

12 December 2022

**Ensuring the attractiveness of the EU equity markets and the competitiveness of EU market participants, to the benefit of EU end investors**

Dear Mr/Ms,

Developing and integrating the Union's capital market, and specifically its equity secondary market, is of critical importance in the current context. While bank financing faces increasing constraints, the contribution of financial markets will be key to support the recovery of European economies in the post-Covid context and in the aftermath of the war in Ukraine, their sustainable and digital transition, as well as their adaptation to the ageing of populations.

This crucial role falls on markets that have been through a massive upheaval since Brexit, as the once main financial market of the Union is now an affirmed competitor. Ensuring that EU financial markets are sufficiently developed and attractive is hence also a matter of autonomy and sovereignty for the Union and its member states.

With this in mind, the undersigned associations<sup>1</sup> would like to stress the Union finds itself at a crossroad where the regulatory choices that are being contemplated in the context of the MiFIR review will induce major and decisive transformations in the structure of European secondary capital markets, and in the role, they can play in the future.

Some proposals – both in the initial proposal for the review of MiFIR by the Commission and in amendments<sup>2</sup> to the ECON draft report – tend to further constrain the activity of systematic internalisers, which play a key role as liquidity providers, by limiting their ability to trade below certain thresholds or to trade at mid-spread, or by integrating their volumes in the monitoring of the double volume cap. Other proposals would restrict the access to waivers of pre-trade transparency through the lowering of the double volume cap or other limitations on the use of the Reference Price Waiver (RPW) and the Negotiated Trade Waiver (NTW) in the equity space.

While these proposals initially aim at increasing transparency and consolidating the price formation process in the EU, we consider that, were they to be adopted, **they are most likely to run counter to these objectives and to weaken the attractiveness of EU markets and the competitiveness of actors operating in/from the Union to the benefit of the United-Kingdom and other attractive third country jurisdictions, who offer a more attractive setting:**

- Alternative venues of execution (dark MTFs and systematic internalisers) provide liquidity services that are critical for end investors and that cannot be substituted by the sole access to lit multilateral venues. As a consequence, the limitation of their activity would be detrimental to investors,

---

<sup>1</sup> Please refer to the appendix for information about each association.

<sup>2</sup> In particular we refer to the following amendments: 111 ; 112 ; 128 ; 129 ; 236 ; 240 ; 248 ; 250 ; 279 ; 280 ; 290 ; 294 ; 296 ; 298 ; 299 ; 300 ; 301 ; 302 ; 307 ; 309.

European Forum of Securities Associations

- Non-EU market participants – that represent a significant portion of trading in EU shares – would then likely encourage the emergence of alternative pools of liquidity in more competitive third country jurisdictions like the United Kingdom, if only to offer better execution outcomes to their clients. This would entail a transfer of liquidity outside of the EU and the weakening of the price formation process of EU shares,
- EU market participants, who can only trade with EU trading venues, would have access to a less liquid market than their non-EU peers. This would significantly reduce their ability to offer high quality services at the best price to EU institutional investors, that is to say to EU pensioners and retail investors. In the end, it is them who will bear the impact of less competitive EU equity markets.

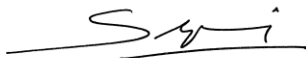
As such, we believe it is of the utmost importance to consider the current regulatory reforms in the United-Kingdom to avoid creating unnecessary regulatory gaps and to adopt a pragmatic approach as proposed in the ECON draft report as well as by the Czech presidency in its second compromise text. This does not mean the EU should mirror the measures the United-Kingdom intends to take through its Wholesale Markets Review but rather avoid too important regulatory discrepancies through an approach which would enable ESMA to precisely calibrate the different thresholds at level 2, based on dedicated studies and data. We consider it is of the utmost importance given the length of the EU legislative process which makes any swift correction of the EU regulatory framework at level 1 extremely difficult.

Moreover, we consider ESMA should be empowered to monitor the liquidity of EU shares, and other financial instruments as well, traded on EU markets as well as in third country jurisdictions and adapt the calibration accordingly. The EU Authority should also be in a capacity to react quickly should a transfer of liquidity to a third country jurisdiction be observed.

We would be most pleased to discuss the calibration of the equity transparency regime more in depth should you deem it useful.

Kind regards,

**Stéphanie Hubert**  
AMAFI, Chief Executive  
On behalf of EFSA

A handwritten signature in black ink, appearing to read 'S. Hubert', with a horizontal line underneath.

## **Appendix – About EFSA**

[EFSA](#) is a forum of European Securities Associations gathering, the French Association of Financial Markets ([AMAFI](#)), the Spanish Asociación de Mercados Financieros ([AMF](#)), the Italian Association of Financial Markets Intermediaries ([ASSOSIM](#)), Capital Market Denmark ([CMD](#)), the German Association Bundesverband der Wertpapierfirmen ([bwf](#)), the Belgian Association of Stock Exchange Members ([ABMB-BVBL](#)), the Polish Securities Dealers Association ([IDM](#)) and the Swedish Securities Markets Association ([SSMA](#)).