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30th January 2015

By email to: FEMR@bankofengland.co.uk

Dear Sirs,

Tradeweb Europe Limited response to the UK's Fair and Effective Markets Review (FEMR)

Tradeweb Europe Limited ("Tradeweb") welcomes the opportunity to provide input to the joint review being conducted by the HM Treasury, the Bank of England, and Financial Conduct Authority on the fairness and effectiveness of the fixed income, foreign exchange, and commodities markets ("the Review").

Since 1998, the global Tradeweb group has offered an electronic trading system for institutional fixed income and derivative investors. Tradeweb has operated in the UK since 2000 and has been authorised and regulated by the UK FCA (as successor to the FSA) as the operator of a Multilateral Trading Facility (MTF) since the implementation of the Markets in Financial Instruments Directive (MiFID). The Tradeweb group of companies is also regulated in the US, including as a Swap Execution Facility (SEF), and Tradeweb has branch offices which are also regulated in Japan, Hong Kong, and Singapore.

The markets in which Tradeweb specialises were, for the most part, originally bilateral OTC phone markets. Tradeweb was created to bring greater transparency, competition and efficiency to those markets. In this regard, our system has played an important role in providing greater transparency, improving efficiency, and reducing risk in the trading of fixed income securities, certain money market products, derivatives and – more recently – ETFs. In our response, we have, therefore, focussed on the questions relating to the products traded on the platform, in particular those relating to market microstructure matters. Whilst we consider the other topics to be important, we believe that other market participants are better placed to respond to these issues.

We would like to make the following overarching points:

Importance of a tailored regime and level playing field

As noted in the Review, "FICC markets" encompass a wide range of heterogeneous financial instruments, which are primarily traded and invested in by professional counterparties. We strongly believe that competition should take place on fair grounds, with like activities and instruments being regulated in a similar way. However, given the heterogeneity of FICC instruments, a one-size-fits all regulatory approach would not be appropriate.

Where further measures are proposed – whether regulator- or market-led – these should be tailored to take into account the nature and liquidity profile of the instruments being traded, the type of market participants active, and the types of trading mechanisms needed to support effective and efficient trading.

Current EU regulatory reforms

The Markets in Financial Instruments Directive II (MiFID II) and Markets in Financial Instruments Regulation (MiFIR) represent a significant change for European fixed income, derivative and ETF markets, in particular, through the implementation of a wide ranging transparency regime. We are supportive of the policy aims of MiFID II/MiFIR to encourage trading in these instruments to take place on organised venues subject to appropriate transparency, and to meet the G20 commitment that all

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standardised OTC derivatives contracts should be traded on exchanges or electronic platforms, where appropriate. However, how the transparency regime is calibrated will be critical to the orderly functioning of the market place, and whether an appropriate balance has been struck between transparency and liquidity.

The new MiFID II/MiFIR rules are due to apply from 3rd January 2017. Given the significance of these reforms, we consider that it would be sensible to wait until the impact of the new rules becomes clear before assessing whether further legislative and regulatory measures are necessary. Moreover, if the UK authorities determine that any amendments are required or further action is necessary, ideally this would be agreed and set at an EU-level in furtherance of the single market.

Importance of cross-border coordination

As noted in the Review, FICC markets are frequently global in nature with cross-border transactions being common. Given this, any legislative and market-led initiatives should ideally be coordinated globally.

Whilst there is clearly a political and regulatory desire to achieve such global coordination, for example, through the G20 commitments with respect to OTC derivatives reform and the Basel accords with respect to capital, there have been recent mismatches in implementation timing of new rules, challenges in the substituted and equivalence processes and/or lack of clarity about how and when rules apply cross-border. This can lead to confusion, duplication, regulatory arbitrage and/or liquidity fragmentation.

Given this, we would urge that particular care is taken to coordinate new measures – if considered necessary – at a global level, and that UK specific measures are considered within a global context. As underlying principles, where there is cross-border impact, we consider that there should be at least clarity about when and how rules apply cross-border, appropriate substituted compliance or equivalence arrangements, which are workable in practice, based on whether comparable outcomes are achieved, and coordination of implementation timeframes where possible.

