Reply form for the Consultation Paper on MiFID II/ MiFIR review report on the transparency regime for non-equity and the trading obligations for derivatives

10 March 2020

European Securities and Markets Authority

Date: 10 March 2020

Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in the Consultation Paper on the transparency regime for non-equity instruments and the trading obligations for derivatives MiFID II/ MiFIR review report published on the ESMA website.

Instructions

Please note that, in order to facilitate the analysis of the large number of responses expected, you are requested to use this file to send your response to ESMA so as to allow us to process it properly. Therefore, ESMA will only be able to consider responses which follow the instructions described below:

- use this form and send your responses in Word format (pdf documents will not be considered except for annexes);
- do not remove the tags of type <ESMA_QUESTION_CP_MIFID_NQT_1> - i.e. the response to one question has to be framed by the 2 tags corresponding to the question; and
- if you do not have a response to a question, do not delete it and leave the text "TYPE YOUR TEXT HERE" between the tags.

Responses 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.

Naming protocol

In order to facilitate the handling of stakeholders' responses please save your document using the following format:

ESMA_CP_MIFID_NQT_NAMEOFCOMPANY_NAMEOFDOCUMENT.

e.g. if the respondent were ESMA, the name of the reply form would be:

ESMA_CP_MIFID_NQT_ESMA_REPLYFORM or

ESMA_CP_MIFID_NQT_ANNEX1

Deadline

Responses must reach us by **19 April 2020.**

All contributions should be submitted online at www.esma.europa.eu under the heading 'Your input - Consultations'.

Publication of responses

All contributions received will be published following the end of the consultation period, unless otherwise requested. **Please clearly indicate by ticking the appropriate checkbox in the website submission form if you do not wish your contribution to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.** Note also that 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 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 under the headings 'Legal notice' and 'Data protection'.

General information about respondent

Name of the company / organisation	AFME
Activity	Other Financial service providers
Are you representing an association?	☒
Country/Region	Europe

Introduction

Please make your introductory comments below, if any:

<ESMA_COMMENT_CP_MIFID_NQT_1>

The Association for Financial Markets in Europe (AFME), welcomes the opportunity to comment on the ESMA Consultation Paper *'MiFID II/R review report on the transparency regime for non-equity instruments and the trading obligation for derivatives.'* We set out below our general remarks relating to the consultation. AFME represents a broad array of European and global participants in the wholesale financial markets, its members include pan-EU and global Banks as well as key regional Banks. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia. AFME is registered on the EU Transparency Register, registration number 65110063986-76.

AFME would like to have provided data based analysis to support our response. However, this was not possible to achieve within the timeframe of this consultation, which coincided with the peak of the Covid-19 global crisis. AFME and its members remain committed to assisting with, and, contributing to the MiFID II Review and intend in due course, to be able to provide ESMA with data analysis which we hope will assist with the assessment and functioning of the transparency regime for Fixed Income markets within Europe.

Executive summary

MiFID II/MiFIR is one of the most significant pieces of financial regulation ever implemented, and, incorporates the widest scope of products and asset classes in the world within its transparency regime.

Having been implemented in January 2018 covering a significant scope from the outset, it is understandable that elements of the legislation will require further assessment. However, any changes to the transparency regime will require robust impact assessments, based on engagement with the industry and on evidence provided by thorough data analysis.

Careful calibration of the different transparency obligation and liquidity requirements is an essential part of the existing framework to ensure the delicate balance between market transparency and market liquidity. This should not be underestimated given Banks place their own capital at risk by holding bonds in their inventory, often absorbing risk that other market participants are unable or unwilling to bear. A well calibrated deferral regime plays a crucial role here.

AFME members note the reference to the Finansinspektionen's (FI) study which concludes that post-trade transparency within the Swedish and Danish bond markets has decreased since the application of MiFID II. However, careful consideration must be paid to such conclusions, it must be acknowledged that these findings are based exclusively on Nordic markets and are not representative across the entire European bond market.

By absorbing this market risk and being able to recycle it to the market without incurring disproportionate costs due to fluctuating prices , Banks ensure that they avoid having to quote less favourable prices for clients and the inability to trade due to transiently non-existent liquidity or other wider market impacting events. Therefore, the value of Banks' role in providing liquidity for end investors on the heterogenous fixed income markets need to be recognised to avoid any undue risk and negative impacts on that liquidity.

Where assessments indicate no detrimental impact to markets, transparency should be allowed to evolve naturally. AFME supports a gradual, measured increase of the liquidity requirements and transparency obligations for non-equity markets. Yet we would advise caution on reviewing those requirements under the current market conditions and based on data that remains inaccurate and incomplete. It should also be noted that Brexit is likely to have an impact on the EU non equity market structure, making a review of liquidity and transparency criteria premature until post-Brexit market structure has stabilised.

With every ToTV instrument in scope of Fixed Income transparency there are currently over 200,000 bonds/ISINs captured within FIRDS, all of which are subject to post-trade transparency. As a result, MiFID II post-trade transparency reporting requirements have produced significant amounts of data reporting to the public (a significant development compared to the amount of European bond data that was available prior to MiFID II).

Nevertheless, data quality has been a recognised challenge and although ESMA has made progress in addressing this issue, there are still cases of inconsistent data. Having complete, accurate data is essential in providing a correct picture of the market on which so many elements of MiFID II rely.

The fragmentation of market data between the number of trading venues and APAs along with a lack of standardisation in terms of format and accessibility, is also obscuring the amount of transparency available.

Consolidating this fragmented data and addressing the data quality issues will significantly increase and improve the usability of the current transparency data within the fixed income market without needing to embark on complex and significant MiFID transparency changes.

A consolidated tape within fixed income will therefore assist with centralising the vast amount of post-trade data that is already public through a cost-effective solution which enables firms to access complete data sets. However, AFME members note that any comparisons between a European CTP and the US TRACE regime need to be fully assessed given the scope and build out timeframes hitherto implemented by TRACE.

Ultimately Financial markets regulatory policy should be based on evidence provided by thorough data analysis. Any changes, such as the proposals outlined in this consultation paper should be subject to robust impact assessment analysis and engagement with the industry.

<ESMA_COMMENT_CP_MIFID_NQT_1>

Q1. What benefits or impacts would you see in increased pre-trade transparency in the different non-equity markets? How could the benefits/impacts of such pre-trade transparency be achieved/be mitigated via changes of the Level 1 text?.

