

## MiFIR REVIEW

### AMAFI RESPONSE TO THE EC CONSULTATION ON THE REVIEW OF THE REGULATORY FRAMEWORK FOR INVESTMENT FIRMS AND MARKET OPERATORS

[AMAFI](#) welcomes the opportunity to answer to this consultation.

Our membership comprises sell sides entities as well as trading venues. Among the latter, some has dicentive views with regards to certain points on the CT, and the equity market structure.

#### 1) On open Strategic Autonomy and attractiveness of EU markets

The attractiveness of EU markets and the competitiveness of EU actors should be a core objective when drafting EU legislations, especially given the Union has such a strong competitor at its door with the UK which according to the “Wholesale Markets Review” will simplify its market structure rules and diverge from the EU regulatory framework.

#### 2) On the establishment of a CT

We support the EC’s proposal to establish a consolidated tape (CT) for bonds and shares while considering that some adjustments are necessary.

For equity, it is critical to introduce pre trade data from the launch of the CT, even though a phase in period could be envisaged because it will fit most use cases of market participants (buy and sell sides). Otherwise, there is a risk that no provider will be able to invest as a CTP.

With regards to the revenue sharing mechanism, the features of the revenue participation scheme (maximum amount per user of the CT and modalities of allocation of revenues) should be defined ex ante through level 2 provisions.

#### 3) On the reform of equity and non equity transparency regimes

Modifications of the current regimes should consider the following:

To date, we are of the view that no significant and reliable studies support the idea that the current regime is not satisfactory and that the proposed reforms would hence be required.

Even though it is obvious that the EU should not be a rule taker vis-à-vis third countries’ jurisdictions, third countries’ rules cannot be ignored. In particular, the “Wholesale Market Review” envisaged in the UK should be carefully taken into consideration.

The establishment of a CT will be a powerful tool in increasing the availability of transparency data across the EU’s markets. The implementation of the CT should hence come first, and further studies should then be conducted to assess whether more targeted changes are needed.

The length of the EU legislative process which makes any swift correction of the regulatory regime extremely difficult.

On that ground, we advocate for a careful approach when envisaging modifying transparency rules, that would consist of:

- keeping the current transparency regime in place for the time being;
- mandating ESMA to carry out, on a regular basis, comprehensive studies, including on the split of liquidity on EU instruments (especially shares and bonds) between trading mechanisms within the Union, but also between venues established within and outside of the Union;
- envisaging potential reforms in light of (i) the benefits brought by the CT, (ii) the evolution of transparency regimes in other jurisdictions and (iii) the results of ESMA studies, especially in terms of potential shifts of liquidity between the EU and other jurisdictions.
- removing as much as possible quantitative criteria from level 1 texts in order to have a more agile EU framework.

#### **4) On the ban of PFOF**

A ban on PFOF is welcomed considering that such practice could impair the best execution rules and that it is difficult to enforce. This ban should only affect financial instruments for which the price formation process is order driven, i.e. shares.

#### **5) On the STO & DTO**

##### a) STO

The derogation based on the currency used for the transaction should be extended to all non-EU currencies instead of the domestic currency of the market where the transaction takes place.

##### b) DTO

To avoid potential market fragmentation, it is necessary that any exemption requested by a NCA for its investment firms and granted by the EC should also benefit automatically to other concerned entities of the Union if they respect the set criteria.

Moreover, it is critical for the proposal to enter into force as quickly as possible.