

Brussels, 13th January 2012

Review of the Markets in Financial Instruments Directive
Questionnaire on MiFID2/MiFIR by Markus Ferber MEP

Response of ICAP Plc

By email to econ-secretariat@europarl.europa.eu

ICAP welcomes the opportunity to respond directly to the Questionnaire on the review of MiFID2/MiFIR.

As the world's largest interdealer broker ("IDB"), intermediating over €1.6 trillion in trading across all asset classes daily, we recognise that the markets addressed by the MIFID review are fundamental to the proper functioning of the European economy. Although these markets are very diverse, many of them are correlated such that changes in their individual market structure and operation can have significant spill-over effects – on the costs of public and corporate funding as well as the capacity to manage price volatility and risk.

ICAP owns and operates a number of Multilateral Trading Facilities (MTF) trading platforms, some of which are pure electronic market places and others in which the MTF is an adjunct to a voice-brokered market (known as a "hybrid"). In addition to MTFs we believe that the creation of Organised Trading Facilities (OTFs) that cover a wide range of products and which are operated by regulated market operators will increase investor choice and flexibility, while minimising trading costs.

Our ability to bring buyers and sellers together who benefit from our facilities through our price discovery is important in non-standardised and bespoke markets, particularly as the number of parties willing to enter into certain transactions may be limited, in contrast to equity markets. This ability ensures that transparent wholesale market liquidity formation is effective and will serve the economy, enhance market resilience and investor confidence. The nature of many non-equity markets clearly necessitates an efficient liquidity formation that can be accommodated in the new OTF category through multilateral voice broking, where continued innovation and user choice is vitally important. The optimisation of funding and cash flows are crucial for the growth and finance of national and corporate expenditure.

A key role of IDBs like ICAP is to provide pre-trade transparency to market participants. Pre-trade prices have been made available for many years through a number of data vendors such as Bloomberg and Reuters to a much wider audience. We support the provision of post-trade data to regulators via trade repositories.

The inclusion of a choice of both multilateral and bilateral execution/negotiation and voice broking or electronic platforms alongside regulated market operators will allow efficient price formation in markets of thin and episodic liquidity and deliver investors and other market users a choice of trading in each market in a manner most appropriate to those users' needs. To facilitate the debate around the review of MiFID2/MiFIR we will shortly publish an ICAP White Paper providing insight into the crucial role of voice broking in the global financial markets, and will of course provide you with the material when available.

We are mindful that the Econ Secretariat will receive a great many responses to this consultation and so we have sought to avoid answering those questions where we feel that the issues will be adequately highlighted by other contributors to the consultation process. However, we remain at the disposal of the Commission to provide additional material and views if that should be required. Please do not hesitate to ask.

Yours sincerely

Godfried De Vidts
Director of European Affairs

Review of the Markets in Financial Instruments Directive

Questionnaire on MiFID/MiFIR 2 by Markus Ferber MEP

The questionnaire takes as its starting point the Commission's proposals for MiFID/MiFIR 2 of 20 October 2011 (COM(2011)0652 and COM(2011)0656).

All interested stakeholders are invited to complete the questionnaire. You are invited to answer the following questions and to provide any detailed comments on specific Articles in the table below. Responses which are not provided in this format may not be reviewed.

Respondents to this questionnaire should be aware that responses may be published.

Please send your answers to econ-secretariat@europarl.europa.eu by 13 January 2012.