<ESMA_QUESTION_CP_MIFID_NQT_1>

Core Principals of Fixed Income Cash Bond Trading:

- **Cash bonds are a major provider of capital to governments, companies, and consumers for economic growth.**
- **While several market participants such as hedge funds, ETF providers and some retail investors actively trade fixed income products, the Fixed income market is predominantly an institutional market with a buy to hold investor base due to the nature of the products.**
- **Fixed income instruments can turnover large monthly volumes, but trade relatively infrequently compared to many other financial instruments.**
- **In addition to often trading relatively infrequently, cash bonds often trade in large sizes. This requires that liquidity providers/market-makers are present to immediately offer a market to those investors by taking the risk on their own balance sheets and as a result need time to exit these positions, especially for less liquid instruments and large transactions.**
- **Compared to equities, fixed income trading is far more fragmented as a result volume is often distributed across a broader class of underlying's.**
- **Additionally, sub-asset classes of bonds e.g. sovereign bonds and credit have different liquidity profiles, meaning the level of trading activity is instrument specific.**
- **Unlike equity markets, on-venue trading in fixed income markets typically employs the RFQ model, where the buy-side send a query to multiple dealers simultaneously, trading is not order book driven like in equity markets.**

The availability of MiFIR SI pre-trade transparency has not created demand for such information and buy-side firms continue to use consistently updated market data streams for the purposes of price discovery, together with axes and runs published by dealers.

The bespoke nature of each quote/information request sent to an SI, including the characteristics of the instrument and the relationship between SI and client, make it challenging for pre-trade quotes to be generalised or relied on as a guide price, as a result this might impact on a client's appetite for SI pre-trade transparency information.

AFME members would therefore question the usefulness of any increase in SI pre-trade transparency as a bilateral price in a specific bond given to client A is likely to be irrelevant to Client B. Therefore, while the benefits might be limited for the reasons explained above, the costs to end investors could be significant because of the increased risks of information leakages.
<ESMA_QUESTION_CP_MIFID_NQT_1>

Q2. What proposals do you have for improving the level of pre-trade transparency available? Do you believe that the simplification of the regime for pre-trade transparency

waivers would contribute to the improvement of the level of pre-trade transparency available?

<ESMA_QUESTION_CP_MIFID_NQT_2>

AFME members recognise that pre-trade transparency will increase as the 4-stage phased approach progresses. Currently the industry is at stage 1, greater pre-trade transparency will therefore naturally materialise with progression through the next stages.

AFME members highlight that buy-side clients are already able to see pricing at any point in time and across multiple dealers via the provision of streaming prices available across venues. In addition, other investors such as retail clients are more likely to trade in smaller sizes and in more liquid instruments which are already covered by the current pre-trade transparency regime.

<ESMA_QUESTION_CP_MIFID_NQT_2>

Q3. Are you supportive of ESMA's proposal to delete the pre-trade SSTI-waiver? Would you compensate for this by lowering the pre-trade LIS-thresholds across all asset classes or only for selected asset classes? What would be the appropriate level for such adjusted LIS-thresholds? If you do not support ESMA's proposal to delete the pre-trade SSTI-waiver, what should be the way forward on the SSTI-waiver in your view?

<ESMA_QUESTION_CP_MIFID_NQT_3>

AFME Members question that with only 2.5 years since the implementation of MiFID II whether it may be too soon to look at deleting the use of the pre-trade SSTI waiver. We believe that the SSTI threshold is an important element that allows SIs to continue to effectively provide services to their clients and continue to support market liquidity.

Although the SSTI waiver is available for venues as a technical tool, SSTI features across several areas of MiFID II legislation. Members would encourage ESMA not to consider the SSTI threshold in isolation but to consider the relationship between the SSTI threshold, the classification/definition of liquidity and pre-and post-trade transparency requirements before making any changes to the thresholds to ensure the regulation does not cause undue risk to the market. Indeed AFME members note the importance of this point is highlighted by MiFIR Article 9(1)(b), acknowledging the need for a pre-trade transparency waiver to protect liquidity providers from being exposed to undue risks, as also referred to by ESMA in paragraph 18 of this consultation paper.

Members recommend that until the industry move to the next SSTI pre-trade thresholds it would be premature to make any changes to the legal framework. In addition, given there is a significant difference in pre-trade thresholds for SSTI and LIS (30% SSTI, 70% LIS), careful calibration would be required to find an appropriate adjusted LIS threshold if ESMA was to decide to remove the SSTI.

Members recommend ESMA engage further with the industry to fully analyse the impact of these proposals.

<ESMA_QUESTION_CP_MIFID_NQT_3>

Q4. What are your views on the use of the SSTI for the SI-quoting obligations. Should it remain (Option 1) or be replaced by linking the quoting obligation to another threshold (e.g. a certain percentage of the LIS-threshold) (Option 2)? Please explain.

<ESMA_QUESTION_CP_MIFID_NQT_4>

ESMA' s proposed options 1 & 2 refer to SSTI and LIS thresholds, our response therefore reflects the use of 'threshold' in the terminology rather than 'waiver' given we don't believe a waiver to be in place - it isn't something an SI has to apply for nor is it reflected operationally as a waiver. However, the practicality is the same - trade size is either reported or not.

Paragraph 155 of this consultation paper seems to indicate that ESMA may be considering increasing the pre-trade percentile, members oppose such a proposal. Ultimately AFME members would not want to see the loss of not having to provide transparency above the current SSTI threshold.

Members question how using a percentage of LIS would be a preferable alternative to SSTI and recommend a cost/benefit analysis is undertaken of any proposed change, including establishing if there would be any inadvertent side-effects on SIs from any change.

<ESMA_QUESTION_CP_MIFID_NQT_4>

Q5. Would you support turning the hedging exemption into a limited negotiated trade waiver? If so, would you support Option 1 or Option 2? If not, please explain why.

<ESMA_QUESTION_CP_MIFID_NQT_5>
AFME is not responding to this question.

<ESMA_QUESTION_CP_MIFID_NQT_5>

Q6. Do you agree with ESMA's observations on the emergence of new trading systems and the proposed way forward requiring a Level 1 change and ESMA to issue an Opinion for each new trading system defining its characteristics and the transparency requirements? Would you have suggestions for the timeline and process of such Opinions? Please explain.

