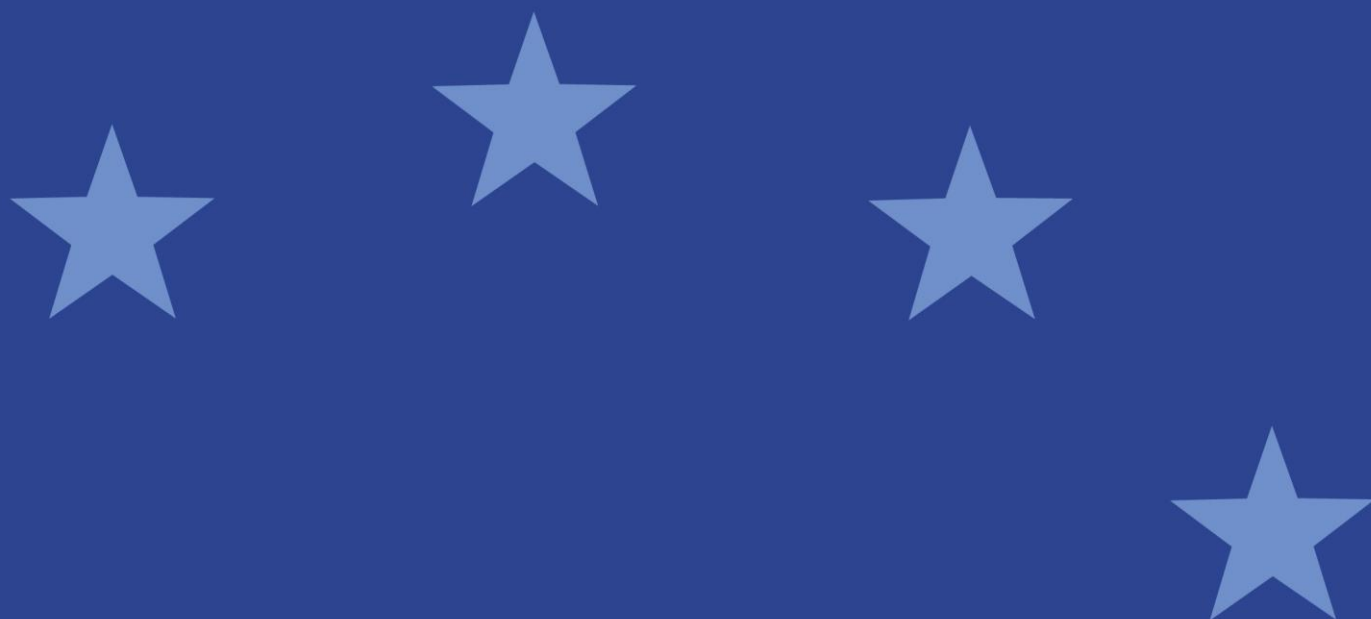


## Reply form for the Consultation Paper on the Algorithmic Trading



## Responding to this paper

ESMA invites comments on all matters in this consultation paper and in particular on the specific questions summarised in Annex I. Comments are most helpful if they:

- respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

ESMA will consider all comments received by **12/03/2021**.

All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading 'Your input - Consultations'.

### Instructions

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

1. Insert your responses to the questions in the Consultation Paper in the present response form.
2. Please do not remove tags of the type <ESMA\_QUESTION\_ALGO\_1>. Your response to each question has to be framed by the two tags corresponding to the question.
3. If you do not wish to respond to a given question, please do not delete it but simply leave the text "TYPE YOUR TEXT HERE" between the tags.
4. When you have drafted your response, name your response form according to the following convention: ESMA\_ALGO\_nameofrespondent\_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESMA\_FOTF\_ABCD\_RESPONSEFORM.
5. Upload the form containing your responses, in Word format, to ESMA's website ([www.esma.europa.eu](http://www.esma.europa.eu) under the heading "Your input – Open consultations" → "Consultation on Algorithmic Trading").

### Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publically disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA's Board of Appeal and the European Ombudsman.