If we can be of further assistance, please feel free to contact me, Simon Maisey (Simon.Maisey@tradeweb.com / +44 (0)20 7776 3265) or Anna Westbury (Anna.Westbury@tradeweb.com / +44 (0)20 7776 3273). We would welcome the opportunity to discuss these matters with you further.

Yours faithfully,

Enrico Bruni
Managing Director

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Fair and Effective Markets Review: How fair and effective are the fixed income, foreign exchange and commodities markets?

What does 'Fair and Effective' mean for FICC markets?

Question 1
The Review would welcome respondents' views on the definition of "fair and effective" FICC markets proposed in Section 3. Does it strike the right balance between safeguarding the interests of end-users without unnecessarily impeding the effectiveness of FICC markets? Are the concepts of transparency, openness and equality of opportunity appropriately specified? And how does the definition compare with those used in order markets, jurisdictions, organisations or legislation?

We broadly agree with the high-level definitions set out in the Review. In particular, the comment that an effective and fair market should support the ability of market participants to undertake investment, raise funding and transfer risk. In order to achieve these goals, markets should be underpinned by a well calibrated set of incentives and a regulatory capital regime that provides for both systemic stability and adequate risk control, as well as supporting the critical role of liquidity provision. Markets should be resilient and free from abuse, and so should be governed by clear and predictable standards of market practice.

As noted in the Review, FICC markets are not heterogeneous and are primarily comprised of sophisticated market participants. In this regard, whilst the factors relating to competitive pricing and transparency are important, they may be achieved in different ways. We agree with the concept of equality of opportunity, rather than necessarily equality of outcome.

With respect to transparency, whilst this is an important factor to consider in terms of assessing whether or not a market is fair, excessive transparency does have adverse operational implications for the markets. In this regard, we agree with the Review that a sole focus on increasing transparency may have the unintended consequence of decreasing the effectiveness of a market. There is a balance that must be struck carefully between transparency and liquidity.

A framework for evaluating fairness and effectiveness

Question 2
Of the six themes identified in Table A on page 5 (market microstructure; competition and market discipline; benchmarks; standards of market practice; responsibilities and incentives; and surveillance and penalties), which do you consider to be the most important factors contributing to the recent series of FICC market abuses? In which other areas do you believe the fairness and effectiveness of FICC markets globally may be deficient? Do these answers vary across jurisdictions, or specific markets within FICC? Are there any other important areas of vulnerability that are not identified in the table?

No response

Barrier and digital options

Question 3
Do trading practices involving barrier or digital options pose risks to the fairness and effectiveness of one or more FICC markets? How hard is it to distinguish between hedging and 'defending' such options in practice? Should further measures be taken to deal with the risks posed by barrier options, whether through market-wide disclosure of significant barrier positions, an extension of regulation or some other route?

No response

Market microstructure

Question 4
Does the market microstructure of specific FICC markets – including trading structures, transparency, asset heterogeneity or market access – enhance or diminish fairness and effectiveness? Where there are deficiencies, will recent or in-train regulatory or technological changes improve the situation, or are further steps needed? How do these answers vary across jurisdictions, or specific markets within FICC?

As noted in the Review, trading in FICC markets tends to rely on market makers or liquidity providers, and there has been an increase in more transparent forms of electronic trading over the past 15 years. It is important to recall the reasons why this particular request-driven structure has been prevalent in FICC markets.

Request-driven markets exist due to the need for there to be a liquidity provider responding to a trade inquiry at a point-in time by providing a price where there is insufficient buying and selling interest to support continuous trading. In particular, because of the instrument's liquidity profile, the availability of liquidity at a particular size, and/or economic factors affecting trading decisions resulting in market participants trading in the same direction.

In request-driven systems, liquidity takers or clients (typically requestors) have immediacy of execution and price certainty, typically for the full size of their request, as the liquidity providers act in a principal capacity filling the request and taking the risk onto their own books. In this regard, typically the risk immediately passes from the liquidity taking requester to the liquidity provider who then will have to hedge the trade that has been done with the liquidity taker.