<ESMA_QUESTION_CP_MIFID_NQT_6>

Core Principals of Fixed Income Cash Bond Trading:

- **Cash bonds are a major provider of capital to governments, companies, and consumers for economic growth.**
- **While several market participants such as hedge funds, ETF providers and some retail investors actively trade fixed income products, the Fixed income market is predominantly an institutional market with a buy to hold investor base due to the nature of the products.**
- **Fixed income instruments can turnover large monthly volumes, but trade relatively infrequently compared to many other financial instruments.**

- **In addition to often trading relatively infrequently, cash bonds often trade in large sizes. This requires that liquidity providers/market-makers are present to immediately offer a market to those investors by taking the risk on their own balance sheets and as a result need time to exit these positions, especially for less liquid instruments and large transactions.**
- **Compared to equities, fixed income trading is far more fragmented as a result volume is often distributed across a broader class of underlying's.**
- **Additionally, sub-asset classes of bonds e.g. sovereign bonds and credit have different liquidity profiles, meaning the level of trading activity is instrument specific.**

- **Unlike equity markets, on-venue trading in fixed income markets typically employs the RFQ model, where the buy-side send a query to multiple dealers simultaneously, trading is not order book driven like in equity markets.**

AFME members consider that the definition of Trading system outlined in the first five rows of Annex 1 of RTS 2 to be sufficient and does not require further enhancement. The proposal from ESMA to review each new trading protocol and issue an opinion could have a detrimental impact on the functioning of the market as it may increase length and complexity of implementation, impacting the go to market strategy for new trading venues.

Without adequate scrutiny, or, a more extensive consultation with market participants utilising and providing trading systems, ESMA may be making decisions in isolation without quantifying systems which could ultimately detract from improvements and innovation to trading systems.

In addition, ESMA' s outlined proposal is highly likely to create confusion and complications. Venues are required to be registered at NCA level, AFME members consider this to be the optimal regime. NCA's are direct regulatory authorities and should continue to oversee/ monitor the functioning of trading systems in their jurisdictions.

<ESMA_QUESTION_CP_MIFID_NQT_6>

Q7. Do you agree with the proposal for the definition of hybrid system? Are there in your view trading systems currently not or not appropriately covered in RTS 2 on which ESMA should provide further guidance? Please explain.

<ESMA_QUESTION_CP_MIFID_NQT_7>

Any hybrid trading system should follow the intent of the regulation for transparency and be clear in their rule book on how they align with RTS 2 requirements. AFME members agree that using a hybrid system should not facilitate the avoidance of transparency. AFME members support a proportional approach so that barriers to entry and innovation are minimised. Any further guidance issued should clarify the application of hybrid systems.

<ESMA_QUESTION_CP_MIFID_NQT_7>

Q8. Do you agree with ESMA's proposal to require SIs to make available data free of charge 15 minutes after publication? Please explain.

<ESMA_QUESTION_CP_MIFID_NQT_8>

AFME members would advise ESMA against making any change to pre-trade transparency requirements for SI's without having first conducted a full cost-benefit analysis, including establishing demand for such a change, system build costs and the creation of any undue risk, which could seriously impact the market.

Members further question the usefulness of such a requirement, given quotes made available after 15 mins will be stale and cannot be expected to be accessible to anyone (client or otherwise) to trade on.

We note this change only applies to SI's publishing quotes on their own websites.

<ESMA_QUESTION_CP_MIFID_NQT_8>

Q9. Would you see value in further standardising the pre-trade transparency information to increase the usability and comparability of the information? Please explain.

<ESMA_QUESTION_CP_MIFID_NQT_9>

AFME members consider that developing industry agreed technical standards would be of benefit to the industry, provided the template only incorporates a minimal number of relevant fields to ensure only essential information is disclosed. The template should not be overly prescriptive given the different specificities of all the non-equity asset classes that would be in scope.

<ESMA_QUESTION_CP_MIFID_NQT_9>

Q10. Do you agree with ESMA's assessment of the level of post-trade transparency and with the need of a more streamlined and uniform post-trade regime which does not include options at the discretion of the different jurisdictions? If not, please explain why and, where available, support your assessment with data.

<ESMA_QUESTION_CP_MIFID_NQT_10>

Core Principals of Fixed Income Cash Bond Trading:

- **Cash bonds are a major provider of capital to governments, companies, and consumers for economic growth.**
- **While several market participants such as hedge funds, ETF providers and some retail investors actively trade fixed income products, the Fixed income market is predominantly an institutional market with a buy to hold investor base due to the nature of the products.**
- **Fixed income instruments can turnover large monthly volumes, but trade relatively infrequently compared to many other financial instruments.**
- **In addition to often trading relatively infrequently, cash bonds often trade in large sizes. This requires that liquidity providers/market-makers are present to immediately offer a market to those investors by taking the risk on their own balance sheets and as a result need time to exit these positions, especially for less liquid instruments and large transactions.**
- **Compared to equities, fixed income trading is far more fragmented as a result volume is often distributed across a broader class of underlying's.**

- **Additionally, sub-asset classes of bonds e.g. sovereign bonds and credit have different liquidity profiles, meaning the level of trading activity is instrument specific.**
- **Unlike equity markets, on-venue trading in fixed income markets typically employs the RFQ model, where the buy-side send a query to multiple dealers simultaneously, trading is not order book driven like in equity markets.**

AFME members disagree with the first part of ESMA' s assessment under Q10, that the overall level of real-time post-trade transparency appears limited. The MiFID II/R post-trade transparency regime is the largest regime of its type globally, in terms of the number of financial classes and types of instruments within scope. We note that with every ToTV instrument in scope there are over 200,000 bonds/ISINs captured within FIRDS, all of which are subject to post-trade transparency.

MiFID II post-trade transparency reporting requirements have therefore produced significant amounts of post-trade data. However, that information is currently published in different formats by the APAs and trading venues and not always published in a machine-readable way. Data quality issues need to be addressed to provide an accurate picture of the market. This current fragmentation of data between APAs, along with a lack of standardisation in terms of format and accessibility may be obscuring the amount of transparency that is theoretically available. Additionally, the high cost of market data and restrictive data licenses of individual APAs and venues makes it very difficult for firms to practically use the transparency data.

In addition, AFME members stress that transparency can be perceived as limited because the annual liquidity assessment needs further refining, currently the assessment does not adequately reflect the level of liquidity within the market.

MiFID II introduced deferrals because it was recognised that real time transparency can expose liquidity providers to undue risks, especially when trading in illiquid instruments or transactions above a certain size, given the longer timeframes to unwind the trade or hedge.