**Data protection**

Information on data protection can be found at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading [Legal Notice](#).

**Who should read this paper**

This document will be of interest to (i) alternative investment fund managers, UCITS management companies, EUSEF managers and/or EuVECA managers and their trade associations, (ii) distributors of UCITS, alternative investment funds, EuSEFs and EuVECA, as well as (iii) institutional and retail investors investing into UCITS, alternative investment funds, EuSEFs and/or EuVECA and their associations..

## General information about respondent

Name of the company / organisation	Associazione Intermediari Mercati Finanziari - ASSOSIM
Activity	Investment Services
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	Italy

## Introduction

*Please make your introductory comments below, if any*

<ESMA\_COMMENT\_ALGO\_1>

Please note that all the responses were drafted in cooperation with the Italian Banking Association (ABI).

<ESMA\_COMMENT\_ALGO\_1>

## Questions

**Q1** : What is your overall assessment of the MiFID II framework for algorithmic trading, HFT and DEA?

<ESMA\_QUESTION\_ALGO\_1>

Our evaluation of the aforementioned framework is overall positive. The MiFID II regulatory framework relating to the Algorithmic and High Frequency Trading is robust and ensures a stringent monitoring of the operation. However, notwithstanding ESMA's Q&As, implementation uncertainties remain regarding the DEA perimeter. In particular, the reference to the fraction of a second is unclear with respect to the determination of the relevant time frame. Moreover, it should be considered that the constant technological evolution may make the "fraction of a second" criterion meaningless.

As a possible criterion to better define the scope of DEA, we would propose ESMA to assess the criterion of the DEA provider having a dedicated line for each single DEA client. Moreover, with reference to the regulatory framework inherent to DEA operations, it would be advisable to define more accurate guidelines with the aim to ensure a homogeneous application of this concept at EU level: as a matter of fact, at the current stage, the interpretation and implementation of such regulatory requirement is different in each jurisdiction. Nevertheless, it is worth considering that the harmonisation effort should, however, take into account trading models and asset classes' characteristics.

<ESMA\_QUESTION\_ALGO\_1>

**Q2** : 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.

<ESMA\_QUESTION\_ALGO\_2>

No. In our opinion the MiFID II regulatory framework provides an appropriate oversight of risks.

The rules currently in force ensure the management of market, credit and operational risks deriving from algorithmic operations. Therefore, no other risks potentially deriving from algorithmic trading would need to be highlighted.

<ESMA\_QUESTION\_ALGO\_2>

**Q3** : Do you consider that the potential risks attached to algorithmic trading should also be given consideration in other trading areas? Please elaborate.

<ESMA\_QUESTION\_ALGO\_3>

The risks deriving from algorithmic trading should not be taken into consideration in other trading areas. In particular, algo trading may pose potential risks to the orderly functioning of multilateral trading venues. In this regard, we believe that the current framework adequately addresses these risks. However, we oppose to any extension of the scope of the algo trading regime to other trading areas (such as SI trading – please see our answer to Q9 below).

<ESMA\_QUESTION\_ALGO\_3>

**Q4** : Do you agree with this analysis? If not, please explain why.

<ESMA\_QUESTION\_ALGO\_4>

We agree with the analysis if we look at the current regime. However, it should be considered that if DEA access no longer entails authorisation to provide investment services (see Q10), then it would no longer be possible to apply the algo regime to DEA clients who are not authorised as banks/IFs. However, in our view, the safeguards applicable to DEA providers would still be sufficient to minimise risks to the orderly functioning of markets.

<ESMA\_QUESTION\_ALGO\_4>

**Q5 :** 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.

<ESMA\_QUESTION\_ALGO\_5>

In our view, the definition of HFT should not be changed as more granular criteria would lead to a greater burden in terms of monitoring.

<ESMA\_QUESTION\_ALGO\_5>

**Q6 :** 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.

<ESMA\_QUESTION\_ALGO\_6>

In our experience sub-delegation is not a frequent practice.

