



## FIA response to the ESMA Consultation Paper on Algorithmic Trading under MiFID II/MiFIR

*(electronic submission to ESMA via online portal)*

London, 12 March 2021

FIA<sup>1</sup> welcomes the opportunity to respond to ESMA's consultation on the MiFID II/MiFIR review report on Algorithmic Trading. As part of its response, FIA has focused on the sections relating to Exchange-Traded Derivatives (ETDs) and has the following comments and key recommendations:

### Executive Summary

**Overall approach:** FIA welcomes ESMA's proposal to remove the authorisation requirement for all DEA users, including Tier 1 clients in sub-delegated DEA arrangements, which have become more prevalent in practice in the last few years. However, we recommend that ESMA reconsider the proposal to amend MiFID II Article 17(5) to introduce a new reporting requirement, which would include names of entities to which DEA access is provided. We also believe that the risks that ESMA proposes to remedy by requiring third-country HFT firms to become authorised in the EU, are already addressed by other means, for instance by way of trading venue rules directly applicable to the trading venue member and the direct authorisation in the EU of the trading venue member.

**Organisational requirements for investment firms:** While we are of the view that an overhaul of the definition of algorithmic trading is not needed, we are supportive of the proposals that attempt to streamline, simplify and consolidate supervisory practices, for example by developing a template for notifications to NCAs, which should be principles-based and not overly prescriptive. We have also made some constructive suggestions to improve market participants' experience with trading venue testing environments.

**Organisational requirements for trading venues:** We are supportive of proposals to introduce a more standardised and harmonised self-assessment process that trading venues are subject to. We recommend that ESMA consider providing guidance that limits the circumstances where NCAs can request the self-assessment be performed more frequently than every two years. Our members have confirmed that existing volatility interruption mechanisms (e.g., circuit breakers) have achieved their objectives and have

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<sup>1</sup> FIA is the leading global trade organization for the futures, options and centrally cleared derivatives markets, with offices in Brussels, London, Singapore and Washington, D.C. FIA's membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from about 50 countries as well as technology vendors, law firms and other professional service providers.

FIA's mission is to:

- support open, transparent and competitive markets,
- protect and enhance the integrity of the financial system, and
- promote high standards of professional conduct.

As the principal members of derivatives clearinghouses worldwide, FIA's clearing firm members play a critical role in the reduction of systemic risk in global financial markets.



proven valuable to market stability during highly volatile and stressed market conditions, for example, during the 2020 Covid-19 volatility. On the topic of Order-to-Transaction Ratio (OTR), we do not support ESMA's proposal to set out the maximum OTR ratio, calibrated per asset class. We believe that each trading venue must be allowed to set the OTR per instrument/product based on the knowledge of its local market in order to ensure that the ratios are relevant and kept up to date.

**Market-making and speedbumps:** We are of the view that the current regulatory framework regarding market-making agreements for ETDs is adequate and that the proposed amendments to RTS 8 and further clarifications are not required. Similarly, no new regulatory requirements are needed regarding the introduction and functioning of speedbumps.

**Question 1:** *What is your overall assessment of the MiFID II framework for algorithmic trading, HFT and DEA?*

FIA is generally supportive of the MiFID II framework for algorithmic trading and DEA, however, we have provided below some constructive feedback for further improvement of the regime in response to the consultation questions. The views expressed in this response represent the views of FIA exchange and clearing members, as well as those of our trading venue members, where applicable.

MiFID II requires firms to conduct more detailed analysis and scrutiny of their algorithms and apply strict risk controls, as well as the audit trails that demonstrate their development, change, testing, and release processes. FIA supports the application of robust risk controls and appropriate governance arrangements for algorithmic trading.

**Question 2:** *In your views, are there risks other than the one mentioned in MiFID II or impacts on market structure developments due to market electrification/ algorithmic trading that would deserve further regulatory attention? Please elaborate.*

N/A

**Question 3:** *Do you consider that the potential risks attached to algorithmic trading should also be given consideration in other trading areas? Please elaborate.*

N/A

**Question 4:** *Do you agree with this analysis? If not, please explain why.*

We understand ESMA is clarifying that the definition of algorithmic trading in MiFID II captures also (1) a DEA client that receives DEA via a DEA provider and (2) a firm that engages in high frequency trading indirectly (i.e. via DEA services from a DEA provider).