AFME members support the need for a more streamlined and uniform post-trade regime. However, transparency needs to be carefully calibrated and well timed in order to allow the market to continue to function efficiently. Too much transparency too quickly on instruments which are illiquid or large in scale, would expose liquidity providers to undue risks resulting in a reduction of capital deployment to facilitate those transactions.

AFME members are concerned that shortening deferrals may appear to be an immediate way to make transparency quicker, and increase the availability of data nevertheless, this fails to take into account the fact that altering the transparency rules would modify the balance between liquidity and transparency.

As already well documented, the impact of prudential and market regulations on dealers has already led to a significant reduction in dealers' abilities and willingness to trade at risk/use up balance sheet. It is inappropriate to increase constraints, especially at times when liquidity in numerous types of assets is fragile.

For the above reasons, it is crucial for the deferral regime to remain well balanced. AFME members recommend that simplifying the deferral regime can be achieved by harmonising to the most appropriately calibrated regime in Europe, which embraces the 4-week volume omission and the two day deferral period for price information, and includes the retention of the supplementary deferral provisions outlined under article 11 3 (b), 11 3 (c) and 11 (3) (d) of MiFIR; currently implemented by 10 National Competent Authorities (NCAs) within the EU including France, Germany and Italy in order to protect market liquidity.

AFME members would advise ESMA against making any changes to the post-trade transparency regime before having seen the full effect of the phased-in MiFID II rules and without having first conducted a full cost-benefit analysis including the creation of any undue risk which could seriously impact the market.

<ESMA_QUESTION_CP_MIFID_NQT_10>

Q11. Do you agree with this proposal? What would be the appropriate level of such a revised LIS-threshold in your view?

<ESMA_QUESTION_CP_MIFID_NQT_11>

Core Principals of Fixed Income Cash Bond Trading:

- **Fixed income instruments trade in a large range of trade sizes. This means that there is no standard trade size for fixed income, which can be explained by the nature of investment strategies and the large range of issuance sizes.**
- **Generally, the greater the size of an instrument the more volume available for trading; therefore, issuance size is an important factor when considering secondary market liquidity.**

In principle AFME members support the notion of only having one post-trade size threshold for deferrals, provided it is set at a level where there is not a significant jump in the level of transparency. Recognising that the MiFID II/R transparency regime is still in its infancy AFME members consider it may be premature to move to one threshold without further in-depth discussions with market participants. For now, members support maintaining both the SSTI and the LIS post-trade thresholds.

Prior to AFME being able to support any consideration to maintain the LIS threshold and delete the post-trade SSTI threshold clarification is required to identify why there has been such extensive fluctuations in the LIS thresholds over the last 2.5 years.

As outlined below, AFME members note that the current annual LIS and SSTI transparency calculations for bonds (published on 30th April 2020) illustrates a significant uptrend, particularly in the LIS delta for sovereign bonds, other public bonds, and convertible bonds in comparison to the previous annual transparency calculations.

New (application starts from 01 June 2020)				
Bond Type	SSTI pre-trade	LIS pre-trade	SSTI post-trade	LIS post-trade
Corporate Bond	300,000	1,500,000	2,500,000	5,500,000
Convertible Bond	500,000	2,000,000	2,500,000	5,500,000
Other Public Bond	400,000	3,000,000	5,500,000	15,000,000
Covered Bond	300,000	3,500,000	7,000,000	20,000,000
Sovereign Bond	900,000	5,500,000	9,500,000	25,000,000
Other Bond	300,000	1,500,000	2,500,000	5,500,000

Delta %			
SSTI pre-trade	LIS pre-trade	SSTI post-trade	LIS post-trade
0%	0%	+ 25%	+ 38%
+ 25%	+ 33%	+ 25%	+ 120%
+ 33%	+ 20%	+ 22%	+ 88%
- 50%	- 13%	+ 17%	+ 33%
+ 50%	0%	+ 19%	+ 67%
0%	0%	+ 67%	+ 57%

Delta EUR			
SSTI pre-trade	LIS pre-trade	SSTI post-trade	LIS post-trade
-	-	+ 500,000	+ 1,500,000
+ 100,000	+ 500,000	+ 500,000	+ 3,000,000
+ 100,000	+ 500,000	+ 1,000,000	+ 7,000,000
- 300,000	- 500,000	+ 1,000,000	+ 5,000,000
+ 300,000	-	+ 1,500,000	+ 10,000,000
-	-	+ 1,000,000	+ 2,000,000

Previous				
Bond Type	SSTI pre-trade	LIS pre-trade	SSTI post-trade	LIS post-trade
Corporate Bond	300,000	1,500,000	2,000,000	4,000,000
Convertible Bond	400,000	1,500,000	2,000,000	2,500,000
Other Public Bond	300,000	2,500,000	4,500,000	8,000,000
Covered Bond	600,000	4,000,000	6,000,000	15,000,000
Sovereign Bond	600,000	5,500,000	8,000,000	15,000,000
Other Bond	300,000	1,500,000	1,500,000	3,500,000

Further reassurances would also be required that in deleting the post-trade SSTI threshold the LIS threshold would be revised down to a threshold of 80%.

AFME members understand the need for a more streamlined post-trade regime however, the crux of the issue with the current regime relates to:

1) the fragmentation/accessibility of the post-trade transparency data already publicly available. For fixed income products this can be addressed through the establishment of a consolidated tape which would centralise the vast amount of post-trade data already available but not always easy to locate/ access.

2) the quality of this publicly available post-trade data. AFME urges ESMA to consider referencing commercial data available from third party sources to provide a benchmark against the MiFID II data ESMA receives. It would provide an effective way to validate the quality of data ESMA obtains and further enhance the systematic methodology employed by ESMA to compile their annual transparency and quarterly liquidity calculations.

AFME members stress that it is vital for transparency to be carefully calibrated and well timed in order to allow the market to continue to function effectively. We reiterate that it is crucial for the deferral regime to be maintained and remain well balanced.

AFME remains available to work with ESMA and the wider industry to further explore the possibility of simplifying the transparency regime and the post-trade size thresholds for deferrals. Any alterations to the current regime should only be considered after an adequate cost benefit analysis is executed to ensure the protection of liquidity providers from undue risk. Any decision made after such cost-benefit analysis with market participants should be implemented cautiously via a phased-in approach, as the MiFID II/R transparency regime for non-equity instruments incorporates a vast array of different asset classes and product types.

