

Markus Ferber MEP  
Member  
European Parliament  
60, rue Wiertz / Wiertzstraat 60  
B-1047 Bruxelles  
Belgium

12 January 2012

Dear Mr. Ferber,

FIA European Principal Traders Association (FIA EPTA) welcomes the opportunity to submit comments to the Economic and Monetary Affairs Committee on the proposals for a directive and a regulation on markets in financial instruments ("MiFID 2 proposal" and "MiFIR proposal"). FIA EPTA supports the European Commission's stated objective in these proposals of safeguarding the efficient functioning and integrity of markets.

FIA EPTA is an association of European principal traders established under the auspices of the Futures Industry Association (FIA). Its mission is to support transparent, robust and safe markets with a level playing field for all market participants. FIA EPTA members trade exclusively on their own accounts and engage in manual, automated and hybrid methods of trading on exchanges located around the world. FIA EPTA members represent a substantial part of the traded volume on European regulated markets and multilateral trading facilities (MTFs).

We believe that automated trading has played a key role in the substantial improvements in market quality witnessed over the last decade. The most important question to ask is whether the exchange traded markets are better off today than they were 5 to 10 years ago. We believe that the answer to this question is affirmative with regard to every relevant metric that one chooses to examine. Academic research overwhelmingly shows that automated trading has increased liquidity in the markets, lowered spreads, lowered the cost of trading and greatly improved market efficiency. Academic research has also shown that volatility has not been negatively impacted by automated trading and in many cases has served to dampen it. Automated trading has shown its clear and unequivocal social utility in reducing frictional costs for institutional and retail investors and lowering the costs of accessing the capital markets for corporates. It is for these reasons that automated trading has been adopted by many market participants who recognise its broad-based benefits.

FIA EPTA supports a number of proposed amendments such as those set out in Article 2(1)(d)(ii) of the MiFID 2 proposal extending the scope of the MiFID regime to all members of a regulated market or MTF. FIA EPTA also believes that the breadth of the definition of "algorithmic trading" as set out in Article 4(30) is helpful in so far as it underscores an important fact, i.e. that high-frequency trading is simply a new and more efficient means of implementing traditional trading strategies. It is not in itself a strategy but a method that uses low-latency as a means of managing risk. These low-latency technologies have been adopted by virtually all professional market participants for precisely this reason.

Furthermore, the enhanced transparency requirements for equity and non-equity instruments set out in Articles 3 to 10 MiFIR are also supported by FIA EPTA. A level playing field for all market participants is essential to the proper functioning of markets. FIA EPTA equally welcomes the provisions of Articles 4

and 8 MiFIR, which tighten requirements for pre-trade transparency waivers for equity and non-equity instruments respectively as well as the provision of Articles 28, 29 and 30 dealing with non-discriminatory access to CCPs, trading venues and licence benchmarks respectively.

FIA EPTA has prepared more detailed answers to questions 8 and 9 of the questionnaire. Please find these answers enclosed. We would be happy to provide additional information to the secretariat or Members on these answers.

Yours sincerely,

Remco Lenterman  
Chairman  
FIA European Principal Traders Association