<ESMA\_QUESTION\_ALGO\_6>

**Q7 :** (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?

<ESMA\_QUESTION\_ALGO\_7>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_ALGO\_7>

**Q8 :** 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?

<ESMA\_QUESTION\_ALGO\_8>

We strongly agree with the analysis made regarding the exclusion of clients of online brokers from the DEA perimeter.

<ESMA\_QUESTION\_ALGO\_8>

**Q9 :** 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.

<ESMA\_QUESTION\_ALGO\_9>

We do not agree with the extension of the algo regime to systematic internalisers for which it is not reasonable to assume the occurrence of the typical risks of TVs (such as risk of systems overloading, risks of algorithmic trading generating duplicative or erroneous orders, risk of

overreaction to market events, risk of market abuse behaviours, etc.). Furthermore, as stated in previous occasions (please see our answer to ESMA's consultation on "MiFIR review report on the obligations to report transactions and reference data"), SIs have done investments to carry out their core SI's activity (and, in certain cases, decided to opt-in) on the basis of the current MiFID II/MiFIR legal framework. A change in the "rules of the game" after three years of MiFID II/R application would not even allow the amortisation of all the costs borne to comply with the SI's regime. The introduction of further costs due to the need to comply with ESMA's current proposal would make the situation even worse taking into consideration the current (and the envisaged) delicate situation caused by the pandemic (whose end is unclear and likely not near). Finally, and importantly, such changes could discourage new SIs from opting-in, or currently active SIs to cease the business, thus reducing the overall transparency level.

<ESMA\_QUESTION\_ALGO\_9>

**Q10** : Do you agree with ESMA's proposals above? Please elaborate.

<ESMA\_QUESTION\_ALGO\_10>

We agree with ESMA's proposal contained in paragraph 65 of the CP regarding the authorisation waiver for persons having DEA access to only deal on own account (except where they qualify as HFT firms).

As it regards the extension of the scope of DEA users to Tier 2 clients, it is not clear exactly what the effect of this inclusion would be, given that these clients would not be solely regulated entities. Moreover, it is not clear whether a Tier 1 client, that is not licensed as a bank/IF, could sub-delegate DEA access to a Tier 2 client.

Regarding the proposal to inform the NCA about the number and names of DEA clients, we do not see any issues. In this respect it could be even quicker and more convenient for firms to provide such data only where a change in the list previously delivered occurs.

From a level playing field perspective, we agree with the proposal to provide authorisation as an IF for third-country DEA clients carrying out HFT activities.

<ESMA\_QUESTION\_ALGO\_10>

**Q11** : Do you agree with ESMA's proposal? Please elaborate.

<ESMA\_QUESTION\_ALGO\_11>

We agree with ESMA's proposal.

Only a few NCAs adopted specific statements regarding communications between Investment Firms and NCAs pursuant to articles 17 (1), 17 (2) and 17 (5) of MiFID II. Therefore, the definition of a harmonized standard at EU level -in terms of notification timing and content- would make it easier i) to identify and ii) to notify information considered relevant for the purposes of such communications.

<ESMA\_QUESTION\_ALGO\_11>

**Q12** : 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.

<ESMA\_QUESTION\_ALGO\_12>

Yes, we agree that a template should be developed for notifications to NCAs as we believe that any initiative aiming to make communications more standardized and homogeneous at an EU level is likely to bring positive effects on the efficiency of the financial industry's communications and administrative processes.

<ESMA\_QUESTION\_ALGO\_12>

1.

&lt;ESMA\_QUESTION\_ALGO\_0&gt;

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&lt;ESMA\_QUESTION\_ALGO\_0&gt;

**Q13** : Do you agree that it would be useful to clarify that notifications should be done 'without undue delay'?

&lt;ESMA\_QUESTION\_ALGO\_13&gt;

We do not see any drawback to the proposal to specify that a notification should take place as soon as possible.

