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| 10 March 2020 |

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| Reply form for the Consultation Paper on MiFID II/ MiFIR review report on the transparency regime for non-equity and the trading obligations for derivatives |
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| Date: 10 March 2020 |

Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in the Consultation Paper on the transparency regime for non-equity instruments and the trading obligations for derivatives MiFID II/ MiFIR review report 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\_CP\_MIFID\_NQT\_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\_CP\_MIFID\_NQT\_NAMEOFCOMPANY\_NAMEOFDOCUMENT.

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

ESMA\_CP\_MIFID\_NQT\_ESMA\_REPLYFORM or

ESMA\_CP\_MIFID\_NQT\_ANNEX1

***Deadline***

Responses must reach us by **19 April 2020.**

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 | MarketAxess |
| Activity | Regulated markets/Exchanges/Trading Systems |
| Are you representing an association? |[ ]
| Country/Region | Europe |

# Introduction

Please make your introductory comments below, if any:

<ESMA\_COMMENT\_CP\_MIFID\_NQT\_1>

MarketAxess operates a multilateral trading facility in the EU through its subsidiary MarketAxess Netherlands NL BV. It also operates two Data Reporting Services providers (an Approved Publication Arrangement (“APA”) and an Approved Reporting Mechanism (“ARM”) in the EU via its subsidiary Trax NL BV.

We are fully supportive of the objectives of the Non-Equities transparency framework. Our general observation is that, as a relatively new concept outside of equities, the current focus should be on calibrating the existing regime to ensure it fully meets its objectives and addresses the issues experienced during its implementation, rather than on wholesale reform. Our concern is that any regime will ultimately need time to bed down and given the largely illiquid nature of non-equities markets will require careful calibration. Whilst many of the proposals in this consultation could be made to work, we are not persuaded that a case has been made for the cost and possible unintended consequences of fundamental reform. Even though we agree it is clear that improvements need to be made.

There are two areas where we believe reform is clearly needed. Firstly, the pre and post transparency framework is unnecessarily complex and has resulted in limited useful information for market participants. In particular, Article 21(3) and (4) MiFIR grant NCAs various options regarding deferred post-trade publication of non-equity instruments. As a result, the deferred post-trade publication regimes of non-equity instruments vary widely and lack consistency across the EU, and this is a contributory factor to the often-cited poor quality of post-trade transparency data.

Secondly, the complexities involved in the implementation of MiFID II has materially increased the regulatory burden on trading venues when compared to SIs, notably in relation to Articles 25 and 26 of MiFIR, which require trading venues to collect and monitor the provisions of extensive quantities of information, including information from *the underlying client of the trading venue participant*. This has proved consistently problematic since implementation and has resulted in significant trading flows moving OTC and to third country venues. At the same time, alternative trading platforms, who perform the same activities as regulated MTFs, are currently operating without appropriate licenses within Europe. Urgent supervisory action is necessary in order to address the imbalance this creates.

<ESMA\_COMMENT\_CP\_MIFID\_NQT\_1>

1. What benefits or impacts would you see in increased pre-trade transparency in the different non-equity markets? How could the benefits/impacts of such pre-trade transparency be achieved/be mitigated via changes of the Level 1 text?.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_1>

Greater benefits in pre-trade transparency could be achieved by levelling the playing field between venues on the one hand and both SI and OTC trading on the other hand. Given the scale of OTC trading, which is not subject to any pre-trade transparency requirements, we suggest that to have any meaningful impact on pre-trade transparency, OTC activity needs to be the focus for ESMA. The risk is that overly zealous pursuit of the quantity of fixed income deemed to be liquid (as opposed to the quality of the information that is made transparent) will drive trading away from electronic regulated venues towards OTC trading.

We also recommend reconsidering the rule in the Level One text that requires non-equities data to be free after 15 minutes. Given the infrequency with which the majority of bonds trade, 15 minutes does not devalue bond data in the same way as is the case in equities. Our experience is that the demand for real time non-equities transparency data is extremely low and is not today generally used in the price formation process. Removing or modifying this rule may help to facilitate the emergence of a Consolidated Tape Provider by increasing the commercial attractiveness of the venture.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_1>

1. What proposals do you have for improving the level of pre-trade transparency available? Do you believe that the simplification of the regime for pre-trade transparency waivers would contribute to the improvement of the level of pre-trade transparency available?