<ESMA_QUESTION_CP_MIFID_NQT_11>

Q12. In your view, should the real time publication of volume masking transactions apply to transactions in illiquid instruments and above LIS waiver (Option 1) or to transactions above LIS only (Option 2 and Option 3). Please elaborate. If you support another alternative, please explain which one and why.

<ESMA_QUESTION_CP_MIFID_NQT_12>

MiFID II post-trade transparency reporting requirements have produced a significant amount of post-trade data, as detailed in our response to Q10. This data is not currently being fully utilised or adequately leveraged. The MiFID II rules also introduce a phase-in approach which means that the level of transparency will automatically increase as we move to the next phases. In addition, the introduction of a consolidated tape will assist with the delivery of transparency in the market, without needing to embark on complex MiFID II transparency recalibrations.

AFME members note that all 3 of ESMA' s options refer to volume masking, we understand this to mean that there will be a print of zero for volume size, and no indication where a trade is greater than the LIS threshold. The options proposed do not appear to consider any aggregation elements that are currently allowed for and widely used under MiFIR Article 11(3).

We query the effectiveness of moving to real-time transparency, as the objective of the MiFID II transparency regime is to reinforce market resilience by improving the visibility of on and off-venue trades thus opening the market to a broader consumer base, enticing additional market participants and thus increasing liquidity in the market.

On reflection AFME members disagree with all 3 of ESMA' s proposed options. We encourage ESMA to engage with the industry (perhaps through a series of workshops) to discuss alternative solutions.

We emphasise the necessity of maintaining volume deferral, particularly for illiquid instruments. Unlike many other non-equity asset classes, cash bonds are predominantly traded in an OTC capacity. This means firms offer access to their balance sheets and transfer risk. Pricing is bespoke, especially for illiquid bonds. Every quote takes into account balance sheet consumption and potential ability to unwind or hedge the trade. On average, bonds are calculated to be held (owned) on a firms balance sheet for a period of 12 – 15 days, however the range for which an SI owns an illiquid bond varies significantly, with some instruments listed on a firms balance sheets for any period of time ranging from 12 days up to a full calendar year , meaning firms need time to exit such positions.

Drastically shortening the deferral period would reduce liquidity providers appetite to take risk, such liquidity providers would be exposed to undue risk resulting in a reduction of capital deployed to facilitate such transactions, this could lead to the buy-side observing a broadening of the price risk of portfolios. Without a sufficient deferral period market participant will automatically know what position liquidity providers hold and could use that information to trade against them. This could lead to increased spreads and an inability to de-risk before an illiquid trade is made public which would act as a significant deterrent to the provision of liquidity.

AFME members suggest a first step towards accomplishing a more streamlined and uniform post-trade regime is by applying a homogeneous deferral regime throughout the EU, achieved by harmonising to the most appropriately calibrated regime in Europe which embraces the 4-week volume omission and the two day deferral period for price information and includes the retention of the supplementary deferral provisions outlined under article 11 3 (b), 11 3 (c) and 11 (3) (d) of MiFIR; currently implemented by 10 National Competent Authorities (NCAs) within the EU including France, Germany and Italy in order to protect market liquidity.

We note that paragraph 157 of this CP states that "*a four-week delay for the publication of a transaction provides information to market participants which is of limited use*". AFME members refute such a statement, highlighting that a large amount of detail is disseminated on a T+2 basis; only some information is held for 4 weeks. Furthermore, this deferral regime was implemented to protect liquidity providers from undue risk and to ensure the provision and access to liquidity.

AFME members strongly disagree with ESMA's statement under paragraph 163, we consider that the removal of the supplementary deferral regime for sovereign bonds could have significant negative implications on the EU sovereign bond market. The classification of sovereign bonds under MIFID/R incorporates a wide range of instruments, with varying liquidity profiles, as a result the application of the supplementary deferral regime (indefinite volume omission and weekly aggregation of size) is paramount to ensure the protection of all instruments within scope. Furthermore, we note that under the US TRACE regime, US treasuries sizes are aggregated on weekly basis and trade details including price and volume are never published.

AFME members emphasises that careful consideration should be paid when comparing the MiFID II EU transparency regime to the US TRACE system. The parameters of the two regimes differ significantly meaning any direct comparisons are inadmissible. Firstly, the US trade reporting and compliance regime was a progressive build focusing on one sub-asset class of bonds (US denominated corporate bonds), opting for an incremental approach whereby calibrations increased over several years. In March 2020, 18 years after the implementation of the TRACE regime to US denominated corporate bonds FINRA extended the scope of the regime to also include US treasury bonds. Whereas since its inception 2.5 years ago the scope of the MiFID II/R transparency regime was larger in scale compared to the TRACE system, all sub-asset classes of bonds are within scope; capturing both OTC and ToTV trades. One of the caveats to the EU's "big bang" approach to post-trade transparency included less control over potential negative outcomes, this was offset by the inclusion of a comprehensive deferral regime.

Compared to other transparency regimes throughout the world the 4-week volume omission outlined within MiFD II/R is a relatively short time span compared to the US regime whereby volume omission for transactions above size cap is set at 6 months (prior to 2017 the omission period was 18 months).Furthermore, since the introduction of the TRACE system – the industry has observed a decline in block trading sizes and liquidity. As a result, FINRA is now considering introducing a 'test pilot' to assess the effect that the introduction of a deferral regime similar to that of the EU could have on market liquidity. As the fixed income market typically trades via a 'RFQ to multiple liquidity providers model', then a transparency framework of immediately publishing the price executed at for illiquid products and/or block trades can disincentivise liquidity providers included in the RFQ from putting forward their best price. Due to the immediate information leakage there is a risk of adverse selection for the liquidity provider who provides the best price in the RFQ.

AFME members recommend the establishment of a CT for fixed income instruments, as this would provide visibility over the consolidated post-trade data. Again, we stress that the forecasted success of a CT for fixed income instruments is not and should not be contingent on alterations to the current deferral regime.

AFME remains available to assist ESMA where possible throughout this process.

<ESMA_QUESTION_CP_MIFID_NQT_12>

Q13. Do you agree with the publication of the price and volume of all transactions after a certain period of time, such as two calendar weeks (Option 1 and 2) or do you support the two-steps approach for LIS transactions (Option 3)? Please explain why and provide any alternative you would support. Which is the optimal option in case a consolidated tape would emerge in the future?