&lt;ESMA\_QUESTION\_ALGO\_13&gt;

**Q14** : Do you agree with ESMA's approach for the exchange of information between NCAs? If not, please justify your position.

&lt;ESMA\_QUESTION\_ALGO\_14&gt;

In our view, a template for the exchange of information between NCAs would be desirable. If such a template were developed, the burden for the industry of making the same notification to several NCAs could be significantly reduced.

&lt;ESMA\_QUESTION\_ALGO\_14&gt;

**Q15** : 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.

&lt;ESMA\_QUESTION\_ALGO\_15&gt;

In our view, there is no need to clarify the definition of algo trading. Instead, a revision of the notion of algo trading would be appropriate with a view to simplification. In particular, it would be desirable not to apply the regime if the algorithm generates one and only one order at the occurrence of given conditions (e.g., stop loss) and then ceases to operate. In such a circumstance, no additional disorderly market risk would arise and, therefore, the application of the algo trading rules would not be needed. The situation would be different if the algorithm remained active after the order has been generated.

&lt;ESMA\_QUESTION\_ALGO\_15&gt;

**Q16** : Do you think there should be specific requirements for different type of algorithms or algorithmic trading strategies in RTS 6? Please explain.

&lt;ESMA\_QUESTION\_ALGO\_16&gt;

We do not see any need in this respect. The current regulatory framework ensures the possibility to consistently apply safeguards to the operations, hence providing for adequate controls of the systems. With regard to conformance testing, a principle-based approach to such testing would lead to outcomes capable of taking into account different types of firms' infrastructures.

&lt;ESMA\_QUESTION\_ALGO\_16&gt;

**Q17** : What is your experience with testing environments? Are they used frequently? If not, why? Do you see a need for any improvements?



<ESMA\_QUESTION\_ALGO\_17>

We would like to point out that the testing environments provided by trading venues often demonstrated to be not entirely fit for purpose and we deem that enforcement and supervisory activity in this specific regard over venues should be strengthened. Also, the effectiveness of the testing environments could be improved, for instance with regard to stress testing, by exploiting synergies with Trading Venues, so as to ensure that tests can be carried out directly on the systems of Trading Venues and with the simultaneous participation of several investment firms. Further to this, the testing process can vary widely from one trading venue to another, and different testing environments can cause different testing outcomes. Hence, we would welcome any improvements aimed at ensuring more consistency across different venues.

<ESMA\_QUESTION\_ALGO\_17>

**Q18** : Do you agree that the definition of “disorderly trading conditions” should be clarified? If yes, how would you define such trading conditions?

<ESMA\_QUESTION\_ALGO\_18>

We believe that the definition of disorderly trading conditions is sufficiently clear. Nevertheless, ESMA could consider identifying -by way of example- a non-exhaustive list of elements that would occur in a disorderly trading situation.

<ESMA\_QUESTION\_ALGO\_18>

**Q19** : 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?

<ESMA\_QUESTION\_ALGO\_19>

We believe that there is no need for additional guidelines as they would likely require adjustments and therefore imply additional costs without producing significant benefits.

<ESMA\_QUESTION\_ALGO\_19>

**Q20** : 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?

<ESMA\_QUESTION\_ALGO\_20>

We think that the criteria for self-assessment are sufficiently detailed and that a predefined format is not necessary.

<ESMA\_QUESTION\_ALGO\_20>

**Q21** : Do you agree with the changes proposed to the self-assessment of Article 9 of RTS 6?

<ESMA\_QUESTION\_ALGO\_21>

We do not agree with the proposed changes as we deem that they would not add any value.

<ESMA\_QUESTION\_ALGO\_21>

**Q22** : 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.

<ESMA\_QUESTION\_ALGO\_22>

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<ESMA\_QUESTION\_ALGO\_22>

**Q23** : Do you agree with ESMA's proposal to harmonize and create a clear structure for the performance of the self-assessment?