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_2>

By level, we assume you mean the quantity rather than the quality. We agree with one of the conclusions in your report that the principle reason transparency information is not widely available is the classification of the majority of bonds as illiquid. This is not surprising and changing the calibration will not change the fundamental illiquid characteristic of the instruments which will still only trade episodically upon issuance and thereafter in response to events which cannot be predicted. The question at hand is whether or not it will be safe to impose granular pre trade transparency on a greater number of illiquid instruments. Pricing illiquid instruments is not simply based on pre trade quotes but a combination of data inputs. These can become less reliable in times of greater market volatility.

We believe that the industry has made a substantial investment in the current regime and that the focus should be on improving data quality rather than the quantity, and calibrating the pre trade regime to balance the interests of liquidity providers with the benefits of transparency and ensuring that costs to investors are not increased by any widening of spreads. We would not agree that any changes or simplification of the pre trade waiver regime will create any discernible benefits and we do not support the view that increasing the number of bond that are classified as ‘Liquid’ by ESMA is a worthwhile aim in and of itself, if the instruments are nevertheless illiquid in their nature.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_2>

1. Are you supportive of ESMA’s proposal to delete the pre-trade SSTI-waiver? Would you compensate for this by lowering the pre-trade LIS-thresholds across all asset classes or only for selected asset classes? What would be the appropriate level for such adjusted LIS-thresholds? If you do not support ESMA’s proposal to delete the pre-trade SSTI-waiver, what should be the way forward on the SSTI-waiver in your view?

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_3>

No.We believe that the SSTI waiver can play a useful role in future to support the policy objectives that led to its introduction. Firstly, it provides a higher level of protection to liquidity providers acting as principal and thus helps to facilitate liquidity provision whilst still supporting a level of transparency. Secondly, it provides an incentive to utilise trading venues rather than OTC, in line with the policy objective in that regard.

As noted above we believe the SSTI can play a useful role in achieving the policy objectives of MiFID II. If it is removed, care should be taken to ensure that any adjustments to the LIS, taken in the whole, continue to level, not further unlevel, the playing field as between TVs and OTC/SI trading, or create other perverse consequences regarding spreads, the quality of the information made transparent, and the cost to the end investor.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_3>

1. What are your views on the use of the SSTI for the SI-quoting obligations. Should it remain (Option 1) or be replaced by linking the quoting obligation to another threshold (e.g. a certain percentage of the LIS-threshold) (Option 2)? Please explain.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_4>

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_4>

1. Would you support turning the hedging exemption into a limited negotiated trade waiver? If so, would you support Option 1 or Option 2? If not, please explain why.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_5>

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<ESMA\_QUESTION\_CP\_MIFID\_NQT\_5>

1. Do you agree with ESMA’s observations on the emergence of new trading systems and the proposed way forward requiring a Level 1 change and ESMA to issue an Opinion for each new trading system defining its characteristics and the transparency requirements? Would you have suggestions for the timeline and process of such Opinions? Please explain.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_6>

We believe it’s important that the process achieves a balance between encouraging innovation whilst at the same time ensuring a level playing field between different trading protocols. We have in practice been able to apply the current requirements set out in RTS 2 to new trading protocols as they have emerged. We are therefore concerned that seeking an opinion on each new development would considerably slow down the product lifecycle and stifle innovation in Europe, hampering its ability to compete efficiently with the financial markets in the rest of the world where there are no analogous requirements.

A far bigger problem for pre-trade transparency exists with the existence of other system operators who perform the same activity as regulated trading venues, but without a license - effectively making available entirely unregulated trading systems & protocols. We elaborate this problem below. Several system providers (otherwise referring to themselves as fintech firms or technology providers) are effectively operating multilateral systems that bring together multiple buying and selling interests which result in legally binding trades outside of the regulatory perimeter, largely in reliance on the argument that execution occurs bilaterally.

Trades on these unregulated venues are executed using these systems without those same systems being subject to regulatory scrutiny or having appropriate regulatory status as venues (Regulated Markets, Multilateral Trading Facility or Organised Trading Facility). This not only undermines the efforts of legitimate system operators to receive and maintain their venue licenses but also undermines the regulatory framework as a whole in facilitating off-venue trading, reducing transparency of financial markets and investor protection.