Theme	Question	Answers
Scope	1) Are the exemptions proposed in Directive Articles 2 and 3 appropriate? Are there ways in which more could be done to exempt corporate end users?	<p>The proposed exemptions should take into account the various other legislative initiatives to avoid inappropriate inclusion of all corporate end users. Particular attention should be paid in relation to commodity/energy trading by corporate users – producers, consumers and trading companies. Restricting these firms' wholesale market hedging activity may lead to a build up of risk in the physical supply chain and increase the cost of their products to consumers, decreasing growth prospects for all citizens.</p> <p>Public bodies charged with the management of public debt should <u>not</u> be exempted from the general provisions in MiFID2/MiFIR in relation to the way they organise the trading environment of such public debt. In particular the MiFID European Passport provisions giving the right for investment firms to provide services in other Member States should be fully applied.</p>

	2) Is it appropriate to include emission allowances and structured deposits and have they been included in an appropriate way?	N/A
	3) Are any further adjustments needed to reflect the inclusion of custody and safekeeping as a core service?	Preference is given to the full review in the CSD legislation before providing additional comments on this topic.
	4) Is it appropriate to regulate third country access to EU markets and, if so, what principles should be followed and what precedents should inform the approach and why?	<p>The commitments of the G20 nations to increase regulations of financial markets demand an appropriate third country regulation embedded within MiFID, even if this particular legislation is designed with only the European Union in mind. Financial market products are global, hence the need for a principle of third-country recognition to apply.</p> <p>The principle is that an entity regulated under a certain set of regulations is permitted to offer its services or carry out its business in a location or towards clients which are regulated under a different set of regulations. It is equally important to avoid too-detailed requirements on the exact correspondence between the applicable regulation within the EU and the applicable third-country regulation. Instead, the recognition of the third-country regulation should be based on a general correspondence of the underlying aims and purposes of the regulations.</p> <p>Furthermore, it must be clear that third-country entities can become participants of the OTF and enter into transactions with a broader range of participants using that platform. In addition, we would argue that third-country trading platforms e.g. Swap Execution Facilities (SEF) that are able to meet the OTF regime's requirements should have the opportunity to gain admittance onto European Securities and Markets Authority's (ESMA) list of facilities and thereby benefit from the Passport</p>
Corporate governance	5) What changes, if any, are needed to the new requirements on corporate governance for investment firms and trading	N/A

	venues in Directive Articles 9 and 48 and for data service providers in Directive Article 65 to ensure that they are proportionate and effective, and why?	
Organisation of markets and trading	6) Is the Organised Trading Facility category appropriately defined and differentiated from other trading venues and from systematic internalisers in the proposal? If not, what changes are needed and why?	<p>The proposal from the European Commission regarding the new OTF category for financial instruments predominantly traded by regulated counterparties appropriately reflects the much more specific and complex nature of the non-equity markets. These financial instruments are based on an internationally accepted and understood, time proven and regularly reviewed legal framework. These instruments have sufficient flexibility to be adapted to address the risk transfer requirements faced by a broad range of counterparties and tailored to their specific requirements. A decision to trade cannot be guided by the operators of an MTF or OTF; rather users will look for availability to offset risk in the way most suitable to their needs. MTFs and OTFs can only provide the necessary and appropriate technical and liquidity framework.</p> <p>Flexibility to optimize a liquidity search between discretionary (OTF) and non-discretionary execution (MTF) is key for efficient price formation and the ability for markets to absorb shocks to underpin financial stability. Because of the episodic nature of trading that takes place in any one instrument, maturity and currency, there is a requirement for market-makers in the liquidity formation of many non-equity markets, and this is best done in this new OTF category. The specific needs of the inter-professional non-equity market users often require large hedges. As best price is rarely available electronically even in “standardized” derivatives (due to the risky nature of market making), the role of voice broking needs to be appropriately recognized and acknowledged in the MiFID2/MiFIR proposal. Hence ICAP recommends a more detailed description of the role of multilateral voice broking in the current proposal. The proposal needs to recognize that discretion is required in finding available price makers to allow them to form best price against a backdrop of variable market conditions. The central pool of liquidity generated through the</p>