<ESMA\_QUESTION\_ALGO\_23>

We agree in principle with ESMA's proposal to harmonise and create a clear structure for the performance of the self-assessment. However, ESMA's proposal lacks sufficient detail in order to fully understand and support the position. We believe further consultations on the content of such harmonised structure may be advisable, so that specific and detailed stakeholders' views could be taken into account. In our view, a one-size fits-all approach would not be appropriate and the exercise should be limited to identifying high-level content requirements and principles.

<ESMA\_QUESTION\_ALGO\_23>

**Q24** : Do you agree with limiting the self-assessment to every two years and to require trading venues to share it with their relevant NCA?

<ESMA\_QUESTION\_ALGO\_24>

Yes, we agree with limiting the self-assessment to every two years and we would prefer to share the self-assessment with the relevant NCA as and when required (for example upon a request from the NCA) as opposed to this becoming an additional regulatory filing that must be filed by a certain date, in which case this requirement would translate in an additional administrative burden and costs to the venue.

<ESMA\_QUESTION\_ALGO\_24>

**Q25** : 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?

<ESMA\_QUESTION\_ALGO\_25>

We believe that overlapping obligations should be minimised as they create a redundancy of requirements and controls, without significant benefits.

<ESMA\_QUESTION\_ALGO\_25>

**Q26** : What is your view with regards to the testing of algorithms requirements? Do you agree that more robust testing scenarios should be set?

<ESMA\_QUESTION\_ALGO\_26>

From a cost-benefit perspective, we think that more robust testing scenarios are not appropriate.

<ESMA\_QUESTION\_ALGO\_26>

**Q27** : Are the testing environments available for the testing of algorithms appropriate for this purpose?

<ESMA\_QUESTION\_ALGO\_27>

As mentioned above (see Q17), the available test environments often demonstrated to be not fit for purpose. The testing environments currently available are adequate just for testing the basic operating logics of the algorithms. As also indicated in question 17 above, the

effectiveness of the testing environments could be enhanced, for example with regard to stress tests, by exploiting synergies with Trading Venues, with the aim to guarantee that tests can be performed directly on the TV's systems and with the concurrent participation of several investment firms at the same time.

<ESMA\_QUESTION\_ALGO\_27>

**Q28** : Do you agree with ESMA's analysis that the circuit breaker mechanism achieved its objective to avoid significant disruptions to the orderliness of trading?

<ESMA\_QUESTION\_ALGO\_28>

We agree with ESMA's analysis and we believe that circuit breaker mechanism achieved its objective.

<ESMA\_QUESTION\_ALGO\_28>

**Q29** : 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?

<ESMA\_QUESTION\_ALGO\_29>

In line with ESMA's considerations in paragraphs 174-to-177, we believe that the current regulatory framework remains appropriate, and no regulatory changes are necessary.

<ESMA\_QUESTION\_ALGO\_29>

**Q30** : Do you agree that the co-location services and fees structures are fair and non-discriminatory? Please elaborate.

<ESMA\_QUESTION\_ALGO\_30>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_ALGO\_30>

**Q31** : Do you think that the disclosures under RTS 10 made by the trading venues are sufficient or should they be harmonized among the different entities? Please explain.

<ESMA\_QUESTION\_ALGO\_31>

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<ESMA\_QUESTION\_ALGO\_31>

**Q32** : Do you agree with ESMA's proposal to set out the maximum OTR ratio, calibrated per asset class?

<ESMA\_QUESTION\_ALGO\_32>

We disagree with the proposal to introduce a Level 1 amendment aimed at including an empowerment for ESMA to develop technical standards to set out the maximum OTR ratio, calibrated per asset class as we deem it important that the systems used by trading venues to limit the OTR ratio are tailored to their rules and configurations. The calibration per asset class would not be sufficient to take these factors into account.

As ESMA emphasized, there are many critical parameters to be taken into account to set the OTR ratio. Those parameters include, but are not limited to, the trading venue's technological

and connectivity infrastructure, matching algorithm used and the rules for the provision of liquidity.