This contrasts with order-driven models where the execution risk resides with the client. If the client's order is larger than the size available on the order book, the client may need to split his order into multiple legs to be filled over a period of time and/or on multiple markets. Therefore, the decision about how to split the trade and where/when to execute, and the risk that the market moves between the trade being initiated and completed, rests with the client.

In non-continuous markets which trade on a request-driven basis, there is a balance to be struck between maximising the likelihood of accessing the best price and minimising market impact. Therefore, on a name disclosed basis, requestors typically put in competition a number of liquidity providers that are most likely to return a price (based on historic performance and/or axes or other indications of interest), but overwhelmingly choose not to reveal their trading interest more broadly in order to minimise market impact.

In the Dealer-to-Client market, multi-dealer RFQ platforms are the prevalent form of electronic trade execution, and effectively centralise what was previously a bilateral, telephone market. This electronic trade execution has brought efficiencies and benefits, including in assisting with more efficient straight-through processing solutions. Developments in protocols, e.g. Request For Stream (RFS), Request for Market (RFM), list and compression trading, have continued to provide efficiency benefits and so has encouraged business onto electronic trading platforms. In this regard, market-led initiatives and market forces have aimed to improve the effectiveness and fairness of the overall market.

In terms of in-train regulatory developments, the Markets in Financial Instruments Directive II (MiFID II) and Markets in Financial Instruments Regulation (MiFIR) will have a significant impact on the operation of European fixed income and derivatives markets. The key components of the new rules include:

- the introduction of a new regulated venue category, the Organised Trading Facility (OTF) which will bring into the scope of regulation a far wider range of activities
- real-time post-trade transparency for a wide range of instruments
- pre-trade transparency for liquid instruments when traded on venues and when traded OTC with a "Systematic Internaliser" (SI)
- the obligation to trade certain derivatives exclusively on venues.

MiFID II/MiFIR aims to, amongst others, extend the scope of the current regulation (both in terms of regulated activities and instruments), increase transparency, and encourage or require more trading to take place on transparent, organised venues.

There has long been a debate about whether EU-wide transparency should apply to fixed income markets. This has historically focussed on whether a post-trade transparency regime should be implemented, which would be consistent with the US's post-trade reporting regime under TRACE. However the MiFID II/MIFIR rules go much further, in both product scope but also, significantly, putting in place a pre-trade transparency for liquid instruments whether traded on venues or OTC with SIs.

MiFID II/MiFIR recognises a range of trading venues and trading protocols, and does not aim to force any venue to operate a particular trading protocol. We are supportive of this approach, as market participants should have a choice of trading protocols to best suit their needs. The new MiFIR transparency requirements will be calibrated by type of trading system, liquidity of the instrument, and size of the trade. The effectiveness of the new regime will depend on whether, in setting these thresholds, an appropriate balance is struck between transparency and liquidity, and whether trading venues continue to have the ability to innovate their trading protocols so giving users the flexibility to select the functionality that best suits their needs.

We consider that allowing greater flexibility in trading protocols would mitigate some of the risk associated with where the exact thresholds are set in calibrating the new regime. We are concerned that the current proposal that venues should make public the bid and offer prices and attaching volumes submitted in response to RFQs would disrupt current RFQ functioning by creating a disincentive to quote and by exacerbating the winner's curse issue. This would likely result in additional risk having to be priced in by liquidity providers, and therefore a worse price for requesters.

The issue is most acute for liquid instruments in sizes below "Size Specific to the Instrument" (SSTI), given the availability of waivers from pre-trade transparency for sizes above SSTI and for illiquid instruments. However, based on the liquidity scenarios set out in the recent ESMA Consultation

Paper on the draft Regulatory Technical Standards (RTS), the MiFIR liquidity determination would capture not only very frequently traded instruments but also instruments that are traded far less frequently; potentially only a couple of times per day or less. Moreover, the proposed size thresholds for, in particular, pre-trade transparency are very high.
Given the liquidity profile of fixed income and derivatives instruments, and the current reliance on market makers providing liquidity, it is not obvious that business could easily migrate to a different type of trading mechanism if the new regime for current execution mechanisms, such as RFQ systems, is not workable. Significant disruption to the efficient functioning of RFQ systems could hinder the ability of the buy side to continue to invest in particular asset classes, which could ultimately affect the ability of issuers to raise capital.