		<p>voice brokers multilateral price search through “Expressions of Interest” (EOI), with access rules and execution methods that are transparent and clear, needs to be accepted as a form of discretionary price formation and execution that is qualitatively and functionally different from a Regulated Market (RM) or MTF that needs to take place on an OTF. To illustrate the role of multilateral voice broking we include the graph below.</p> <p>See Annex 1 Liquidity formation in non-equity markets – role of multilateral voice broker</p> <p>Ignoring the fact that OTC derivatives markets benefit and contribute to Europe’s (and the world’s) real economy and society as a whole, would damage the ability of investors to make well-informed decisions. Limiting access to wholesale market activities to RM or MTFs only will damage the efficiency of many markets, depriving investors, as well as sovereign issuers of suitable hedging instruments. Suitability of execution is determined by many market conditions, not just size of transactions. The proxy hedges available, for instance, from futures instruments and which contribute to the large daily volume witnessed on RM and MTF markets, are no substitute for real economic risk protection. Hence ICAP recommends much more work is done in analyzing how liquidity formation works in non-equity markets and ultimately how specific derivatives provide the appropriate hedging strategies for investors in today’s financial markets. Clarifying the OTF category in the Level 1 discussions will help EMSA in its role to define the new framework on which funding growth and finance of national and corporate expenditure can continue to serve Europe’s citizens, but equally corporate and sovereign issuers that have a profound impact on the real economy.</p>
	7) How should OTC trading be defined? Will the proposals, including the new OTF category, lead to the channelling of	ICAP supports the demands of investors and other financial markets organisations for competition between trading venues and believes that the creation of Organised Trading Facilities operated by regulated

	trades which are currently OTC onto organised venues and, if so, which type of venue?	<p>market operators will increase investor choice and flexibility while minimising trading costs. We are very supportive of increasing the use of electronic trading platforms (as opposed to mandating specific products) but we believe that regulated market operators should deliver to <u>investors and other financial markets users the choice to trade in the manner most appropriate for their needs</u>, including both multilateral and bilateral, and by voice, hybrid, or electronic platforms thus providing them with the capability of continuous operations in the markets.</p> <p>Regulated market operators would be responsible inter-alia for providing robust organisational requirements, establishing rules and monitoring compliance of the OTFs, on a comparable basis to regulated markets and MTFs. OTFs would cover all multilateral and bilateral transactions not covered by RMs or MTFs; these would be negotiated between eligible counterparties and traded by any means of execution in all financial instruments including those that are eligible for clearing. In this way the OTF category could succeed in defining and channeling the way current OTC markets operate as RM and MTFs do today.</p>
	8) How appropriately do the specific requirements related to algorithmic trading, direct electronic access and co-location in Directive Articles 17, 19, 20 and 51 address the risks involved?	ICAP support the concepts highlighted in the various articles, but depending on how they are interpreted by regulators, financial markets organizations must be given sufficient latitude to address the requirements in order not to disrupt market function/liquidity while also imposing a significant material burden on these firms to meet the requirements. We encourage EMSA to consult with industry and are ready to discuss in detail these requirements when establishing technical standards
	9) How appropriately do the requirements on resilience, contingency arrangements and business continuity arrangements in Directive Articles 18, 19, 20 and 51 address the risks involved?	ICAP accepts these requirements as appropriate as they already form part of our business framework.
	10) How appropriate are the requirements for investment firms	ICAP operates under UK regulations as an intermediary. ICAP is