Furthermore, there is no clear evidence that variances in OTR ratios affect the level of protection across the EU and it should also be considered that a maximum OTR threshold may negatively affect the competitiveness of efficient trading venues in favour of less efficient trading venues. Moreover, the definition of a maximum OTR threshold would be counter-productive to the stated regulatory intention of increasing liquidity and market efficiency and would lead to limitations in market making; specifically: i) it would generate inefficient market results ii) it would distort prices and iii) it would reduce liquidity, thereby frustrating the achievement of the objectives which the present proposal should be aiming at. More importantly, ESMA should exempt the activity done under market making/contractual liquidity provision agreements in the calculation of the OTR ratio.

<ESMA\_QUESTION\_ALGO\_32>

**Q33** Q33: Do you agree that the maximum limits are not frequently exceeded? Please explain any potential underlying issues in this respect that should be recognised.

<ESMA\_QUESTION\_ALGO\_33>

Yes, we agree with it. Maximum OTR thresholds are set to avoid that near to peak platform capacity is reached, so it is normal that they are rarely exceeded.

<ESMA\_QUESTION\_ALGO\_33>

**Q34** : 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.

<ESMA\_QUESTION\_ALGO\_34>

We share the view that the procedures set out by ESMA are procedures commonly adopted by trading venues, which have proven to be effective. ESMA should not seek to propose an even more convergent approach. The existing regime provides trading venues with the necessary flexibility to determine how to deal with participants in case the OTR limit is exceeded (order cancellation, call, formal letter, additional fee, or penalty charges, etc.). Trading venues should be able to adopt procedures that are tailored to their business models to remain competitive.

<ESMA\_QUESTION\_ALGO\_34>

**Q35** : 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?

<ESMA\_QUESTION\_ALGO\_35>

We believe that the current regulatory framework on this matter is appropriate and do not see the need of improving the notification process or the communication of incidents to the public.

<ESMA\_QUESTION\_ALGO\_35>

**Q36** : 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?

<ESMA\_QUESTION\_ALGO\_36>

We do not believe further initiatives on this matter should be put forward, as we deem the current regulatory framework to be appropriate and we do not agree with the proposal to require algo traders to use more than one reference data point.

<ESMA\_QUESTION\_ALGO\_36>

**Q37** : Do you agree with the view that the tick size regime had overall a positive effect on market depth and transaction costs?

<ESMA\_QUESTION\_ALGO\_37>

Yes, we agree with the statement. By eliminating the possibility of suggesting infinitesimal price improvements, the introduction of the tick-size regime had a beneficial impact on the depth of the market and increased the quantity executed at the best price. With reference to request-for-quotes markets, this regime achieved a better alignment on the price offered by Market Makers.

<ESMA\_QUESTION\_ALGO\_37>

**Q38** : Is there any further issue you would like to highlight regarding tick size regime?

<ESMA\_QUESTION\_ALGO\_38>

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<ESMA\_QUESTION\_ALGO\_38>

**Q39** : Do You agree with the proposal not to amend the tick size regime for third country shares? Please explain.

<ESMA\_QUESTION\_ALGO\_39>

Yes, we agree.

<ESMA\_QUESTION\_ALGO\_39>

**Q40** : 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.

<ESMA\_QUESTION\_ALGO\_40>

We disagree with the proposal because widening the scope of the tick size regime to all ETFs would not generate benefits on the liquidity of these instruments.

<ESMA\_QUESTION\_ALGO\_40>

**Q41** : Do you agree with the proposal not to widen the scope of the tick size regime to non-equity instruments? Please explain.

<ESMA\_QUESTION\_ALGO\_41>

Yes, we agree.

<ESMA\_QUESTION\_ALGO\_41>

**Q42** : Do you agree with ESMA findings and assessment of the current MiFID II market making regime?

<ESMA\_QUESTION\_ALGO\_42>

With regard to the market making regime, we believe that the provisions on incentives offered by trading venues to MMs, especially in exceptional circumstances, do not achieve their purpose. Incentives can never significantly reduce potential losses due to stressed market conditions (the losses due to market risks are many orders of magnitude greater than fee incentives). The same situation would arise if such incentives were extended to liquidity support of illiquid instruments. In this respect, it is noted that market-based measures (e.g., widening of spreads in stressed conditions) are more effective.

