

FIA PTG

PRINCIPAL TRADERS GROUP

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July 15, 2022

The Brazilian Securities and Exchange Commission
Rua Sete de Setembro, 111, 23º andar
Rio de Janeiro, 20050-901

VIA E-Mail

Re: CVM Resolution No. 135/2022 - Methodology for Definition of Block Trades

The FIA Principal Traders Group (“FIA PTG”)¹ appreciates the opportunity to comment on the proposed methodology for defining block trades in securities. While we acknowledge that there are certain scenarios where having the option to execute a trade as a block is important, we strongly believe that the minimum size thresholds should be set to ensure that only a limited portion of overall trading activity qualifies as a block so as to safeguard the open, competitive, and transparent on-exchange execution process.²

In this regard, in our view, the thresholds proposed by CVM are too low. FIA PTG recommends that the block thresholds should not, at a minimum, include transactions that are straightforward for a broker to execute on-exchange using a volume-weighted average price (VWAP) or similar algorithm. By our calculations, the proposed thresholds are approximately 1% of the average daily volume (ADV). We would suggest they be set at no less than 10% of ADV, or at least ten times the proposed thresholds. We note that one approach taken in other jurisdictions is to establish that no more than a specific percentage of total notional transacted in a particular category of instruments should qualify for block treatment, and then set the block thresholds accordingly.³ This approach seeks to balance competing considerations by allowing a set percentage of total notional traded to be executed off-venue, while still ensuring that a critical mass of liquidity

¹ FIA PTG is an association of firms, many of whom are broker-dealers, who trade their own capital on exchanges in futures, options and equities markets worldwide. FIA PTG members engage in manual, automated and hybrid methods of trading, and they are active in a wide variety of asset classes, including equities, fixed income, foreign exchange and commodities. FIA PTG member firms serve as a critical source of liquidity, allowing those who use the markets, including individual investors, to manage their risks and invest effectively. The presence of competitive professional traders contributing to price discovery and the provision of liquidity is a hallmark of well-functioning markets. FIA PTG advocates for open access to markets, transparency and data-driven policy.

² See [June 26, 2020, FIA PTG Letter to The Brazilian Securities and Exchange Commission](#).

³ See, e.g., 85 Fed. Reg. 75422 (Nov. 25, 2020) at 75453, available at: <https://www.cftc.gov/sites/default/files/2020/11/2020-21568a.pdf>.

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remains on-exchange in order to safeguard the open, competitive, and transparent on-exchange execution process.

We also note that block trades can have significant market impact, and therefore it is critical that they be subject to the same public transparency requirements as other types of transactions. As such, rules governing block trading typically require reporting of block transactions within five or fifteen minutes of consummation, with dissemination to the public immediately after being reported.

Finding the right balance between on-exchange trading and block trades is critically important to efficient market structure. FIA PTG is grateful for the opportunity to share our views. If you have any questions or need more information, please contact Joanna Mallers (jmallers@fia.org).

Respectfully,

FIA Principal Traders Group

A handwritten signature in blue ink that reads "Joanna Mallers". The signature is written in a cursive, flowing style.

Joanna Mallers
Secretary