With respect to DEA and algorithmic trading, FIA is of the view that the DEA client should not need to be authorised in the EU as an investment firm; in order to promote fair competition globally in line with ESMA's proposal in the consultation (see section 3.3.2 of the ESMA consultation). The DEA provider in this chain retains its responsibility to have proper design and risk controls under Article 17 of MiFID II and to carry out the relevant due diligence on its clients under RTS 6. This provides appropriate oversight and is an effective mitigant with respect to any perceived risks arising out of a chain involving DEA and algorithmic activity. The



member firm can proportionately apply and enforce appropriate procedures and controls. FIA's response to question 10 discusses this further.

**Question 5:** *Did you encounter any specific issue with the definition of HFT? Do you consider that the definition should be amended? Do you have any suggestion to replace the high message intraday rates with other criteria or amend the thresholds currently set in Level 2? Please elaborate and provide data supporting your response where available.*

N/A

**Questions 6:** *Based on your experience, is sub-delegation of DMA access a frequent practice? In which circumstances? Which benefits does it provide to the DEA user and to the sub-delegatees? Are you aware of sub delegation arrangements in the context of Sponsored access? If so, please elaborate.*

Sub-delegation of DMA access is a frequent practice used as part of the global futures business model, which may involve a non-EU affiliate entity (for instance US FCMs) accessing an EU trading venue via the EU trading venue member / DEA provider in the same corporate group. FIA notes that the UK's withdrawal from the single market has further increased the use of such longer sub-delegated chains, since UK firms with DEA now need to access the EU trading venues via an EU entity/affiliate. Sub-delegation is more commonly used through an affiliate of the DEA provider, rather than through a third-party client of the DEA provider.

Sub-delegation of Sponsored Access is not a common occurrence, however, FIA would not recommend introducing specific restrictions. We believe it should be the responsibility of the Sponsored Access provider to ensure they can meet their obligations under the regulation, which includes being able to identify sub-delegated clients flow (as per RTS 6 Article 21(4)). Sub-delegation of Sponsored Access is permitted on some trading venues with requirements set out in the trading venue rules.

**Question 7:** *(for DEA Tier 1 clients) Do you sub-delegate direct electronic access? If so, are your Tier 2 clients typically regulated entities/investment firms? Are they EU-based or third country based?*

As set out in response to question 6 above, sub-delegation of DEA is a common practice used as part of the global futures business model where DEA is provided to intermediaries/brokers (Tier 1 clients). Tier 1 DEA client firms sub-delegate to their underlying client base (Tier 2 clients) who tend to be a combination of EU and non-EU based entities, regulated within their respective local jurisdictions.

**Question 8:** *Do you agree with this analysis? If not, please explain why. Do you consider that further clarification is needed in this area? If so, what would you suggest?*

FIA agrees with ESMA's analysis that online brokerage and online brokerage clients should not be in scope of the DEA definition. FIA is of the view that it was not the intention of MiFID II for retail investors to be authorised in the event their investment activities are executed via online brokerage. Due to the evolution of electronic trading in capital markets over recent decades, it is important that retail investors are provided with the necessary execution access to compete with other market participants. Access to online brokerage is an integral supply to level the playing field for retail investors and should be a means to develop EU capital markets further.



**Question 9:** Do you agree with ESMA’s proposal? If so, do you consider that the requirements considered above relevant? Should there be additional ones? If you disagree with ESMA’s proposal, please explain why.

N/A

**Question 10:** Do you agree with ESMA’s proposals above? Please elaborate.

FIA agrees with ESMA’s proposal that DEA users, including Tier 1 DEA clients, do not require authorisation within the EU.

