EVIA European Venues & Intermediaries Association

The European Venues and Intermediaries Association ("EVIA") welcomes the opportunity to contribute to HM Treasury's Call for Evidence on the Financial Services Future Regulatory Framework Review in respect of UK Regulatory Coordination.

EVIA traces its origins to a Bank of England market committee in the early 1960's. The Association now represents the wholesale market venues, platforms and arranging intermediaries[1] involved in transactions for the widest range of financial instruments, money market instruments, currencies, and commodities. Member firms typically operate MTFs and OTFs in the UK and Europe, SEFs and ATSs in the United States, RMOs in Singapore, and a number of other organised venues and markets in the G20 countries. Their principal activity is to arrange and bring about wholesale liquidity for an institutional client base. The members of EVIA operate the world's most important interdealer markets, providing safe and stable facilities for the efficient management of risk for wholesale market participants.

EVIA notes the interest of the Treasury Committee in reviewing how legislation impacting financial services is made, along with the structure of the UK regulatory supervisory system. We have contributed to the related report of the All-Parliamentary Group on Financial Markets and Services[2] and concomitant to that, would recommend that a number of key principles be kept in mind, as each of the separate areas of review is examined:

(a) Open systems are more productive than closed systems.

EVIA recommends that the UK approach post-Brexit reform with a view to attracting global investors to participate in high-quality, safe, and stable markets based in the UK. As the operators of important financial and commodities markets in the UK, the members of EVIA play key roles in the sourcing of liquidity and the arrangement and execution of transactions that manage risks and support transactions in the "real economy." These markets attract global participants, who are drawn to the UK for its stability, high-quality regulatory system, flexible and dynamic legal system, and the presence of trusted infrastructure and a deep pool of experience and expertise.

Any steps that restrict cross-border access should be subject to impact reviews that draw upon the experience and expertise of market participants. For example, the MiFID II legislative package, which has been incorporated into UK law, looks at market access on the basis of tests of equivalence and reciprocity. While this might be understandable

[1] ***Mission**: EVIA promotes and enhances the value and competitiveness of Wholesale Market Venues, Platforms and Arranging Intermediaries by providing members with co-ordination and a common voice to foster and promote liquid, transparent and fair markets. It maintains a clear focus and direction, building a credible reputation upon 50 years of history, by acting as a focal point for the industry and providing clear direction to their members when communicating with central banks, governments, policy makers, and regulators. EVIA's core strength is the ability to consolidate views and data and act as a common voice for an industry operating in a complex and closely regulated environment, by acting as a central point for the industry and providing clear communication with central banks, governments, policy makers, and regulators. EVIA provides specific standards and maintains a clear focus and direction for the participants and stakeholders across the market ecosystem, building upon a credible reputation from over 50 years of experience.*

[2] **APPG calls for greater Parliamentary oversight of financial services regulation**

for the European project, which is based upon an increasingly integrated internal market, an outward-looking UK system ought to seek ways to attract and promote cross-border activity using other tools. We would welcome discussion on the ways to encourage cross-border activity; for example, by reform and expansion of the overseas persons regime, or by development of the registered overseas investment exchange system.

We would also welcome further discussion about the way that financial infrastructure is connected in the UK. Under MiFID II, open access arrangements were created formally that are problematic in practice. We would encourage efforts to maintain an open and flexible system of financial infrastructure in the UK which does not rely upon the procedures in MiFID II to resolve questions about access, portability, and interoperability. This would be an appropriate area for the UK to develop its own approach.

(b) Wholesale markets should be considered separately.

We are mindful that the financial markets are naturally divided into two broad segments: retail and wholesale. The MiFID II programme failed to adequately recognise that the wholesale markets have their own features, and that the protections developed in the interests of retail investors in stocks and bonds are not always helpful in the wholesale markets. The result has been a process of review and adjustment, following the implementation of MiFID II, that is not yet complete.

The UK has the opportunity to recalibrate its regulatory system to differentiate between the requirements for activities involving retail investors or wholesale market participants. We believe that it is possible to maintain high standards for wholesale markets while removing unnecessary sources of friction. A review of onshored legislation with this aim would be more productive than a general review which conflates the need to protect the interests of retail investors with the acceptable practices of more sophisticated market participants. We suggest that an adjustment of regulatory requirements along this line would help to address the weaknesses in MiFID II that the EU will also have to confront in due course, as well as the unique features of the UK markets following Brexit.

(c) High standards should be maintained, but proportionality should be applied when appropriate.

The UK is attractive to overseas investors and market participants, precisely because it upholds high standards and adapts to new market developments. We have seen, however, that the EU rules have created problems locating the regulatory perimeter and ensuring that there is a level playing field for market participants who meet the required standards. An example is the existence of "platform" operators who are functionally identical to trading venue operators under MiFID II but who have managed to evade the authorisation and organisation requirements of those rules. While adjustments to the

European legal inheritance do need to be made, the weaknesses of EU rules ought to be addressed in order to ensure a consistent and fair application in the post-Brexit environment.

It is entirely reasonable for the UK to adapt its framework with an eye to developments in the EU, the US, and other key jurisdictions, and to coordinate key policies at an international level, while resolving such matters domestically. The principle of proportionality should be applied to avoid gold-plating and inappropriate results, but the recalibration of requirements should be undertaken with the aim of maintaining the high levels of supervision and market conduct that have distinguished the UK as a leader in financial services. Supervisory proportionality is the counterpart to an appropriately broad regulatory perimeter.

We hope that this submission is helpful and are happy to address any questions or comments that might arise.

Yours sincerely,

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