We therefore look forward to supporting ESMA and the national competent authorities to properly apply and enforce the current rules. Ensuring that all multilateral systems are properly supervised and regulated as trading venues will bolster the intended goal of MiFID II/R and enhance investor protection by avoiding the unregulated activities of non-compliant system operators.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_6>

1. Do you agree with the proposal for the definition of hybrid system? Are there in your view trading systems currently not or not appropriately covered in RTS 2 on which ESMA should provide further guidance? Please explain.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_7>

Our view is that rather than requiring hybrid systems to meet the pre-trade transparency obligations that apply to each relevant row in Annex 1 of RTS 2, it would be more practical for trading venues to determine which row best suits the protocol and preserves the overarching principles of pre-trade transparency.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_7>

1. Do you agree with ESMA’s proposal to require SIs to make available data free of charge 15 minutes after publication? Please explain.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_8>

As noted earlier, our view is that pre-trade data should not be free after 15 minutes for non- equities. If this is not something that ESMA wishes to change, then we agree with the proposal to require SIs to make quote data free of charge after 15 minutes as it would help to balance the regulatory playing field as between SIs and trading venues.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_8>

1. Would you see value in further standardising the pre-trade transparency information to increase the usability and comparability of the information? Please explain.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_9>

We believe ESMA should consider extending the requirement to publish post trade information via an APA to pre-trade quotes. This would drive two key benefits. Firstly, it would make consolidation of the data more practical by reducing the number of sources that need to be consolidated (i.e. the data would only need to be collected from relevant APAs). Secondly, data quality is likely to be improved because APAs are subject to the requirements in Article 10 of RTS 13, which would then apply to pre-trade as well as post trade data.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_9>

1. Do you agree with ESMA’s assessment of the level of post-trade transparency and with the need of a more streamlined and uniform post-trade regime which does not include options at the discretion of the different jurisdictions? If not, please explain why and, where available, support your assessment with data.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_10>

We do not believe ESMA’s assessment on the level of post- trade transparency has taken into account the widespread use in fixed income markets of sophisticated commercial pricing and transparency solutions for institutional participants. We experience very limited demand for MiFID II transparency data in relation to non-equities. Conversely, sophisticated pricing information is in fact available from a number of sources. For example, we have developed an intra-day transparency mechanism in Europe called AxessAll, which provides aggregated volume and pricing for the most actively traded fixed income instruments in Europe. It covers around 3,000 ISINs per day and includes government bonds, corporate bonds, emerging market debt and covered bonds. ​We estimate that Axess All today covers between 75% and 80% of fixed income activity across the EU and the UK. We therefore believe that a much higher level of transparency may in practice exist in fixed income (at least for professional investors) than your report suggests.

We do believe that the NCA options in Article 21 MiFIR should be harmonised so as to achieve greater consistency in deferred publication for two reasons. The first is that reducing the complexity in consolidating MiFID II market data is likely to aid its consolidation and future use. The second is that it would avoid distorting the playing field between trading venues in different jurisdictions. So, for example, a trading venue in one member state may be at a competitive disadvantage to a trading venue whose NCA allows for a more permissive regime.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_10>

1. Do you agree with this proposal? What would be the appropriate level of such a revised LIS-threshold in your view?

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_11>

Generally, we do not hold specific views on the level and operation of waivers and deferrals as we see these as being a matter for market participants rather than MTF venues. We do however note that as it seems likely that in future more non-equity instruments will be deemed liquid, the SSTI deferral, which offers the possibility of extending further protection to those firms dealing on account, may prove to be a useful tool. Whilst its removal may simplify the regime, market participants have already accounted for the additional complexity it brings. On balance therefore, we would not seek its removal.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_11>

1. In your view, should the real time publication of volume masking transactions apply to transactions in illiquid instruments and above LIS waiver (Option 1) or to transactions above LIS only (Option 2 and Option 3). Please elaborate. If you support another alternative, please explain which one and why.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_12>

As noted earlier in our response to question 11, as the operator of trading venues and APAs we generally do not hold specific views on the operation of waivers and deferrals as these seem to us to be matters for market participants. However, we can attest to the substantial systems investment made to bring the current MiFID II transparency regime into being two and a half years ago. Whilst we agree with the sentiment expressed in this consultation paper that work still needs to be done to bed in this relatively new regime, the problems seem to us to relate more to data quality and calibration, than to the structure of the regime itself. The Consultation paper sets out a laudable objective of greater simplicity, which we fully support. We are not persuaded that these proposals would achieve that end or that the cost of fundamental reform, very soon in relative terms after the implementation of the regime, is needed to achieve the policy objective of greater transparency.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_12>

1. Do you agree with the publication of the price and volume of all transactions after a certain period of time, such as two calendar weeks (Option 1 and 2) or do you support the two-steps approach for LIS transactions (Option 3)? Please explain why and provide any alternative you would support. Which is the optimal option in case a consolidated tape would emerge in the future?

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_13>

Please see our response to question 12. We would in addition note that we believe that the construct of the transparency regime is not to our minds a major barrier to the development of a CTP for non-equities. There are a number of further problems which we discuss in our answer to question 15 below.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_13>

1. Do you agree with ESMA’s proposed way forward to issue further guidance and put a stronger focus on enforcement to improve the quality of post-trade data? Are there any other measures necessary at the legislative level to improve the quality of post-trade data? What changes to the transparency regime in Level 1 could lead to a substantial improvement of data quality?