It is important to keep in mind what transparency is trying to achieve and who it is intended to benefit. Without this, there is a risk that regulation could inadvertently negatively affect the effectiveness of markets. In the case of MiFID II/MiFIR, we consider that the rules should be sufficiently flexible to allow for the development of trading protocols that best meet the needs of users. We are speaking with EU regulators to raise our particular concerns and have proposed solutions that aim to both increase the level of information made available pre-trade in line with MiFIR's aims, and enable RFQ systems to continue to function effectively.

In fixed income:

Question 5
Is greater use of electronic trading venues for a wider range of market participants possible or desirable? Are there barriers to preventing a shift to a more transparent market structure?

We consider that the greater use of regulated electronic trading venues is both desirable and possible.

However, it is important to note that there are a range of electronic trading protocols that support effective trading, including order-driven (order books) and Request-driven systems, such as RFQ. Typically, order-driven systems are common in equity and futures markets for standardised, highly liquid instruments. The lack of a high degree of standardisation is not necessarily a barrier to greater electronic trading. The RFQ protocol allows a wide range of instruments to be traded electronically, as it supports a degree of customisation as well the provision of liquidity by market makers in episodically traded instruments. In order to support more trading taking place on transparent, electronic trading venues, it is important to ensure that there is a range of appropriately regulated venues and trading protocols to suit the different needs of users and the nature of the instruments being traded. See also our response to Question 4.

By volume, buy side/institutional client activity in fixed income, derivatives, and ETFs currently takes place predominantly on RFQ systems and OTC voice. It is estimated that by volume approximately half of the Dealer-to-Client market in EU government bonds trades electronically, and about 40% of the cash Credit market. The majority of the remainder takes place OTC voice. The proportion of electronic trading is lower for swaps, but the MiFIR trading obligation for standardised, liquid derivatives will require the migration of current OTC activity onto regulated venues – and the introduction of a clearing mandate under the European Market Infrastructure Regulation (EMIR) should help to facilitate this. Data from the US shows how significantly and quickly electronic trading increased following the implementation of the obligation to trade certain swaps on Swap Execution Facilities (SEFs) in February last year.

The current prevalence of RFQ trading and preference for this type of trading underscores the importance of ensuring a well functioning regime for RFQ systems under the new MiFID II/MIFIR rules. In particular, to support the policy objectives of moving more trading onto regulated, multilateral venues and to increase transparency.

It is important that regulatory change does not itself become a barrier. For example, particular care needs to be taken to ensure calibration achieves an appropriate level of transparency that continues to support efficient trading. If this is not achieved, there is a risk that current electronic trading activity on venues could be driven off-venue. Or overly prescriptive descriptions of the different types of permitted trading systems could hinder the ability of venues to offer new functionalities within those systems to meet the specific needs of users and attract more business.

Question 6
Is standardisation of corporate bond issuance possible or desirable? Should standardisation be contemplated across a broader range of fixed income products? How could that be brought about?

Standardisation would be highly desirable for the purposes of supporting secondary market liquidity, in particular in the area of corporate bonds. However, it is generally recognised that standardisation is not necessarily easy or quick to achieve – nor is it necessarily a precondition for efficient electronic trading. From a primary markets perspective for instance, there may be legitimate reasons why a corporate would choose a specific issuance structure, in particular to achieve a specific debt profile and liability cash flow stream.

In terms of derivatives, regulatory initiatives are – directly or indirectly – encouraging a shift to standardised, liquid instruments traded on transparent, multilateral venues. Whilst standardisation has a number of benefits, there may be legitimate reasons why market participants need to hedge bespoke risks. For example, many users of derivatives “micro-hedge” their rates exposure, either for hedge accounting purposes or to minimise to the greatest extent possible any difference between the underlying risk and their hedging position. As drivers to greater standardisation are developed further – whether through margin and capital requirements, or a regulatory mandate – it is important to be mindful of the potential unintended consequence of increasing the risk exposure for such market participants.

In this regard, whilst efforts at standardisation should be pursued where appropriate and possible, it is important to ensure there are mechanisms to support effective trading in less standardised products.