	to keep records of all trades on own account as well as for execution of client orders, and why?	required by law to keep records of all intermediated trades by our national competent authority.
	11) What is your view of the requirement in Title V of the Regulation for specified derivatives to be traded on organised venues and are there any adjustments needed to make the requirement practical to apply?	<p>The EMIR regulation largely regulates the role of ESMA regarding centralized clearing obligation. However, as described in Q6, the specific characteristics of non-equity markets leads to lower liquidity resilience. Hence the episodic/non-continuous nature and lack of a central market price makes such requirement problematic, if not impossible, in specific cases. Key factors as to how episodic markets are formed are trade size, number of participants, number of instruments, trading interest per individual instrument (not asset class), value (at risk) of trades and the level of volatility. We encourage ESMA to define and study the suitability of those classes of derivatives to be subject to the trading obligation while keeping in mind the previously mentioned factors. ICAP is ready to work with ESMA to show our internal asset-class analysis which show individual market specificities and the need to approach by instrument on a case by case if such a requirement, where appropriate, is pursued. Failing to recognize the specific issues per instrument may very well mean the disappearance of valuable hedging instruments to the detriment of the end users.</p> <p>Specifically in fixed income markets (a market segment not raised in this specific question) the current requirement under Title V of the Regulation needs to take into account the value of the broker, risk-free model of "Matched Principal Trading" (MPT). Broker MPT provides markets with liquidity and creates efficiencies for market participants. Consistent with MiFID remaining neutral as to the venue upon which a financial instrument is traded, it should also remain neutral on the method of trading in order to avoid inadvertently hampering competition and innovation in capital markets. This is especially true in the instance of Broker Matched Principal trading, in which the formation of liquidity through precisely matched counterparty capital does not constitute market operators taking a trading position. A reclassification of Broker Matched Principal trading as pure Own-Book trading would unquestionably have prudential consequences for the</p>

		<p>broker market operators which are non-bank, non-position-taking financial institutions, with a sharp reduction in overall market liquidity. Market operators are not proprietary trading businesses that are putting the firm's capital at risk; rather the IDBs are limited activity firms that are not authorised for any such proprietary trading. The IDB will only execute a trade if it has a firm client order on both the buy and sell side at a set price and/or size. The IDB will then confirm the details of the transaction to both counterparties. In the rare event that a counterparty in a matched principal transaction fails to fulfill their obligations (for example an unsettled transaction) or through trade mismatches or errors, an IDB can be exposed to market risk. In these exceptional circumstances, ICAP's policies and procedures, as a market operator, require the liquidation or hedging and liquidation of these principal positions as soon as is reasonably practicable. ICAP has significant experience of operating in a matched principal market. It has been arranging matched principal trades in the US Treasury market for more than 30 years and currently matches \$150 billion each day.</p>
	12) Will SME gain a better access to capital market through the introduction of an MTF SME growth market as foreseen in Article 35 of the Directive?	N/A
	13) Are the provisions on non-discriminatory access to market infrastructure and to benchmarks in Title VI sufficient to provide for effective competition between providers? If not, what else is needed and why? Do the proposals fit appropriately with EMIR?	<p>The provision of access to market infrastructures and in particular clearing access to Central Counterparty Clearing Houses (CCP) on a non-discriminatory basis is crucial for <u>all</u> financial instruments regardless of the execution venue. For all RMs, MTFs, or OTFs access should be given in order for market participants to fulfil the clearing obligation where products are deemed eligible by ESMA for centralised clearing. Execution platforms should have the option to access such CCPs on behalf of their users. We believe that the limited scope for access as currently proposed in EMIR is not adequate. Centralised clearing was identified by the G20 as one crucial part of the new regulatory framework, the restriction in EMIR to limit such</p>

		access to OTC derivatives only is inappropriate.
	14) What is your view of the powers to impose position limits, alternative arrangements with equivalent effect or manage positions in relation to commodity derivatives or the underlying commodity? Are there any changes which could make the requirements easier to apply or less onerous in practice? Are there alternative approaches to protecting producers and consumers which could be considered as well or instead?	Unless applied at a supra-venue or even global level position limits will tend to encourage liquidity fragmentation and the transfer of activity to other jurisdictions. This would reduce the potential protective benefit of the limits while threatening liquidity. At a venue level it will be very difficult to ascertain appropriate limits given the choice over execution venue that customers have in OTC markets and the extent to which trading activity is in response to external events.
Investor protection	15) Are the new requirements in Directive Article 24 on independent advice and on portfolio management sufficient to protect investors from conflicts of interest in the provision of such services?	N/A
	16) How appropriate is the proposal in Directive Article 25 on which products are complex and which are non-complex products, and why?	ICAP provides broking services to regulated wholesale market participants, as such the very nature of the product range is limited to professional market participants.
	17) What if any changes are needed to the scope of the best execution requirements in Directive Article 27 or to the supporting requirements on execution quality to ensure that best execution is achieved for clients without undue cost?	N/A
	18) Are the protections available to eligible counterparties, professional clients and retail clients appropriately differentiated?	The range of non-equity products available in today's financial market are mainly designed for eligible counterparties and professional clients. Hence legislation should only be accommodating additional regulation only if such products would be allowed by national supervisors to be offered to retail clients. An example where additional regulation would have been appropriate is the sudden sovereign issuance by the Kingdom of Belgium to retail clients at the end of 2011. Political intervention highlighting to retail clients the exceptional

