Question for written answer E-005836/2016
to the Commission
Rule 130
Barbara Kappel (ENF)

Subject: Trigger mechanism for bonds and derivatives

Under the Mifid II rules investment firms will be regarded as 'systematic internalisers'. This arrangement covers all bonds which belong to a class of bonds issued by the same entity or by any entity within the same group. It is a prerequisite that the firm should define the bonds in question on the basis of a pre-determined set of criteria.

The implications of this proposal are clear: many investment firms whose trading volumes for certain types of bonds are low will prefer to stop trading in them altogether rather than being forced to deal with the systematic internaliser regime.

1. What steps will the Commission take to forestall a possible liquidity problem in this area of the market?

2. In practice the restriction 'issued by the same entity or by any entity within the same group' can be an advantage when dealing with certain classes of bond. In the case of government bonds and asset-backed securities, however, this wording would mean that an investment firm would be a 'systematic internaliser' for all government bonds issued by a given State. What measures will the Commission take in this area?

3. What view does the Commission take of the proposal to apply the 'systematic internaliser' condition only at ISIN level?