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_14>

We agree with your conclusion that the focus should be on further guidance and enforcement in order to address data quality problems but not if such enforcement would be to the detriment of trading venues versus Sis and OTC trading, and further exacerbate the lack of level playing field. We do not believe that material quality problems with MTF derived post-trade data are commonplace. The challenge for the venues is by definition reduced as the details of the trades are agreed electronically. Further ESMA guidance and a stronger focus on enforcement on non-MTF and OTC data would be welcome. We would encourage ESMA to work with the industry in developing this guidance and make full use of the expertise that exists in developing clear and unambiguous guidance.

We would like to draw your attention to a number of issues, where we believe further guidance or supervisory action would be beneficial. The first relates to the Pricing field, where we find prices are commonly incorrectly deemed to be either a Monetary or Percentage value. Secondly, we find that prices are commonly submitted with a zero value and that the “pending” flag is used inconsistently (these two issues may well be linked). We also note that some bonds can have incorrect CFI (classification of financial instrument) codes, which completely change their characteristics e.g. a bond that has an incorrect CFI code indicating it is an asset backed or money market instrument instead of a bond. This results in trade reports receiving incorrect treatment when published due to conflicting instrument classification upstream. Finally, instructions should be made clearer regarding populating the fields for ‘quantity’ and ‘notional’. Including, what exact circumstances qualify a bond for an exception to the rule for ‘notional amount’. For example, it is understood sovereign bonds and corporate bonds should have “notional amount” populated whereas, ETC’s and ETN’s should have “quantity”. Clarity as to whether the notional amount is the “face-value” of the trade executed or monetary value would be beneficial.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_14>

1. What would be the optimal transparency regime to help with the potential creation of a CTP?

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_15>

Save for the level 1 requirement to make non equities data available for free after 15 minutes, we do not believe that the nature of the transparency regime acts as a significant barrier to the development of a CTP. We do think that the proposal to harmonise deferrals would assist a potential CTP to emerge.

However, in relation to non-equities, we believe a CTP has not emerged for three key reasons. Firstly, a CTP would carry regulatory burdens that its competition (in the form of data vendors) are not subject to. Data Vendors currently would have the same rights to access the underlying data as a CTP. Secondly, existing commercial solutions provide more data and more sophisticated pricing analysis than a CTP could using MIFID II data alone. Thirdly, and as noted earlier, the requirement to make data freely available after 15 minutes severely limits the commercial potential of a CTP.

Finally, we believe it would be highly disruptive to introduce a CTP for fixed income without a corresponding CTP for equities. We are concerned about the possibility of market distortion, as many equity products (such as Exchange Traded Funds) are derived from fixed income instruments. The information advantage this would afford to professional investors could be used to the detriment of the wider investment community.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_15>

1. Do you agree with ESMA’s above assessment? If not, please explain.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_16>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_16>

1. Are you of the view that the interpretation of TOTV should remained aligned for both transparency and transaction reporting? If not, please explain why.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_17>

Yes. The current arrangements have worked well and are commonly understood, so we believe change would be unnecessary.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_17>

1. Which of the three options proposed, would you recommend (Option 1, Option 2 or Option 3)? In case you recommend an alternative way forward, please explain.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_18>

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<ESMA\_QUESTION\_CP\_MIFID\_NQT\_18>

1. What is your view on the proposal to delete the possibility for temporarily suspending the transparency provisions? Please explain.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_19>

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<ESMA\_QUESTION\_CP\_MIFID\_NQT\_19>

1. Do you have any remarks on the assessment of Article 28 of MiFIR? Please explain.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_20>

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<ESMA\_QUESTION\_CP\_MIFID\_NQT\_20>

1. Do you have any views on the above-mentioned criteria and whether the criteria are sufficient and appropriate for assessing the liquidity of derivatives? Do you consider it necessary to include further criteria (e.g. currency)? Do you consider that ESMA should make use of the provision in Article 32(4) for asset classes currently not subject to the trading obligations? Please explain.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_21>

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<ESMA\_QUESTION\_CP\_MIFID\_NQT\_21>

1. Do you agree that a procedure for the swift suspension of the trading obligation for derivatives is needed? Do you agree with the proposed procedure? Please explain.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_22>

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<ESMA\_QUESTION\_CP\_MIFID\_NQT\_22>

1. Do you have a view on this or any other issues related to the application of the DTO?

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_23>

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<ESMA\_QUESTION\_CP\_MIFID\_NQT\_23>