<ESMA_QUESTION_CP_MIFID_NQT_13>

As highlighted in our response to Q12, AFME members oppose all three of the options outlined by ESMA. The suggestion of T+2 (calendar weeks) for volume masking proposed in option 1 and option 2 is not suitable for all trading scenarios. Furthermore, we consider there to be a drafting error within this question. Question 13 asks "Do you agree with the publication of the price and volume of all transactions after a certain period of time […]", however, members note that this question does not correspond to Figure 29 (pg. 59) within this CP which implies real time publication of price for all 3 options presented.

Members emphasise that the two-step approach suggested in option 3 would have negative implications on the market, for example, there would be no deferral for illiquid bonds which would impact on the ability to make markets in such instruments.

The introduction of Extra-LIS adds an additional layer of complexity which members anticipate would have the unwanted effect of convoluting the already complex transparency calculations further.

AFME members reiterate their support for a more streamlined and uniform post-trade regime. However, we caution that transparency needs to be carefully calibrated and well timed to allow the market to continue to function efficiently. Too much transparency too quickly on instruments which are illiquid or large in scale would expose liquidity providers to undue risks, resulting in a reduction of capital deployed to facilitate those transactions.

AFME members recommend addressing data quality issues and the establishment of a CT for fixed income instruments (to consolidate the vast amount of post-trade transparency data that is already made public but in a non-consistent format), members anticipate that this will significantly increase the transparency in the market. We stress that the forecasted success of an appropriately constructed consolidated tape for fixed income instruments is not contingent on alterations to the current deferral regime.

<ESMA_QUESTION_CP_MIFID_NQT_13>

Q14. Do you agree with ESMA's proposed way forward to issue further guidance and put a stronger focus on enforcement to improve the quality of post-trade data? Are there any other measures necessary at the legislative level to improve the quality of post-trade data? What changes to the transparency regime in Level 1 could lead to a substantial improvement of data quality?

<ESMA_QUESTION_CP_MIFID_NQT_14>

AFME members have observed that MiFID II post-trade transparency reporting requirements have significantly increased the amount of post-trade transparency data available to investors and market participants, as noted by ESMA in paragraph 168 of this CP, the number of trading venues and APAs publishing post-trade data is very high. However, the usability of this post-trade data is restricted as the data is dispersed across many entities making it challenging for market participants to obtain a consolidated view.

As noted by ESMA under paragraph 166 and section 3.1.2.5 not all trading venues and APAs are fully complying with the requirement to make data available free of charge 15 minutes after publication, despite ESMA publishing Level 3 guidance in November 2018 verifying that trading venues, APAs and CTPs are to make pre- and post-trade data available free of charge 15 minutes after publication in an easily accessible manner for all potential users using a format that can be easily read, used and copied. AFME members note that delayed data is not always accessible in a systematic/machine readable format in the same way as corresponding real-time data and firms are not able to make full use of the data provided as it is typically provided in a "view only" format. Meaning the public data published by some Venues and APAs appears to be "over-simple" and not fit for any tangible purpose.

To ensure data is reliable and accurate, requires strong governance by regulators to guarantee the following approaches are implemented:

Top-down approach which includes the establishment of a strong governance framework and data standards/ guidelines adhered to by all market participants. Currently there are too many options on how to express a price or quantity resulting in a great range of interpretations by dealers, this has led to misclassification of some trades between ESMA and other sources. To overcome such issues, AFME members suggest ESMA focus on coordinating their MiFID II taxonomy by aligning ISIN and CFI codes. The consistent application of MiFIR identifiers is also critical in order for Trading Venues and APAs to reliably report cash bond trades. Additionally, AFME members recommend that ancillary to publishing the ISIN level, ESMA's FIRDS and FITRS database(s) incorporate asset class and sub-asset class classification in their extractable liquidity determination list(s) and that these lists are made available for public consumption. Furthermore, AFME members request more clarity from ESMA regarding the interaction between their key data sources including FIRDS and FITRS to better understand inconsistencies within the databases including (but not limited to) the differences in the total number of liquid bonds listed on ESMA's website compared to the number listed in the .xml file and those extracted from the GUI.

Bottom-up approach which includes consistent application of definitions, more detail from stakeholders including ESMA, NCAs, APAs, ARMs and Data Vendors over the usage of data and increased cooperation between the sell-side and the buy-side to further improve the validity and reliability of data input and output.

Data quality is an extremely complex issue, which requires input from all industry stakeholders. We encourage ESMA to provide the industry with the opportunity to collaborate in a proactive manner to identify data quality issues and where recognised work together to develop industry agreed upon solutions, that where appropriate encompass data reporting at a more granular level. AFME members perceive this to be a long-term endeavour, which through commitment, consistent collaboration and engagement between market participants, Regulators and National Competent Authorities will ensure usable, and valid data is available throughout the post-trade transactional workflow. Only once this is achieved can enforcement procedures be considered as an operable solution.

AFME members remain committed and available to assist ESMA throughout this process, We highlight our efforts throughout 2019 to assist ESMA with developing a methodology to detect outlier bonds as testament to our dedication in assisting in an industry led initiative to improve data quality.

<ESMA_QUESTION_CP_MIFID_NQT_14>

Q15. What would be the optimal transparency regime to help with the potential creation of a CTP?

<ESMA_QUESTION_CP_MIFID_NQT_15>

AFME members emphasise that data consolidation should not be driving policy decisions on MiFID II/R transparency, doing so could lead to serious unintended consequences. Data quality and consolidation of data are separate issues to the MiFID transparency regime and should be addressed differently. There are factors other than the transparency regime (as outlined in more depth below) that need to be addressed to ensure the successful development and delivery of a consolidated tape for fixed income instruments.

AFME members consider that within fixed income a CTP focused purely on capturing post-trade data will refute many of ESMA's observations outlined in paragraph 173 – 174. A consolidated tape within Fixed Income will assist with centralising the vast amount of post-trade data that is already public but currently not always published in a consistent, standardised format by Trading Venues and APAs. AFME members forecast that consolidating this fragmented data and also addressing the data quality issues will significantly increase and improve the usability of the current transparency data within the fixed income market without needing to embark on complex MiFID transparency recalibrations.

On the issue of data quality AFME members recommend the application of an obligation for trading venues and APAs to carry out data verification prior to sharing data with a CTP. Data quality as highlighted by AFME in previous engagements and recognised by ESMA on several occasions(and within this consultation paper) will need to be improved for the data to provide an accurate picture of the trading market and for the CT to provide real benefits.