Furthermore, on the basis of our evidence, the MM regime has proved to be unsatisfactory. The linkage to quantitative parameters creates a burdensome monitoring system and is not effective in ensuring that MM strategies are maintained over time. In this regard, we believe that greater simplification is needed to promote a greater development of MM activities. For example, if a MM (as defined by MiFID II Directive, Art. 4, para. 1, 7)) carries out, in such capacity, HFT activities, it would be desirable to remove the "reinforced" obligation of order registration, since these registrations would be already available within the relevant trading venue.

<ESMA\_QUESTION\_ALGO\_42>

**Q43** : 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?

<ESMA\_QUESTION\_ALGO\_43>

We think that MMs could play a valuable role for SMEs securities. However, we disagree with the usefulness of monetary incentives (see our answer to Q42).

In general, in case of markets in less liquid instruments, such as cash fixed income instruments traded on a central limit order book (in particular corporate bonds) where a single market maker or few market makers are present, the additional requirements proposed in par. 313 would have a detrimental impact on the liquidity. In case ESMA implements the new proposal to amend RTS 8, it should include a specific exemption for TVs that have contractual liquidity provision agreements in place which operate in cash fixed income instruments with order book trading.

Finally, we agree with the proposed amendments to RTS 8 to clarify the application of Article 1 and 2 of Commission Delegated Regulation (EU) 2017/578 to continuous order books only.

<ESMA\_QUESTION\_ALGO\_43>

**Q44** : 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?

<ESMA\_QUESTION\_ALGO\_44>

The current regulatory framework relating to market making ensures a certain degree of discretion by trading venues for the definition of the content of market making agreements. As proposed by ESMA, we would deem it advisable to have guidelines with reference to the following definitions currently used by trading venues:

- competitive prices;
- incentives provided on the basis of the operation realized;
- stressed market conditions.

<ESMA\_QUESTION\_ALGO\_44>



**Q45** : 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?

<ESMA\_QUESTION\_ALGO\_45>

Yes, we believe that Primary Dealers should be exempted from Article 1 of RTS 8. As regards bonds, this exemption should also be extended to all contractual liquidity providers that have assumed obligations with the trading venues that processes trades in such instruments using a continuous trading algorithm.

<ESMA\_QUESTION\_ALGO\_45>

**Q46** : 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?

<ESMA\_QUESTION\_ALGO\_46>

We do not have a factual experience about the availability of adequate information. In any case, we think that asymmetric speedbumps require a clear disclosure to market participants.

<ESMA\_QUESTION\_ALGO\_46>

**Q47** : 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.

<ESMA\_QUESTION\_ALGO\_47>

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<ESMA\_QUESTION\_ALGO\_47>

**Q48** : 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.

<ESMA\_QUESTION\_ALGO\_48>

We do not agree with stricter MM requirements.

<ESMA\_QUESTION\_ALGO\_48>

**Q49** : 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.

<ESMA\_QUESTION\_ALGO\_49>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_ALGO\_49>

**Q50** : 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?

<ESMA\_QUESTION\_ALGO\_50>

In this regard, transparency obligations should be set up.

<ESMA\_QUESTION\_ALGO\_50>

**Q51** : Is there any specific issue you would like to highlight about speedbumps?

<ESMA\_QUESTION\_ALGO\_51>

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<ESMA\_QUESTION\_ALGO\_51>

**Q52** : 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.

<ESMA\_QUESTION\_ALGO\_52>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_ALGO\_52>

**Q53** : 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.

<ESMA\_QUESTION\_ALGO\_53>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_ALGO\_53>

**Q54** : Do you think there should be any legislative amendments or policy measures in respect of these feed dynamics?

<ESMA\_QUESTION\_ALGO\_54>

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<ESMA\_QUESTION\_ALGO\_54>