1. Do you have any views on the functioning of the register? Please explain.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_24>

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<ESMA\_QUESTION\_CP\_MIFID\_NQT\_24>

1. Do you agree that the current quarterly liquidity calculation for bonds is appropriate or would you be of the view that the liquidity determination of bonds should be simplified and provide for more stable results? Please explain.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_25>

We are not persuaded that stability of results should be an objective of the regime, because bond liquidity is not itself stable. It is by its nature episodic and largely driven by news events. Nor do we believe that the existing regime is overly complicated, even allowing for the fact that it will always be imperfect because historical activity is simply not a reliable predictor of future liquidity. Accuracy will always be difficult to achieve, so we are of the view that the current calculation is a workable compromise between accuracy and stability, and the investment in systems to manage it.

Furthermore, we note that Trading Venues and APAs have made significant contributions to improving the data quality submitted to ESMA’s FITRS system in order to make the current regime operate effectively. ESMA’s recent 01 May 2020 publication of completeness indicators demonstrates that the top 20 TVs (out of 172) covering 75% of the total 32.5 million bond reporting periods of in Q1 have an average completeness ratio of 98.5%.

The nature of the bond market, whereby a large number of instruments trade infrequently and liquidity is often episodic, presents challenges for any model that attempts to determine whether a bond is liquid. In providing commercial transparency services, such as Axess All we address this problem by using a more dynamic (intra-day) assessments of liquidity. Ultimately, we would therefore argue that ESMA should look to conduct assessments on a more frequent basis. Monthly assessments of liquidity may not have significant impact in improving accuracy but would reduce the impact of “false positive” results by removing them more quickly.

We would also note that the intermediate liquidity determination of newly issued bonds under the COFIA approach (and solely focussing on the bond’s issue size) tends to occasionally produce false positives. Subsequent quarterly assessment of these COFIA liquid new issues (and potential reversion to illiquid determination) contribute to the perceived “instability” of the liquid bond scope. Consequently, we believe consideration should be given to shortening the period of time in which the COFIA assessment applies. Again, this would not improve the accuracy of the test, but would reduce the impact of “false positive” results.

We are not at this point persuaded that the cost and complexity of trying to achieve greater accuracy makes sense. Rather we believe that the focus should be on improving data quality and potentially carrying out more frequent assessments (for example moving to monthly calculations).

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_25>

1. Do you agree with ESMA proposal to move to stage 2 for the determination of the liquidity assessment of bonds? Please explain.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_26>

As noted earlier, we regard the calibration of the transparency regime as more properly being a matter for market participants than trading venues. Nonetheless, it does seem to us that any negative impact on liquidity of moving to Stage 2 is likely to be limited and the increased transparency that will result will prove beneficial to the price formation process.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_26>

1. Do you agree with ESMA proposal not to move to stage 2 for the determination of the pre-trade SSTI thresholds for all non-equity instruments except bonds? Please explain.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_27>

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<ESMA\_QUESTION\_CP\_MIFID\_NQT\_27>

1. Do you agree with ESMA proposal to move to stage 2 for the determination of the pre-trade SSTI thresholds for bonds (except ETCs and ETNs)? Please explain.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_28>

We hold the same view as expressed in our answer to Question 26, namely that moving to Stage 2 is unlikely to have a significant impact on liquidity and the increased transparency that will result will prove beneficial to the price formation process.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_28>

1. What is your view on the current calibration of the ADNA and ADNT for commodity derivatives? Are there specific sub-asset classes for which the current calibration is problematic? Please justify your views and proposals with quantitative elements where available.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_29>

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<ESMA\_QUESTION\_CP\_MIFID\_NQT\_29>

1. In relation to the segmentation criteria used for commodity derivatives: what is your view on the segmentation criteria currently used? Do you have suggestions to amend them? What is your view on ESMA’s proposals SC1 to SC3? In your view, for which sub-asset classes the “delivery/cash settlement location” parameter is relevant.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_30>

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<ESMA\_QUESTION\_CP\_MIFID\_NQT\_30>

1. What is your view on the analysis and proposals related to the pre-trade LIS thresholds for commodity derivatives? Which proposal to mitigate the counterintuitive effect of the current percentile approach do you prefer (i.e. keep the current methodology but modify its parameters, or change the methodology e.g. using a different metric for the liquidity criteria)? Please justify your views and proposals with quantitative elements where available.

<ESMA\_QUESTION\_CP\_MIFID\_NQT\_31>

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<ESMA\_QUESTION\_CP\_MIFID\_NQT\_31>