		tax reduction on this particular sovereign issue without adequate information about the potential risk in case of a downgrade of the Kingdom of Belgium cannot be classified as prudent. Hence more educational efforts targeting retail clients need to be made available on an ongoing basis through national regulators in co-ordination with ESMA which would help this type of investor's awareness of the negative or positive effect of investments in an ongoing way.
	19) Are any adjustments needed to the powers in the Regulation on product intervention to ensure appropriate protection of investors and market integrity without unduly damaging financial markets?	Product intervention powers should be carefully used by the authorities and only investors classified as retail clients (who could suddenly be exposed to undue risk) should be targeted. Unintended consequences should be considered. A recent controversial example is the banning of naked shorts in certain shares by national authorities. This provides a false climate of comfort to retail investors as "negative" news is only temporarily neutralised by this action.
Transparency	20) Are any adjustments needed to the pre-trade transparency requirements for shares, depositary receipts, ETFs, certificates and similar in Regulation Articles 3, 4 and 13 to make them workable in practice? If so what changes are needed and why?	N/A
	21) Are any changes needed to the pre-trade transparency requirements in Regulation Articles 7, 8, 17 for all organised trading venues for bonds, structured products, emission allowances and derivatives to ensure they are appropriate to the different instruments? Which instruments are the highest priority for the introduction of pre-trade transparency requirements and why?	Pre-trade transparency requirements need to be appropriately managed in non-equity markets as, beyond the most liquid government bonds, an ill-designed waiver system would have catastrophic consequences on all markets. The amount of waivers may be equal to each of the asset classes used in today's financial markets, a cumbersome and expensive solution that may not be manageable by ESMA. More preferable may be a more appropriate structure for pre-trade transparency in non-equity markets that allows ESMA to support measures on a European wide basis without damaging liquidity. ICAP is ready to elaborate with ESMA to achieve the desired outcome.