DEA Tier 1 sub-delegated clients/users are already required under RTS 6 to have a suitable due diligence framework in place which is “at least equivalent” to that of the DEA provider. As a consequence of this requirement, chains involving sub-delegated DEA services are subject to appropriate surveillance and diligence requirements, with respect to the role of the sub-delegated provider. In addition, the DEA provider at the top of the trading chain is subject to directly applicable trading venue requirements and regulations and the direct authorisation and regulation of the relevant EU national competent authority (NCA). This ensures a sufficiently robust regulatory framework, supervision and oversight applicable to the DEA provider and, as a consequence, to the particular DEA execution chain.

FIA recommends ESMA to reconsider the proposal at paragraph 68 of the consultation, specifically the inclusion of names of entities to which DEA access is provided. FIA considers this additional data gathering requirement to be non-beneficial and further, it adds additional cost and complexity. Information will be held with the DEA provider, which means that it is accessible to NCAs if circumstances drive requirements and availability for this information.

ESMA proposes to address the perceived unlevel playing field between EU and third-country HFT firms by requiring the latter to become authorised as investment firms in the EU (paragraph 70). FIA is of the view that risks posed by third-country HFT firms are already effectively managed by more proportionate measures. For example, third-country HFT firms that are direct members of a trading venue are subject to the same systems and risk controls, testing and due diligence requirements as EU HFT firms where MiFID II imposes requirements on trading venues as they’re contractually bound by the trading venues’ rules. Where a third-country HFT firm is not a direct member of a trading venue, the trading venue member that facilitates access to that venue is required to conduct the necessary due diligence and ensure that it has the necessary controls in place with its clients.

Accordingly, we suggest ESMA reconsider its proposal and recommend that third-country HFT firms do not need to become authorised as investment firms in the EU solely on the basis of being captured by the definition of HFT, as they are in practice already subject to many MiFID II systems and risk controls standards that are relevant for ensuring safe, resilient and efficient markets.

Finally, we also note that the proposed authorisation requirement for third-country firms would undermine the equivalence framework set out in Title VIII of MiFIR for the provision of investment services and performance of activities by third-country firms following an equivalence decision with or without a branch. Third-country firms established in a jurisdiction that has been deemed equivalent under MiFIR Article 47 would not be able to engage in HFT on European markets even after they have registered with ESMA in accordance with MiFIR Article 46. We believe that the concept of equivalence and deference as set out in MiFIR Title VIII should apply also with respect to third-country firms that engage in HFT.



**Question 11:** *Do you agree with ESMA's proposal? Please elaborate.*

N/A

**Question 12:** *Do you see merit in ESMA developing a template for notifications to NCAs under Articles 17(2) and 17(5) of MiFID II? If not, please justify your position.*

FIA supports the development of a template for notifications to NCAs and recommends that ESMA develop a simplified template which is principles based (rather than too prescriptive) to ensure consistency in the format of responses to NCAs. This would reduce the overhead of firms having to complete many differing questionnaires. However, the level of detail requested should only be relevant to the NCA's requirements to understand the technologies used. For example, listing out internal names and descriptions of algorithms is likely to result in a questionnaire where the data changes potentially multiple times within the year, and is of questionable benefit to the NCA without additional detail. A simple question to confirm that the member firm has suitably detailed records of its algorithms and activities (requestable on demand) would provide the same benefits but reduce administration burden.

We note that different NCAs will have different requirements with respect to these notices (for instance certain NCAs require hard copy forms), so it would be helpful, as practical matter, to try and streamline/consolidate the actual submission process and form of such notices.

**Question 13:** *Do you agree that it would be useful to clarify that notifications should be done 'without undue delay'?*

We do not think it is necessary to include such a clarification, since in any event we expect that firms will endeavour to submit reports within such timeframe. It feels unnecessary to include any such clarification, on that basis.

**Question 14:** *Do you agree with ESMA's approach for the exchange of information between NCAs? If not, please justify your position?*

N/A

**Question 15:** *What is your view on clarifying the definition of algorithmic trading? If you deem it beneficial to refine the definition and account for further types of algorithms or algorithmic trading strategies, please provide your suggestion as well as underlying rationale.*

The definition of algorithmic trading is clear, as previous concerns have been addressed by additional guidance provided in ESMA Q&As.