As acknowledged under paragraph 170 of this CP a significant volume of business within non-equity markets is traded OTC. Nevertheless, AFME members question the validity and the reliability of table 2, pg. 63 (Top 15 non-equity reporting entities). In order to fully assess the information provided within this table AFME members request further information. Firstly, we would like to ascertain what is meant by "market share", secondly members question where a listed entity such as Bloomberg operates both a trading venue and an APA, how the figures listed distinguish between the trades reported by the trading venue and those reported by the APA. From AFME members fixed income experiences the data reflected in this table does not accurately reflect the trading activity AFME members observe taking place in the market. AFME members are highly concerned that the data outlined in table 2 is inconclusive. We consider an analysis including aggregated data would be far more viable. AFME members would welcome further discussions around the data outlined in table 1 and table 2 of this CP to ensure any conclusions derived from this data are sustainable.

Given AFME members knowledge of the market and given a significant volume of business is OTC and traded via SIs, AFME members note to get a complete picture of the FI market will require connectivity to over 19 APAs and more than 5 MTFs operating in the cash bonds space. Therefore, AFME members recommend that contribution to the CT from trading venues, APAs, Investment Firms, Systematic Internalisers and MTFs should be mandatory and free of charge. However mandating consumption would remove a critical indicator as to whether the CT is fit for purpose. AFME members reiterate that the focus should be on creating the conditions that foster a cost effective and high-quality CT. Where this exists, demand for the CT will naturally follow. It is also important to note that the existence of a CTP will not reduce all costs of market data for AFME members, given the need for real time consumption of trade/price information for market makers our members would usually buy the data from the Trading Venue or APA.

AFME members note that any comparison between a European CTP and TRACE (as outlined under section 3.2.2.1) needs to be fully assessed. TRACE was a progressive build focusing on one sub-asset class, increasing calibration over several years and has a cap allowing volume omission deferrals, currently for 6 months. The MiFID II/R post-trade transparency regime is the largest regime of its type globally, in terms of the number of financial classes and types of instruments within scope. AFME members recommend that within Europe for cash bonds the deferral regime should be harmonized to the most appropriately calibrated regime in Europe, as outlined in our response to Q10. It is important that the CT respects the MiFID deferred publication regime, such that trades which benefit from deferred publication are not published on the CT until after the deferral period has expired. We do not believe that the post-trade deferral regime should be adjusted to enhance data to be reported to the CT. The deferral regime has various use cases including ensuring that market participants do not suffer from adverse price movements when executing trades in size. AFME members caution that policy makers should not modify the regime for the purpose of creating a CT. In addition, it is imperative that the consolidated tape contains sufficient information for market participants to clearly recognise deferred trades.

AFME members recommend that when administering a CT to FI products, a phased approach within the class of cash bonds be applied.

Only once the industry is certain that correct and meaningful information is being reported can a CT be developed. Only then should a move to the next stage of the transparency regime be permitted and any considerations be made to altering the deferral regime, as the CT would provide visibility over the consolidated numbers.

<ESMA_QUESTION_CP_MIFID_NQT_15>

Q16. Do you agree with ESMA's above assessment? If not, please explain.

<ESMA_QUESTION_CP_MIFID_NQT_16>

AFME is not responding to this question.

<ESMA_QUESTION_CP_MIFID_NQT_16>

Q17. Are you of the view that the interpretation of TOTV should remained aligned for both transparency and transaction reporting? If not, please explain why.

<ESMA_QUESTION_CP_MIFID_NQT_17>

In principal AFME members believe the assessment of TOTV should remain aligned for both transparency and transaction reporting, unless there is clear intention from regulators that the instruments captured and the scope of the two regimes are intended to explicitly differ.

<ESMA_QUESTION_CP_MIFID_NQT_17>

Q18. Which of the three options proposed, would you recommend (Option 1, Option 2 or Option 3)? In case you recommend an alternative way forward, please explain.

<ESMA_QUESTION_CP_MIFID_NQT_18>

AFME is not responding to this question.

<ESMA_QUESTION_CP_MIFID_NQT_18>

Q19. What is your view on the proposal to delete the possibility for temporarily suspending the transparency provisions? Please explain.

<ESMA_QUESTION_CP_MIFID_NQT_19>

AFME members acknowledge that this emergency break has never been used, however highlight that we are only in the first of four stages tightening the transparency regime, with the final stage resulting in a significantly greater number of bonds becoming liquid.

We doubt the provision of a temporary suspension of transparency obligations was designed with frequent use in mind and question whether, after just 2.5 years since the implementation of MiFID II, it would have been reasonably expected to have been utilised in this short time.

Members are of the view that this provision is maintained and when needed is applied across the European Union.

<ESMA_QUESTION_CP_MIFID_NQT_19>

Q20. Do you have any remarks on the assessment of Article 28 of MiFIR? Please explain.

<ESMA_QUESTION_CP_MIFID_NQT_20>

AFME is not responding to this question.

<ESMA_QUESTION_CP_MIFID_NQT_20>

Q21. Do you have any views on the above-mentioned criteria and whether the criteria are sufficient and appropriate for assessing the liquidity of derivatives? Do you consider it necessary to include further criteria (e.g. currency)? Do you consider that ESMA should make use of the provision in Article 32(4) for asset classes currently not subject to the trading obligations? Please explain.

<ESMA_QUESTION_CP_MIFID_NQT_21>

AFME is not responding to this question.

<ESMA_QUESTION_CP_MIFID_NQT_21>

Q22. Do you agree that a procedure for the swift suspension of the trading obligation for derivatives is needed? Do you agree with the proposed procedure? Please explain.

<ESMA_QUESTION_CP_MIFID_NQT_22>

AFME is not responding to this question.

<ESMA_QUESTION_CP_MIFID_NQT_22>

Q23. Do you have a view on this or any other issues related to the application of the DTO?

<ESMA_QUESTION_CP_MIFID_NQT_23>
AFME is not responding to this question.

<ESMA_QUESTION_CP_MIFID_NQT_23>

Q24. Do you have any views on the functioning of the register? Please explain.

<ESMA_QUESTION_CP_MIFID_NQT_24>

AFME is not responding to this question.

<ESMA_QUESTION_CP_MIFID_NQT_24>

Q25. Do you agree that the current quarterly liquidity calculation for bonds is appropriate or would you be of the view that the liquidity determination of bonds should be simplified and provide for more stable results? Please explain.

