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| 9 November 2018 |

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| Reply form for the call for evidence - Periodic auctions for equity instruments |
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| Date: 9 November 2018 |

Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in the Call for evidence on periodic auctions on equity instruments 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\_CFE\_PA\_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;
* indicate the specific question to which the comment relates;
* contain a clear rationale; and
* describe any alternatives ESMA should consider.

**Naming protocol**

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

ESMA\_CFE\_PA\_NAMEOFCOMPANY\_NAMEOFDOCUMENT.

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

ESMA\_CFE\_PA\_ESMA\_REPLYFORM or

ESMA\_CFE\_PA\_ESMA\_ANNEX1

***Deadline***

Responses must reach us by **11 January 2019.**

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’.

# General information about respondent

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| --- | --- |
| Name of the company / organisation | Finance Finland |
| Activity | Banking sector |
| Are you representing an association? |[x]
| Country/Region | Finland |

# Introduction

Please make your introductory comments below, if any:

<ESMA\_COMMENT\_CFE\_PA\_1>

TYPE YOUR TEXT HERE

<ESMA\_COMMENT\_CFE\_PA\_1>

1. Do you agree with the two main differences identified to distinguish conventional periodic auctions from frequent batch auctions? If not, please explain why.

<ESMA\_QUESTION\_CFE\_PA\_1>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CFE\_PA\_1>

1. Do you agree with the observation of a rising market share for equity trading on frequent batch auctions?

<ESMA\_QUESTION\_CFE\_PA\_2>

We agree that the market share has been rising for equity trading on frequent batch auctions. We see that the percentage growth has been high but not a concern. But having said this, we believe that if the percentage of frequent batch auctions market share increase to 5% or even higher, it can have a negative effect on the market transparency.

<ESMA\_QUESTION\_CFE\_PA\_2>

1. What are in your view the main factors driving this development?

<ESMA\_QUESTION\_CFE\_PA\_3>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CFE\_PA\_3>

1. Do you agree with the four characteristics identified by ESMA? Please explain.

<ESMA\_QUESTION\_CFE\_PA\_4>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CFE\_PA\_4>

1. Do you consider that other characteristics of frequent batch auctions may explain their success and/or raise questions in terms of compatibility with the MiFID II transparency provisions? Please explain.

<ESMA\_QUESTION\_CFE\_PA\_5>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CFE\_PA\_5>

1. What is your view on the level of pre-trade transparency applied by systems that initiate auctions upon the receipt of a first order? In particular, should pre-trade transparency already be applied as of the start of an auction, irrespectively of whether there is a potential match or not? Please explain.

<ESMA\_QUESTION\_CFE\_PA\_6>

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<ESMA\_QUESTION\_CFE\_PA\_6>

1. What is your view on the level of pre-trade transparency applied by systems that initiate auctions upon the identification of a possible match? In particular, do you consider that systems locking in prices at the beginning and/or allowing the submission of orders pegged to the midpoint meet the pre-trade transparency requirements? Please explain.

<ESMA\_QUESTION\_CFE\_PA\_7>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CFE\_PA\_7>

1. Would you see benefit in frequent batch auction systems providing information on market/order imbalance? Please explain.

<ESMA\_QUESTION\_CFE\_PA\_8>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CFE\_PA\_8>

1. Do you consider the auction length of frequent batch auctions as appropriate? In particular, how does the short auction length contribute to fair and orderly trading? Please explain.

<ESMA\_QUESTION\_CFE\_PA\_9>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CFE\_PA\_9>

1. Would you see benefits in having a longer auction duration? Do you consider that the auction duration should take into account the liquidity and/or type of instruments traded (e.g. a longer auction duration for less liquid instruments)? Please explain.

<ESMA\_QUESTION\_CFE\_PA\_10>

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<ESMA\_QUESTION\_CFE\_PA\_10>

1. In your experience, how often do frequent batch auctions result in a match, and how many transactions are executed per frequent batch auction on average?

<ESMA\_QUESTION\_CFE\_PA\_11>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CFE\_PA\_11>

1. Do you consider frequent batch auction systems as non-price forming systems? Please explain. Should a characteristic of any trading system be that it is always price forming in order to operate without a waiver? Please explain.

<ESMA\_QUESTION\_CFE\_PA\_12>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CFE\_PA\_12>

1. Do you consider that these functionalities resemble reference price systems (in particular when matching transaction at mid-point)? Please explain.

<ESMA\_QUESTION\_CFE\_PA\_13>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CFE\_PA\_13>

1. How do frequent batch auctions ensure multilaterality and interactions of trading interests in the price formation process (e.g. diversity of participating members, average number of participants, distribution of orders involved per transaction)?

<ESMA\_QUESTION\_CFE\_PA\_14>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CFE\_PA\_14>

1. Do you consider that the possibility of pegged orders might weaken the price determination logic? If yes, which measures would you recommend?

<ESMA\_QUESTION\_CFE\_PA\_15>

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<ESMA\_QUESTION\_CFE\_PA\_15>

1. How frequently are mechanisms used to prevent an auction uncross at a price outside the EBBO or PBBO (e.g. patterns and occurrences)?

<ESMA\_QUESTION\_CFE\_PA\_16>

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<ESMA\_QUESTION\_CFE\_PA\_16>

1. What are your views on self-matching functionalities, and in particular member preferencing, in the context of frequent batch auction systems taking into account their short auction length? Do self-matching functionalities, and in particular member preferencing, coupled with other features of frequent batch auctions (short duration, locked-in prices) contribute to fair and orderly trading?

<ESMA\_QUESTION\_CFE\_PA\_17>

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<ESMA\_QUESTION\_CFE\_PA\_17>

1. Do you consider that self-matching functionalities, and in particular member preferencing, on frequent batch auction systems may be used to formalise privately negotiated transactions?

<ESMA\_QUESTION\_CFE\_PA\_18>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CFE\_PA\_18>

1. In your opinion, is the feature of member preferencing indispensable for the success observed in frequent batch auction systems since the application of MiFID II?

<ESMA\_QUESTION\_CFE\_PA\_19>

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<ESMA\_QUESTION\_CFE\_PA\_19>

1. How do you determine on which execution venues to conclude transactions. Please explain.

<ESMA\_QUESTION\_CFE\_PA\_20>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CFE\_PA\_20>

1. Which execution venues attracted the most trading volume following the suspension of dark trading venues under the DVC and why? Please substantiate your answer by quantitative data where available.

<ESMA\_QUESTION\_CFE\_PA\_21>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CFE\_PA\_21>

1. Should trading under frequent batch auctions become subject to stricter requirements in the future, to which type of execution venues do you expect the current trading volume under frequent batch auctions to migrate to?

<ESMA\_QUESTION\_CFE\_PA\_22>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CFE\_PA\_22>