**Question 16:** *Do you think there should be specific requirements for different type of algorithms or algorithmic trading strategies in RTS 6? Please explain.*

FIA notes that firms will use different types of complex and less complex algorithms as part of their business, each with a different level of complexity, and on that basis recommends that ESMA consider these in a fair



and proportionate way. FIA does not have any specific recommendations, but the requirements should follow a principles-based approach.

**Question 17:** *What is your experience with testing environments? Are they used frequently? If not, why? Do you see a need for any improvements?*

Trading venue testing environments are extremely valuable, however, there are some trading venues that may benefit from additional enhancements and improvements to their testing environments.

Some trading venues do not maintain sufficient 'up-time' (or availability) of the parallel testing environment that operates alongside the production environment. However, trading venues would require dedicated days once a month when the simulation would not be available for venues' system maintenance purposes. It is recommended to have a parallel testing environment available for at least some part of every day that mirrors exactly the production environment. This should be the 'common' environment that investment firms and vendors would connect to as a default for conducting testing. A 'Next Release' environment should be available during the time window leading up to each new release, enabling investment firms and vendors to conduct conformance testing against new APIs. This should not impact the availability of the parallel testing environment.

There are challenges around e.g., product static data being different in the test environment to the actual production environment, resulting in issues during the run up to a new exchange release. This removes the ability to connect to a production parallel environment. Therefore, product static data in the test environments should mirror as much as possible, the production environment.

The availability of the system and access 'production-like' to liquidity is also a concern and creates unnecessary delays in deployment. In addition, some trading venues are charging members to access their UAT environments which could disincentivize some members from testing.

Market participants would also benefit from additional assistance on stress testing from some trading venues. FIA believes that some trading venues should provide focus dates for simulation of stressed market conditions (where large volumes of market data are transmitted to market participants). Furthermore, this should not result in a Level 1 change but be identified as best practice through further guidance.

**Question 18:** *Do you agree that the definition of "disorderly trading conditions" should be clarified? If yes, how would you define such trading conditions?*

Despite the impact of the Covid-19 crisis on market volatility, under such conditions and notwithstanding the lack of clarification concerning the definition of disorderly trading conditions, investment firms' infrastructure and algorithms and controls have functioned well, with no disorderly trading experienced.

Although it is difficult to define what disorderly trading is across different markets, FIA does not think there is a need for further clarification of the definition of disorderly trading conditions in the Level 1 text.

**Question 19:** *Do you agree that ESMA should provide additional guidance on the expectations concerning the checks and testing to be done, in particular for testing on disorderly trading conditions?*



FIA welcomes a principles-based rather than prescriptive set of guidance. This will ensure that checks and testing are proportionate in relation to the complexity of the algorithm. Further, we encourage ESMA to consult with the trading venues so they can provide the testing conditions in their test environments.

**Question 20:** *Would you agree that it could be beneficial if ESMA develops a prescribed format for the self-assessment foreseen in Article 9 of RTS 6?*

Where firms report to a multiple set of regulators, FIA supports a consistent, principles-based format for the self-assessment that can be applied across the industry. This would assist not only market participants, but also vendors who provide the relevant technology.

FIA and other industry associations may be best placed to consolidate best practices across the market participants and propose such a template that can be amended swiftly in response to changing market conditions.

**Question 21:** *Do you agree with the changes proposed to the self-assessment of Article 9 of RTS 6?*

FIA supports a biennial self-assessment, however, we encourage ESMA to base this on the frequency of deployment of new technologies. We believe that firms should record the frequency of their self-assessment with justification of the proportional level of technology change; thus, a firm replacing its algorithmic engine would complete a self-assessment on that date, but if a firm's technology does not undergo material changes, the repetition of such a formal assessment may be of limited value.

