

Virtu is a leading financial firm that leverages cutting edge technology to deliver liquidity to the global markets and innovative, transparent trading solutions to its clients. Virtu operates as a market maker across numerous exchanges globally. Virtu's market structure expertise, broad diversification, and execution technology enables it to provide competitive bids and offers in over 25,000 securities, at over 235 venues, in 36 countries worldwide. Virtu broadly supports innovation and enhancements to transparency and fairness that increase liquidity and promote competition to the benefit of all marketplace participants.

It is crucial that over the next five years the EU regains global competitiveness, in particular by developing deeper and more liquid capital markets so that EU companies and the broader EU economy can grow and flourish. To achieve this, however, it is crucial that policymakers must reflect on the functioning and attractiveness of EU markets and thoughtfully adapt the regulatory framework where necessary. It should be noted that regulatory requirements can influence firms' growth prospects and impact the development of capital markets.

We direct our comments to the most important questions and topics from our perspective. These can be summarized as follows:

Question:	Virtu Response:
Q12: How could ESMA take into account international best practices and competitiveness for the determination of the threshold up to which SIs have to be pre-trade transparent? Please explain.	Although the proposal to raise the minimum quoting size to 100% of SMS was discussed in the UK in 2022, no concrete steps have been taken to adjust the SI pre-trade transparency thresholds since then. We believe that increasing these thresholds will benefit exchanges, in particular at the expense of retail investors. Retail investors typically trade in sub-SMS sizes, and SIs may provide price improvement for these smaller orders but may not do so for larger ones. For instance, the current lower AVT SMS requirement is €10,000, 10% of which is the minimum quoting size. If a retail investor places a €1,000 order, the SI provider can provide price improvement at this smaller size. However, if this same order comes in under the new rules, SMS could be as high as €38,000 in the lower AVT bucket, requiring the SIs to quote 100% of this size. ELPs would likely stop offering price improvement. Moreover, these changes offer no additional benefit to institutional investors. Furthermore, the exact benefits of the change are not clearly articulated, and it remains unclear who is advocating for this change, whether there is dissatisfaction with the current minimum quoting size, or a clear market need for the change. More work and further analysis is warranted to establish a specific problem which needs to be solved through these changes. We agree in principle with ESMA's goal of reinforcing the price formation process and believe the current threshold is appropriate for achieving this objective.
Q13: Do you agree with the new AVT buckets and related SMS? Would you set a higher SMS for the AVT bucket [0-	The new AVT buckets and related SMS are detrimental to enabling retail participation in capital markets. Retail investors will pay wider spreads as a result of reducing the ability of ELPs to quote at sub-SMS levels. These increased barriers to entry



10000] (e.g. 10,000)? Please explain.	will limit, or even shrink the number of choices market participants have for sourcing liquidity. Additionally, enacting this change will lead to differing public quotation requirements between the EU and UK. SIs operated out of the UK will be able to offer more tailored liquidity through their UK SI. This results from a lower quoting obligation allowing liquidity providers to offer more competitive prices at a precise size, rather than a mandating a massive minimum size improvement level. EU Investors will be disadvantaged by reduced opportunities to engage with bilateral risk liquidity – since there will be less SIs providing this at a range of sizes.
Q14: Do you agree with ESMA's proposal of the new threshold#1 for shares? Please explain.	We disagree with changing the existing SMS and AVT buckets as these will harm retail investors. These rules will be a step further away from an efficient, retail inclusive equity market.
Q15: Do you agree with ESMA's proposal of the new threshold#2 for shares? Please explain	See Q12 response.
Q16: Do you agree with the new AVT buckets and related SMS? Would you set a lower SMS for the AVT bucket [0-10000) (e.g. 5,000)? Please explain.	See Q12 response.
Q17: Do you agree with ESMA's proposal of the new threshold#1 for DRs? Please explain.	No comment.
Q18: Do you agree with ESMA's proposal of the new threshold#2 for DRs? Please explain.	No comment.
Q19: Do you agree with the new AVT buckets and related SMS? Please explain. [p63]	No comment.
Q20: Do you agree with ESMA's proposal of the new threshold#1 for ETFs? Please explain.	See Q12 & Q13 responses.
Q21: Do you agree with ESMA's proposal of the new threshold#2 for ETFs? Please explain.	See Q12 & Q13 responses.

We hope that you find our comments above helpful and would be happy to discuss them further with you and/or your colleagues should that be desirable.

Respectfully,

David Furlong