Question 7
Should the new issue process for bonds be made more transparent through the use of auction mechanisms, publication of allocations or some other route?

No response

In foreign exchange:

Question 8
Are there risks associated with internalisation and last look practices? Are there barriers preventing increased pre and post-trade transparency in foreign exchange markets?

Whilst the question relates to FX markets, we would note that "last look" is also used in fixed income and derivatives markets. We consider that last look can be a legitimate tool, but there should be mechanisms in place to police its use.

We offer a variety of trading protocols including Click to Trade (CTT) and RFQ functionality on the Tradeweb system. Where liquidity providers are streaming CTT prices, there is a "last look" built into the trading protocol as a risk management tool so that liquidity providers are not left unfairly exposed in the event of a sudden market change. In name-disclosed markets, the use of the last look should be somewhat self-policing, as requesters are unlikely to continue to select liquidity providers if they routinely do not stand behind their quotes. As a venue, we monitor both quote and hit rates, and make this information available to users of the venue.

Question 9
Are there barriers impeding the development of more comprehensive netting and execution facilities for transacting foreign exchange fix orders?

No response

In commodities:

Question 10
Are there any material barriers preventing greater transparency in OTC commodity derivatives markets? If so, what could be done to remove them?

No response

Regulatory measures:

Question 11
Are there any areas of FICC markets where regulatory measures or internationally co-ordinated regulatory action are necessary to address fundamental structural problems that exist?

As noted in the Review, FICC markets are frequently global in nature with cross-border transactions being common. Given this, any legislative and market-led initiatives should ideally be coordinated globally.

Whilst there is clearly a political and regulatory desire to achieve such global coordination, for example, through the G20 commitments with respect to OTC derivatives reform and the Basel accords with respect to capital, there have been recent mismatches in implementation timing of new rules, challenges in the substituted and equivalence processes and/or lack of clarity about how and when rules apply cross-border. This can lead to confusion, duplication, regulatory arbitrage and/or liquidity fragmentation.

The current discussions between the EU and US about granting substituted compliance arrangements for Central Counterparties (CCPs) – whether through exempt status or equivalence – have demonstrated that, even where there are specific processes in place, implementation may still be challenging. The current draft EU proposals relating to the regulation of benchmarks could be even more challenging, given specific legislation is unlikely to be broadly implemented in different jurisdictions.

Given this, we would urge that particular care is taken to coordinate new measures – if considered necessary – at a global level, and that UK specific measures are considered within a global context. As underlying principles, where there is cross-border impact, we consider that there should be at least: clarity about when and how rules apply cross-border; appropriate substituted compliance or equivalence arrangements, which are workable in practice, based on whether comparable outcomes are achieved; and coordination of implementation timeframes where possible.

Conflicts of interest and information flows

Question 12
Where do potential conflicts of interest arise in the various FICC markets, and how do they affect the use and potential abuse of confidential information, both within and between firms?

No response

Question 13
How can the vulnerabilities posed by such conflicts be reduced? Are existing internal structures and control procedures sufficient? Where they are not, are further internal management controls required (such as better trading floor design and/or closer monitoring of electronic communications within and between firms) or is more radical action required to remove conflicts altogether?

No response

Competition and market discipline

Question 14
Is there a relationship between the level of competition in FICC markets globally and the fairness and effectiveness of those markets? What risks are posed by the increase in concentration seen in some FICC markets? In answering this, please have regard to the geographical scope of any relevant markets.

Competition typically leads to more effective and efficient markets. However, competition should take place on fair grounds, with like activities and instruments being regulated in a similar way. Given many FICC markets are global in nature and cross-border transactions are common, it is important to maintain a level playing field to avoid the risk of regulatory arbitrage. Close coordination between regulators is key.

As noted in our response to Question 11, there have been recent mismatches in implementation timing of new rules, challenges in the substituted and equivalence processes and/or lack of clarity

about how and when rules apply cross-border. This can lead to confusion, duplication, regulatory arbitrage and/or liquidity fragmentation.

Question 15
To the extent that competition is currently ineffective in any of the FICC markets, are there market-led initiatives, technological or structural changes that may remedy this solution?