FIA welcomes guidance on the level of detail required in the self-assessment. If an NCA requires the self-assessment be subject for review, then additional guidance is recommended. This will ensure that the level of scrutiny is standardised and approached in the same manner by all NCAs.

FIA agrees with the value of an annual stress test as the rise and fall of market volumes is a shorter-term cycle.

**Question 22:** *Would you propose any other targeted legislative amendments to RTS 6? Please include a detailed explanation of the proposed amendment and of the underlying issue that this amendment would aim to tackle.*

N/A

**Question 23:** *Do you agree with ESMA's proposal to harmonise and create a clear structure for the performance of the self-assessment?*

In principle, FIA agrees with ESMA's proposals around harmonisation and having a clear structure of the self-assessment, however, we recommend ESMA provide more clarity around the proposal to create a harmonised approach for self-assessment.

FIA welcomes a template guidance on what the regulator(s) requires.

**Question 24:** *Do you agree with limiting the self-assessment to every two years and to require trading venues to share it with their relevant NCA?*



FIA supports limiting the self-assessment to every two years. It should be noted that trading venues already share self-assessments with their respective NCAs.

Furthermore, we ask that ESMA consider providing guidance that limits the circumstances whereby NCAs can request the self-assessment be performed more frequently. For example, where the trading venue has either encountered compliance issues or, where a trading venue introduces material changes to the existing framework. In such instances, a more frequent assessment(s) would be deemed necessary and justified.

FIA supports the requirement for trading venues to keep a record of the self-assessment for at least five years. NCAs have had and will going forward, the ability to request the self-assessment. Therefore, FIA does not see much value in increasing the administrative burden for the trading venues - by adding the requirement to submit the self-assessment. If something should be submitted to the NCAs, it should be limited to the information on the possible findings, such as deviations and remarks relating to the self-assessment.

**Question 25:** *Do you agree with ESMA's analysis about the overlapping requirements between RTS 6 and 7? Are those overlaps considered beneficial, should they be removed or are there any gaps? Are there any further points that should be clarified?*

N/A

**Question 26:** *What is your view with regards to the testing of algorithms requirements? Do you agree that more robust testing scenarios should be set?*

FIA believes that a trading venue's primary tools and ability to curb or prevent disorderly trading is using appropriate price collars and mechanisms to manage volatility.

The ability to test and certify soundness of algorithms should reside with the investment firms that deploy the algorithms. Trading venues cannot with any efficiency validate or certify the behaviour of trading algorithms deployed by its trading participants. Therefore, FIA recommends ESMA limit the scope of conformance tests (RTS 7, Article 9(1)) to "trading systems", and hence remove "algorithms" and "trading strategies".

FIA fully supports the objectives and purpose of conformance testing where it fulfils a purpose. For example, testing the interaction of an application that interfaces with the trading system of a trading venue, to validate that it meets the format requirements and rules of engagement of the trading venue. All algorithms and trading strategies deployed through such applications are by default consequently covered in existing conformance test protocols.

**Question 27:** *Are the testing environments available for the testing of algorithms appropriate for this purpose?*

FIA understands that most firms engaged in algorithmic trading validate and test their algorithms in back testing environments outside of the trading venues' test environments. With that said, as stated in the answer to question 26, trading venues offer full parallel test environments to facilitate testing of algorithms





and any other types of testing by trading participants and vendors (See response above to definition and testing scenarios of disorderly market conditions).

**Question 28:** *Do you agree with ESMA's analysis that the circuit breaker mechanism achieved its objective to avoid significant disruptions to the orderliness of trading?*

FIA agrees with ESMA's analysis. We have observed in the past and more recently (e.g., the Brexit referendum in 2016 or, during the more recent COVID-19 volatility), that existing volatility interruption mechanisms achieved their objectives by providing market participants, as well as relevant supervisory authorities, with sufficient time to process and digest new information in a smooth and efficient way. These safety mechanisms and other safeguards operated by trading venues have proven valuable to market stability during highly volatile and stressed market conditions.

