

ESMA CP On Transparency Regime For Equities

Amundi reply

Q1: What is your view on only allowing orders that are large in scale and orders in an order management facility to be waived from pre-trade transparency while removing the reference price and negotiated trade waivers? Instead of removing the RP and NT waivers, would you prefer to set a minimum threshold above which transactions under the RP and NT waivers would be allowed? If so, what should be the value of such threshold? What alternatives do you propose to simplify the MiFIR waivers regime while improving transparency available to market participants? Please explain.

Broadly speaking, the tendency for Institutional investors to use alternative platforms (including Dark Pools or Periodic Auction) is likely to be a good information of the level of confidence they may have in lit markets and of their toxicity perception.

So maybe, while forcing pre-trade transparency, it could be relevant to improve level playing field between players (see our reply to Q 6).

LIS is probably the best provision. However, though we do understand regulator's concern, we consider that removing RP/NP waivers or ability to cross in alternative platforms/venues would probably harm execution quality by increasing market impact.

A good "in between" alternative may be to stage waivers as follows:

- 1. "Full" pre-trade waiver for trades above LIS*
- 2. RP & NP waivers for orders which are a multiple of AVT (3-5 times AVT?)*
- 3. No waiver below the "AVT" threshold*

Q2: Do you agree to increase the pre-trade LIS threshold for ETFs to EUR 5,000,000? Please explain.

Pre-trade transparency process on ETFs is straight forward on RFQ platforms (technical "flash" on their platform) and it is not "threshold sensitive", so we would not oppose increasing it to EUR 5,000,000.

More broadly, regulators should be aware that ETFs is a mixed instrument, the trading of which is mostly done through RFQ with market-makers.

Q6: What would be in your view an alternative way to incentivise lit trading and ensure the quality and robustness of the price determination mechanism for shares and equity-like instruments? Please explain.

*As mentioned in Q1, to incentivize trading on lit, regulators (and exchanges?) should focus on the level of playing field to make all investors confident, **and reduce toxicity or predatory behaviours**. Options would be to introduce speed bumps, or to forbid colocation.*

Q7: Which option do you prefer for the liquidity assessment of shares among Option 1 and 2?

To assess liquidity, the more criteria, the better. So option 2.

Do you have an alternative proposal?

Regardless of technical feasibility, measuring market depth would be a very valid indicator, for example through the average available size on bid/ask.

Do you think that the frequency of trading should be kept as a criterion to assess liquidity?

No, since most stocks would trade every day, at least for small sizes.

Q8: Do you agree in changing the approach for ETFs, DRs as proposed by ESMA? Do you have an alternative proposal? Please explain.

Yes we agree; indeed the share's free float and the daily traded condition are not relevant criteria for assessing ETFs' liquidity. As mentioned in Q2, most volume is traded through RFQ between Institutional Investors or Investment funds and market makers. This Institutional business provides a good image of ETFs' liquidity for all types of investors (incl. retail who cannot access this liquidity).

Q9: Do you agree in removing the category of certificates from the equity-like transparency scope? Please explain.

Yes we do. These categories are not relevant.

Q10: Do you agree in deeming other equity financial instruments to be illiquid by default? Please explain.

Yes we do.

Q11: Do you agree in separating the definition of conventional periodic auctions and frequent batch auctions?

Yes we agree. The auction mechanism is very similar, but the purpose is very different (for example, closing auctions are used as reference prices for valuations)

Do you agree with ESMA's proposal to require the disclosure of all orders submitted to FBAs? Please explain.

No, we do not. It would probably be better to restrict their activity to certain size or threshold (see Q1).

Q12: Do you agree that all non-price forming systems should operate under a pre-trade transparency waiver? Please explain.

Yes we do and it is self-explaining.

Q13: What is your view on increasing the minimum quoting size for SIs? Which option do you prefer?

To make SIs legitimate in this environment, 100% of SMS is the only option.

Q16: Which option do you prefer among Options A, B and C? Would you suggest a different alternative? Please explain.

We would favour option B

Q17: Would you envisage a different system than the DVC to limit dark trading? Please explain.

The only simple and efficient option is to limit Dark Trading to LIS only.

Q21: Do you agree in applying the DVC also to instruments for which there are not 12 months of available data yet? Please explain

6 months should give a sufficient track record on liquidity fragmentation.

Q26: Do you agree with ESMA's proposal to increase the applicable threshold for ETFs and request for real-time publication for transactions that are below 20,000,000 EUR? If not, please explain.

Yes we agree. This would not have detrimental effects for reasons developed above.

Q27: Do you agree with ESMA assessment of the level of post trade transparency for OTC transactions?

Yes, we do agree.

Q28: Do you agree with the proposal to report and flag transactions which are not subject to the share trading obligations but subject to post-trade transparency to FITRS? Please explain.

Yes we agree since it is a simple criteria to apply.

Q29: What is your experience related to the publication of post-trade transparency information within 1 minute from the execution of the transaction? Do you think that the definition of "real-time" as maximum 1 minute from the time of the execution of the transaction is appropriate/too stringent/ too lenient? Please explain.

Yes this delay seems appropriate in order to cover a large enough scope of transactions.

Q31: Do you agree that the scope of the share trading obligation in Article 23 of MiFIR should be reduced to exclude third-country shares? If yes, what is the best way to identify such shares, keeping in mind that ESMA does not have data on the relative liquidity of shares in the EU versus in third countries?

Yes we do. If ESMA does not have data on liquidity, maybe an option would be to consider criteria mentioned in Q7: for a same market-cap between a third country and an EU country, other liquidity parameters as ADNT or ADT should be quite similar. If it is not the case, then the stock may be considered as not traded "on a frequent & systematic basis".

More generally, would you include any additional criteria to define the scope of the share trading obligation and, if yes, which ones?

No, the same criteria would be meaningful for shares listed both in the EU and in third countries.

Q35: What is your view on the increase of volumes executed through closing auctions? Do you think ESMA should take actions to influence this market trend and if yes which one?

We understand that ESMA is referring to the AMF's study of 9 October 2019 on reasons for this increase. One of the reason is the increase of transactions linked to ETFs' management that have to be traded at closing. The other reason could come from the willingness of not being wronged by predatory behaviours.

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