Although it is not possible to generalise across FICC markets, for the products traded on our platform, we consider that there already exists a high-level of competition. In specific markets, there have been a number of new initiatives aimed at increasing the effectiveness of markets. For example, new products (swap futures), greater standardisation (communicating trading interests in a common language), new trading systems (periodic auctions to concentrate liquidity), etc.

We are supportive of there being sufficient flexibility to allow venue operators to innovate allowing markets participants the freedom to be able to choose the venues that they want to use to execute their business. Regulation itself should not be a barrier or inadvertently negatively impact the competitiveness of markets. As noted in our response to Question 14, we strongly believe that competition should take place on fair grounds, with like activities and instruments being regulated in a similar way.

In the context of MiFID II/MiFIR, we are concerned that there may be areas of potential regulatory arbitrage. For example, in the latest ESMA Consultation Paper, it is proposed that real-time transparency information is made publicly available real-time within a backstop of 15 minutes where there are manual processes. As the operator of an electronic platform, we are able to make public pre- and post-trade transparency information instantaneously. Whilst we appreciate that certain manual processes will take longer, we would be concerned if backstop delays are used routinely to delay the publication of post-trade information, which may then favour particular execution methods. Greater automation of processes should be the ultimate goal.

Similarly, the latest Consultation Paper includes an exemption from Securities Financing Transactions being made public when traded OTC but not when traded on-venue. Whilst reference is made in the Consultation Paper to the underlying legislation, we are concerned that this unlevel playing field could influence trading decisions.

Question 16
Are there any lessons that can be drawn from experiences in other financial markets (or indeed other markets) about the ways that alternative or evolving market structures could impact on competition in FICC markets?

As noted in our response to Question 4, the current FICC market structure exists for particular reasons. Whilst regulators have asked questions about transparency and liquidity in fixed income and derivatives markets, it is worth noting that name-disclosed RFQ aims to enable clients to trade at size with immediacy, and should effectively encourage good quoting and execution behaviour as the counterparties are known to each other. It is important to not inadvertently import the types of issues that regulation is now seeking to address in other markets. For example, the MiFID II/MiFIR requirements that seek to, amongst other, limit the use of equity dark pools and impose additional requirements on High Frequency Trading (HFT), which is common in highly liquid instruments traded in anonymous markets.

More broadly, as noted in our responses to Questions 5 and 15, it is important that in-train regulatory changes, such as MiFID II/MIFIR, provide sufficient flexibility to allow market participants to continue to innovate to best suit the instruments being traded and available liquidity, and therefore the needs of markets participants.

Question 17
How effective is market discipline in enforcing sound market practices in each of the key FICC markets? What could be done to strengthen it?

No response

Promoting effective competition through regulatory and legislative initiatives

Question 18
In what ways might competition in any of the key FICC markets usefully be addressed by competition authorities (eg by assessing the state of competition in relevant markets)?

No response

Question 19
Are there any additional regulatory reforms that could be helpful in promoting competition and market discipline in FICC markets?

No response

Question 20
Is there a need for better awareness and understanding of the existing competition framework among FICC market participants, both at firm and individual level? How do you think that might be best achieved?

No response

Question 21
Do current domestic and international initiatives by industry and regulators to improve the robustness of benchmarks go far enough, or are further measures required?

We agree that benchmarks should be robust and effectively measure what they are intended to. We are, therefore, supportive of regulatory efforts in this area. However, we would note that the current draft EU Benchmarks Regulation proposal is very wide in scope in terms of the definition of what might be considered a benchmark within the legislation applying to a broad range of market data which would not normally be considered a “benchmark”. If this remains the case, it is important that the new requirements are appropriately tailored and proportionate to the risk posed. As noted in our response to Question 11, it is important to consider the impact of new regulations at a global level.

Industry-level measures

Question 22
What steps could be taken to reduce the reliance of asset managers and other investors on benchmarks?

No response

Question 23
What additional changes could be made to the design, construction and governance of benchmarks?

No response

Question 24
Should there be an industry panel to discuss benchmark use and design with the aim of assisting industry transition?