<ESMA_QUESTION_CP_MIFID_NQT_25>

AFME members recognise that the liquidity determination for bonds needs readdressing, however, there first needs to be greater understanding of the data and the process behind these calculations through ongoing and extensive dialogue with the industry, especially with the continued uncertainty around Brexit.

The need to correctly identify which bonds are liquid is essential. This need is magnified by the discrepancies highlighted in ESMA's quarterly liquidity and SI calculations. Notable examples of erroneous data have included discrepancies in the total number of bonds identified as liquid. ESMA offers three sources showing the list of liquid bonds, However, AFME members highlight a continued small discrepancy between the number of bonds listed as liquid on their website, web interface and in the .xml file, incorrect classification of liquid bonds and omitting some of the top traded liquid bonds from ESMA's quarterly liquidity list.

AFME members recognise the progress made since the implementation of MiFID II to improve data quality. However, as noted above the data available to ESMA is still not at a sufficiently complete and accurate standard for it to be utilised to undertake future policy decisions, such as forming the basis for recommendations that would increase the scope of transparency obligations for firms.

If the industry had access to the data used by ESMA it could assist in assessing why some liquid bonds identified by data vendors or most actively traded by members do not appear on the list of liquid bonds, this will help determine if there is an issue with either the data or the process.

AFME encourages ESMA to consider referencing commercial data available from third party sources to provide a benchmark against the MiFID II data ESMA receives. It would provide an effective way to validate the quality of data ESMA obtains and further enhance the systematic methodology employed by ESMA to compile the quarterly list of liquid bonds.

<ESMA_QUESTION_CP_MIFID_NQT_25>

Q26. Do you agree with ESMA proposal to move to stage 2 for the determination of the liquidity assessment of bonds? Please explain.

<ESMA_QUESTION_CP_MIFID_NQT_26>

AFME members recognise that the move to stage 2 of the liquidity assessment for bonds is required but this should be conducted at an appropriate time.

As acknowledged in paragraph 271 of this consultation ESMA did not carry out the first assessment in 2019 given the uncertainty on the timing and conditions of Brexit. ESMA acknowledges that these uncertainties remain, having an impact on ESMA performing the RTS 2 review. However as noted in paragraph 272 ESMA still intends to submit the first annual assessment of the phase in regime for bonds to the European Commission by 30th July 2020.

AFME members consider it inappropriate to make any changes to the liquidity assessment at this time given the extent of the uncertain environment has intensified over 2020 due to a combination of factors, market liquidity is fragile due to the current and on-going global Covid-19 crisis. Separately, there is an ongoing lack of clarity around Brexit and the data available to ESMA, on which it will base its recommendation for the determination of the annual liquidity assessment is still not of a sufficiently complete and accurate standard for it to be utilised to undertake future policy decisions.

AFME notes Paragraph 290 of ESMA's consultation paper concludes by stating that ***'ESMA considers it unlikely that such a change would have negative market impact'*** however, paragraph 269 detailing the factors that should be considered for such an assessment highlight '***the impact on liquidity providers of the percentile thresholds used to determine the SSTI.'***

To date, AFME members are not aware of any outreach from ESMA to establish the impact to them as liquidity providers.

All of the factors outlined above could have a detrimental impact on the market if the transition to the second stage liquidity parameters occur without adequately factoring in the structural effects of Brexit on the market and the long-term transitional implications of the Covid-19 crisis. If the implications of these factors negatively impact the market, but only become apparent after moving to stage 2 of the liquidity parameters there is no provision contained within the relevant regulation to roll back any decision to the existing (stage 1) thresholds. This is also of upmost importance when considering the impact of the Covid-19 crisis on the market, as the data covering this period and outlining the fragility of the liquidity in the market will not be captured instantly or reflected in ESMA's initial annual liquidity assessment.

<ESMA_QUESTION_CP_MIFID_NQT_26>

Q27. Do you agree with ESMA proposal not to move to stage 2 for the determination of the pre-trade SSTI thresholds for all non-equity instruments except bonds? Please explain.

<ESMA_QUESTION_CP_MIFID_NQT_27>

AFME is not responding to this question.

<ESMA_QUESTION_CP_MIFID_NQT_27>

Q28. Do you agree with ESMA proposal to move to stage 2 for the determination of the pre-trade SSTI thresholds for bonds (except ETCs and ETNs)? Please explain.

<ESMA_QUESTION_CP_MIFID_NQT_28>

AFME members disagree with ESMA's proposal to move to stage 2 for the determination of the pre-trade SSTI thresholds for **<u>all</u>** bonds. AFME members believe the transparency regime should be considered in its entirety and any move in the stages of the transparency regime should happen simultaneously, rather than adding a new layer of complexity.

We note that the figures used in Table 11 detailing the SSTI pre-trade thresholds are from before the recalculations applied from 1st May 2020 and there are some significant adjustments such as SSTI levels for Covered bonds having reduced by 50%.

Previous concerns remain around quality of data and the importance of ensuring that the determination to move through each transparency stage is based off of accurate and complete data sets.

<ESMA_QUESTION_CP_MIFID_NQT_28>

Q29. What is your view on the current calibration of the ADNA and ADNT for commodity derivatives? Are there specific sub-asset classes for which the current calibration is problematic? Please justify your views and proposals with quantitative elements where available.

<ESMA_QUESTION_CP_MIFID_NQT_29>

AFME is not responding to this question.

<ESMA_QUESTION_CP_MIFID_NQT_29>

Q30. In relation to the segmentation criteria used for commodity derivatives: what is your view on the segmentation criteria currently used? Do you have suggestions to amend them? What is your view on ESMA's proposals SC1 to SC3? In your view, for which sub-asset classes the "delivery/cash settlement location" parameter is relevant.

<ESMA_QUESTION_CP_MIFID_NQT_30>

AFME is not responding to this question.

<ESMA_QUESTION_CP_MIFID_NQT_30>

Q31. What is your view on the analysis and proposals related to the pre-trade LIS thresholds for commodity derivatives? Which proposal to mitigate the counterintuitive effect of the current percentile approach do you prefer (i.e. keep the current methodology but modify its parameters, or change the methodology e.g. using a different metric for the liquidity criteria)? Please justify your views and proposals with quantitative elements where available.

<ESMA_QUESTION_CP_MIFID_NQT_31>

AFME is not responding to this question.

<ESMA_QUESTION_CP_MIFID_NQT_31>