**Question 29:** *Do you agree that the requirements under Article 48(5) of MiFID II complemented by RTS 7 and the guidelines on the calibration of circuit breakers and publication of trading halts under MiFID II remain appropriate? If not, what regulatory changes do you deem necessary?*

FIA agrees with ESMA. The regulatory requirements are appropriate and no changes are necessary.

Trading venues have installed volatility interruptions in compliance with MiFID II Article 48(5), Article 19 of RTS 7 and the ESMA guidelines on the calibration of circuit breakers and publication of trading halts under MiFID II (ESMA70-872942901-63) in addition to national implementation.

FIA would like to emphasise that discretion of trading venues for volatility interruptions should not be limited when it comes to the functional design, application and interplay of these measures that are designed and operated to protect the price discovery process and to avoid significant disruptions to the orderliness of trading.

**Question 30:** *Do you agree that the co-location services and fees structures are fair and non-discriminatory? Please elaborate.*

FIA agrees that co-location services and fee structures are sufficient. Further, some trading venues have set up a designated webpage detailing what is available.

**Question 31:** *Do you think that the disclosures under RTS 10 made by the trading venues are sufficient or should they be harmonised among the different entities? Please explain.*

FIA agrees that the disclosures made under RTS 10 are sufficient and should be the responsibility of the trading venues.

**Question 32:** *Do you agree with ESMA's proposal to set out the maximum OTR ratio, calibrated per asset class?*

FIA does not support a convergence of maximum OTR ratios as proposed by ESMA. FIA believes that the OTR design should be the responsibility of trading venues who would base their assessment on the characteristics of the market in general, e.g., system capacity, liquidity of the platform, as well as instrument/product specifics. The ratio does not have to be the same even for the same



instruments/products across markets where it is traded, considering that each market has its own characteristics. Each trading venue must be allowed to set the OTR per instrument/product based on the knowledge of its local market in order to ensure that the ratios are relevant and kept up to date.

**Question 33:** *Do you agree that the maximum limits are not frequently exceeded? Please explain any potential underlying issues in this respect that should be recognised.*

We do not see any underlying issues with maximum limits not being frequently exceeded. We believe that this is the result of a profound analysis and subsequent determination of limits done by trading venues as well as market participants themselves being mindful of the consequences of exceeding the limits.

**Question 34:** *Do you agree with the consequences as described of exceeding the maximum limits or should there be a more convergent approach? Please provide any comment or suggestion regarding the procedures in place by trading venues in case of a member exceeding the prescribed limit.*

We do not think that a more convergent approach is useful when it comes to exceeding the maximum limits as we believe that the current process works fine.

**Question 35:** *Do you agree with the need to improve the notification process in case of IT incidents and system outages? Beyond the notification process between NCAs and ESMA, which improvements could be done regarding communication of incidents to the public?*

FIA welcomes a proposed harmonised reporting process to the NCAs established by DORA, which improves efficiency and aims to expediently address critical incidents. We do not see any need in streamlining the notification procedures from trading venues to NCAs coming from ESMA. Notifying NCAs and market participants relating to disturbances is of highest priority for trading venues. Any proposed "template" or guidance must not create additional overhead or complexity, or it will risk being counterproductive.

**Question 36:** *Do you believe any initiative should be put forward to ensure there is more continuity on trading in case of an outage on the main market, e.g., by requiring algo traders to use more than one reference data point?*

N/A

**Question 37:** *Do you agree with the view that the tick size regime had overall a positive effect on market depth and transaction costs?*

N/A

**Question 38:** *Is there any further issue you would like to highlight regarding tick size regime?*

N/A

**Question 39:** *Do You agree with the proposal not to amend the tick size regime for third country shares? Please explain.*

N/A



**Question 40:** *Do you agree with the proposal to widen the scope of the tick size regime to all ETFs? Would this pose challenges in your view? Please explain.*

N/A

**Question 41:** *Do you agree with the proposal not to widen the scope of the tick size regime to non-equity instruments? Please explain.*

FIA supports ESMA's proposal not to widen the scope of the tick size regime to non-equity instruments.

