of living as they grow older

• Contribute to economic growth through the efficient allocation of capital

The UK is the second largest investment management centre in the world and manages 37% of European assets.

More information can be viewed on our[website](https://www.theinvestmentassociation.org/). The IA’s ID number in the EU Transparency Register is 5437826103-53.

The BVI represents the interests of the German fund industry at national and international level. The association promotes sensible regulation of the fund business as well as fair competition vis-à-vis policy makers and regulators. Fund companies act as trustees in the sole interest of the investor and are subject to strict regulation. Funds match funding investors and the capital demands of companies and governments, thus fulfilling an important macro-economic function. BVI’s over 100 members manage assets of nearly 3 trillion euros for private investors, insurance companies, pension and retirement schemes, banks, churches and foundations. BVI’s ID number in the EU Transparency Register is 96816064173-47. For more information, please visit[**www.bvi.de/en**](http://www.bvi.de/en).

**Q1: Do you agree with ESMA’s proposal to clarify that SIs’ quotes would only reflect prevailing market conditions where the price levels could be traded on a trading venue at the time of publication?**

The IA and the BVI support ESMA’s proposal to ensure that Systematic Internalisers (SI’s) public quotes adequately reflect prevailing market conditions by linking them to the minimum tick sizes applicable to trading venues.

We agree with ESMA that continually reducing tick sizes has a negative effect on market efficiencies and does not bring benefits to end investors. We agree with ESMA that minimum tick sizes should be the same for SI public quotes as they are for other venues.

We consider that the quotes to which this amendment relates is limited to those that are required to reflect “prevailing market conditions”. Further it is our understanding that only quotes that are published in compliance with MiFIR Art 14 are impacted and that these quotes are also constrained to being between 10% and 100% of Standard Market Size (SMS) and must be made public. On this basis our members support the proposed changes.

If the Commission is minded to seek an alteration to the level 1 text to increase its mandate to permit constraint of any quotes other than those published to comply with MiFIR Art 14 then a full consultation of the impacts on the current functioning of the relevant markets would be required once the nature of such proposed constraints has been made public. Certainly, extension of current proposals to quotes beyond SMS would have seriously detrimental impact.

It’s important to distinguish between providing quotes and execution. Whilst we support SIs being restricted to quoting in the same tick size regime as the relevant regulated market, there should be no restriction on actual execution.

The IA & the BVI represent asset managers and, as a result, price improvements on trade executions carried out by brokers’ SIs on behalf of our members flow directly back to the end client e.g. pension funds. In addition, our members do not want an outcome where brokers are required to trade only on a valid tick size within an SI (including bilateral quotes). Trading at Mid-point in circumstances where an SI is permitted to provide price improvement in particular must always be permitted, in line with the best execution obligations of an SI, and as is currently aligned with trading venues.

<ESMA\_QUESTION\_RTS1\_AMND\_1>

1. Do you agree with the drafting amendment described above?

<ESMA\_QUESTION\_RTS1\_AMND\_2>

Yes, we support ESMA’s drafting amendments.

<ESMA\_QUESTION\_RTS1\_AMND\_2>