		<p>To elaborate on the issues to be taken into account in creating a more optimal solution we provide herewith a list of factors to be taken into account. Some products can be introduced successfully and hence enjoy full pre-trade transparency. Other products (representing the bulk of financial activities) are based on “Expressions of Interest” (EOI) that need discretion and careful negotiation before a hedge can be executed. Firm quotes are highly time sensitive – trades are often multi “leg” and contingent on liquidity available in other markets. The role of market makers supported by voice brokers in this area is crucial as without voice facilitation of execution liquidity formation, particularly in volatile and illiquid markets, will not be possible.</p> <ul style="list-style-type: none"> ▪ Trade Size, # Participants, # Instruments, Turnover/Liquidity per Instrument, Value of Trade, and Underlying Volatility, all play a role in determining a market’s suitability for Electronic Trading ▪ The higher the likelihood of trading the exact instrument required, the greater the propensity for electronic trading – i.e.. <u>very</u> homogenized, high turnover products, like Spot FX, On-the-run UST, 1-day Repo, and (Stock and Futures) Exchange contracts that are <u>very</u> electronic ▪ These instruments enjoy what is known as ‘self-sustaining liquidity’, all other instruments require ‘Market Makers’ ▪ Market Makers take on position risk until a trade of equal and opposite value in the identical instrument can be found. ▪ Often to mitigate market risk, hedging will take place into ‘correlated’ instruments - these hedges are never perfect (an example would be the bund future that is used as a temporary proxy hedge – hence the huge turnover of bund futures linked to the OTC derivatives and OTC fixed income market). ▪ Understanding market conditions is vital in providing best price as a market maker; due to the nature of hedging prices often start as EOI. ▪ In homogenized, high turnover markets, the voice broker adds little value (except when trades of exceptionally large size are necessary)
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	22) Are the pre-trade transparency requirements in Regulation Articles 7, 8 and 17 for trading venues for bonds, structured products, emission allowances and derivatives appropriate? How can there be appropriate calibration for each instrument? Will these proposals ensure the correct level of transparency?	Please see our response to question 21
	23) Are the envisaged waivers from pre-trade transparency requirements for trading venues appropriate and why?	Please see our response to question 21
	24) What is your view on the data service provider provisions (Articles 61 - 68 in MiFID), Consolidated Tape Provider (CTPs), Approved Reporting Mechanism (ARMs), Authorised Publication Authorities (APAs)?	In line with our comments under Q 21 outlining the difference between equity/other highly electronic products and less liquid products the provisions of a data service needs equally to be taken into account. A free 15-minute delay policy is suitable for Equity exchanges as there are a relatively small amount of instruments, available to be traded which are relevant to a significantly larger global audience institutional, retail, consumer individuals). Conversely, OTC data covers a vast array of instruments, many of which are only relevant and traded by a very small universe of predominantly institutional users. ICAP understands that an industry initiative is underway for the equity markets, although meeting some difficulties. We advise waiting for the results of this initiative over a two-year period before attempting to look at similar services for other products, particularly keeping in mind the largely illiquid nature of non-equity instruments.
	25) What changes if any are needed to the post-trade transparency requirements by trading venues and investment firms to ensure that market participants can access timely, reliable information at reasonable cost, and that competent authorities receive the right data?	As mentioned in our response to Q24 that there is a vast array of instruments traded by a very small universe of mainly institutional users who require a different kind of post-trade transparency regime. Note that under EMIR the creation of Trade Repositories (TR) will provide over time a comprehensive overview of all instruments traded in today's financial market place. Hence regulators at large have all tools at their disposal to analyse market activities, in particular in

		<p>relation to MAD/MAR legislation currently also under review.</p> <p>Given the relatively illiquid nature of most OTC asset classes, the ability to provide a commercial viable post-trade transparency regime needs careful consideration about the timing of such transparency. A delay as short as 15 minutes is likely to produce disproportionate costs to maintain ticker plants. ICAP proposes the following alternative policies:</p> <ul style="list-style-type: none"> - commercial policies in delayed data should be per asset class and not applied to all OTC content - commercial policies for delayed data could also be defined by fields and information provided (e.g. Last Trade, but not necessarily provide all data points which are currently commercialized from a real-time perspective) - streaming delayed data (within one hour) should still be made available on a reasonable commercial basis - real-time or delayed data can be offered on a subscription based service distributed directly or through global vendor distributors - free delayed data could be provided on specified set of data or asset classes on a one day delayed basis for registered users direct from source - originators of pricing service could charge on a reasonable basis for vendors to distribute delayed content
Horizontal issues	26) How could better use be made of the European Supervisory Authorities, including the Joint Committee, in developing and implementing MiFID/MiFIR 2?	<p>The ESA's need to take into account all legislative proposals while developing and implementing MiFID2/MiFIR.</p> <p>Although ICAP realises the time constraint in the finalisation of all legislative initiatives in Level 1; appropriate time should also be given to Level 2 discussions with the European Supervisory Authorities together with the industry, in order to prevent unintended consequences (for example the bottle necks as regards availability of collateral between the need for appropriate collateral for daily execution of trades in centralised clearing infrastructures and the requirement for additional collateral by Basle 3/CRD IV in the proposed liquidity buffer) .</p>