**Question 42:** *Do you agree with ESMA findings and assessment of the current MiFID II market making regime?*

N/A

**Question 43:** *What do you think of ESMA proposals and suggested amendments to RTS 8? In your view, what other aspects of the market making regime require to be amended and how?*

FIA disagrees with ESMA's proposals and suggested amendments to RTS 8. If new requirements were added (and while different regulatory interpretations exist), this would further widen the gap between different trading venue practices. There is a risk that this may lead to an unlevel playing field. Until these types of discrepancies are resolved, FIA recommends ESMA reconsider implementing any new requirements.

**Question 44:** *What are market participants views regarding the flexibility left in the MiFID II market making regime? Would you agree with ESMA further clarifying certain relevant concepts? If yes, which ones?*

FIA believes that the existing flexibility offered to trading venues is essential, allowing them to define the content of the market making agreement and the market making scheme depending on the nature and scale of their trading environment, its trading models and products. Any further restriction might harm the liquidity on the market. We also do not see the need for any further clarifications of the concept and would favour leaving the discretion around market making regime to trading venues.

**Question 45:** *Could you please describe how Primary Dealers agreements are designed (number of designated Primary Dealers, transparency about investment firms having signed such agreements, typical obligations contained, etc...). Do you consider that Primary Dealers should be exempted from the Article 1 of RTS 8? Do you consider that this can introduce a regulatory loophole?*

N/A

**Question 46:** *Do you think that venues which introduced asymmetric speedbumps provide enough information regarding the mechanism used? If not, what additional information would be useful to disclose to market participants?*

N/A



**Question 47:** *Reflecting on those mechanisms which allow liquidity providers to provide quotes that can be filled only against retail order flow, do you think that such mechanisms are beneficial in terms of market quality? Is there any specific aspect that you think should be further taken into account, also considering the type of instruments traded? Please specify the venue of reference and the type of arrangement discussed.*

N/A

**Question 48:** *Do you think that venues which introduce asymmetric speedbumps should set tighter market making requirements? Please explain why and how tight those new requirements should be.*

The exchanges are of the view that liquidity requirements should not be influenced by the introduction of speedbumps. Tightening the market making requirements when trading venues introduce asymmetric speedbumps would only increase entry barriers for new market participants.

**Question 49:** *Do you agree on the conclusion that speedbumps might not be a well-suited arrangement for equity markets? If yes, do you think that such arrangements for equities should be prohibited in Level 1? Please explain.*

N/A

**Question 50:** *Do you think that the introduction and functioning of speedbumps should be further regulated? If yes, which specific requirements would you like to be included in EU legislation?*

FIA does not believe that the introduction and functioning of speedbumps requires additional regulatory requirements. There are already sufficient tools available and used by trading venues, therefore, the introduction and functioning of speedbumps should be left to the trading venues to decide what, if anything, is best for their marketplace.

**Question 51:** *Is there any specific issue you would like to highlight about speedbumps?*

N/A

**Question 52:** *What are your views on the relative timing of private fill confirmations and public trade messages? If you are a trading venue, please provide in your answer an explanation of the model you have in place.*

FIA is of the view that, if the information on the sequencing of the public and private feeds is transparent and available to all market participants, the sequence should be at the discretion of each trading venue.

**Question 53:** *Do you consider information on the sequencing of these two feeds at trading venues to be easily available? If you are a trading venue, please provide a link to where this information can be found publicly.*

The provision of information on sequencing is not always consistently available across trading venues. However, those trading venues that do make such information readily available, do so on their websites.



**Question 54:** *Do you think there should be any legislative amendments or policy measures in respect of these feed dynamics?*

N/A

Thank you for consideration of these comments. We would be happy to discuss them in more detail with you as required. Please contact the undersigned at [phone number] or [email address] in case of any questions or to schedule a follow-up call.

Respectfully submitted,

A handwritten signature in black ink that reads 'Bruce Savage'. The signature is written in a cursive, flowing style.

Bruce Savage  
FIA Head of Europe