	27) Are any changes needed to the proposal to ensure that competent authorities can supervise the requirements effectively, efficiently and proportionately?	Please see our response to question 26
	28) What are the key interactions with other EU financial services legislation that need to be considered in developing MiFID/MiFIR 2?	As financial markets are global, legislative initiatives from different jurisdictions impact on each other. A mapping of all regulatory initiatives should be conducted by the Commission services and analysed in detail to avoid unintended consequences that will harm the very nature of the regulatory reform. This analysis should be made widely available to the industry and working groups composed of the appropriate industry representatives will need to work with the Commission services and the European Parliament to determine changes that will need to be made. The potential negative impact on the real economy of the current huge number of legislative initiatives is a risk the European economy should not take.
	29) Which, if any, interactions with similar requirements in major jurisdictions outside the EU need to be borne in mind and why?	Interactions with global standards setters like IOSCO, the FSB as well as the Central Bank Community needs to be a priority. Although MiFID1 had its critics, the introduction of this legislation improved the opportunities and easy of choice of execution for EU investors and issuers in a global context, hence the importance of third country access to EU markets.
	30) Is the sanctions regime foreseen in Articles 73-78 of the Directive effective, proportionate and dissuasive?	N/A
	31) Is there an appropriate balance between Level 1 and Level 2 measures within MIFID/MIFIR 2?	ICAP suggests that Level 1 measures need to be adequately and appropriately detailed so that technical standards to be worked out and implemented in the Level 2 process will avoid national divergences.

Detailed comments on specific articles of the draft Directive	
ICAP is aware of various risk-reducing post trade services that contribute greatly to the robustness of financial markets. MiFID II should allow these services to continue and if it is the case that the requirement of the new regulatory framework is to classify these post-trade services into the new OTF category, then specific exemptions should be granted for these market functions. We are ready to elaborate on this aspect at any time in the future if so required.	
Article number	Comments
Article ... :	
Article ... :	
Article ... :	
Detailed comments on specific articles of the draft Regulation	
Article number	Comments
Article ... :	
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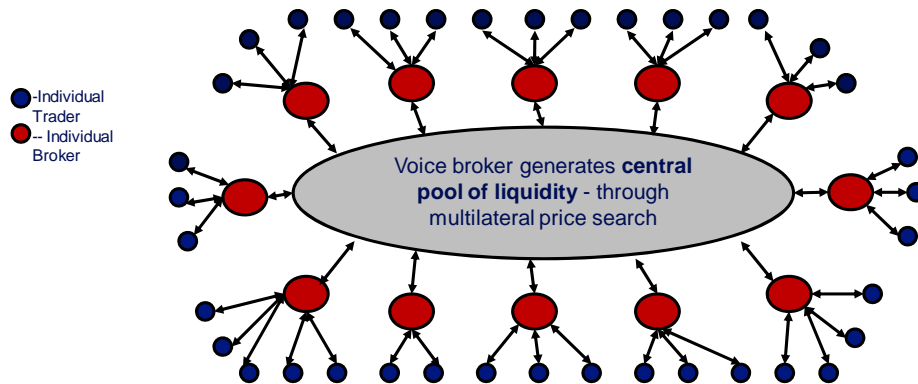
Annex 1

Non-equity markets

Liquidity formation - Role of multilateral voice broker



- Request for quote given to voice broker (typically in competition with other brokers)
- Voice broking desk speaks with network, seeking out opposing expressions of interest and 'firm' price quotes



- Quotes are communicated to original RFQ and multilaterally to central liquidity pool
- RFQ either hits best quote or counters with firm EOI (also communicated multilaterally)
- If counter, best firm quote has first right of negotiation with EOI on final execution price
- Should execution not take place, market is disseminated for all to trade or pass on
- Usually price exists only whilst participants are on the phone and have hedges aligned

Annex 2