No response

Regulatory action

Question 25
What further measures are necessary to ensure full compliance with the IOSCO Principles for financial benchmarks by all benchmark providers?

No response

Question 26
How can the regulatory framework provide protection to market participants for benchmarks administered in other jurisdictions in a proportionate way?

No response

Standards of market practice

Question 27
Are existing sources of information regarding standards of market practice across FICC markets globally: (a) already sufficiently clear (or will be once current regulatory reform has concluded); (b) sufficient, but in need of clearer communication or education efforts; or
(c) not sufficiently clear, requiring more specific guidance or rules to provide more detail or close genuine gaps?

No response

Question 28
Box 7 on pages 36–37 discusses a number of uncertainties over FICC market practices reported by market participants, including: the need for greater clarity over when a firm is acting in a principal or an agency capacity; reported difficulties distinguishing between legitimate trading activity and inappropriate front-running or market manipulation; and standards for internal and external communication of market activity. To the extent that there are uncertainties among participants in the different FICC markets over how they should apply existing market standards in less clear-cut situations, what are they?

No response

Question 29
How could any perceived need to reduce uncertainties best be addressed: (a) better education about existing standards; (b) new or more detailed market codes on practices or appropriate controls; or (c) new or more detailed regulatory requirements?

No response

Will these uncertainties be dealt with by current reforms?

Question 30
How can the industry, firms and regulators improve the understanding of existing codes and regulations by FICC market participants and their managers?

No response

Question 31
Should there be professional qualifications for individuals operating in FICC markets? Are there lessons to learn from other jurisdictions — for example, the Financial Industry Regulatory Authority's General Securities Representative (or 'Series 7') exam?

No response

Can the industry help to establish better standards of market practice?

Question 32
What role can market codes of practice play in establishing, or reinforcing existing, standards of acceptable market conduct across international FICC markets?

No response

Question 33
How would any code tackle the design issues discussed in Section 5.4.3, ie: how to ensure it can be made sustainable given industry innovation over time? How to differentiate it from existing codes? How to give it teeth (in particular through endorsement by regulatory authorities or an

international standard setting body)? How to communicate it to trading teams? Whether, and how, to customise it for individual asset classes?

No response

Should the scope of regulation be extended?

Question 34
In the context of implementing MiFID 2, which of the FCA Principles for Businesses should apply in relation to MiFID business with Eligible Counterparties?

No response
Question 35
Are there any financial instruments that should be brought more fully into the scope of regulation in order to improve the fairness and effectiveness of specific FICC markets? For any instruments proposed: (a) what protections does the current framework provide; (b) what gaps remain of relevance to fairness and effectiveness; and (c) what is the cost/benefit case, bearing in mind the Review's Terms of Reference as set out in Section 1?

No response

Responsibilities, governance and incentives

Question 36
How much of a role did inadequate governance, accountability and incentive arrangements play in the recent FICC market abuses, and to what extent do these remain potential vulnerabilities in FICC markets globally? In addition to on-going regulatory changes, what further steps can firms take to embed good conduct standards in their internal processes and governance frameworks? And how can the authorities, either internationally or domestically, help to reinforce that process, whether through articulating or incentivising good practice, or through further regulatory steps?

No response

Firm-wide initiatives to improve incentives and governance

Question 37
Do respondents' agree that the thematic areas highlighted in Section 5.5 are key priorities for FICC firms (fine-tuning performance measures; adjustments to remuneration; attitudes towards hiring, promotion and advancement; closer board involvement in governance of FICC activities; and clearer front line responsibilities)? What specific solutions to these challenges have worked well, or could work well? And how best can the authorities help to support these initiatives?

No response

Market wide initiatives to align market conduct, incentives and governance

Question 38
To what extent could the Banking Standards Review Council help FICC market participants to raise standards collectively — in particular, are there other steps that could be taken to help complement or extend this initiative in FICC markets for non-banks and internationally?

No response

Regulatory initiatives to improve governance and incentives

Question 39
Are there other regulatory measures the authorities could take to strengthen personal accountability or otherwise improve the way firms manage incentives and governance? In particular, should any or all of the measures in the Senior Managers and Certification regime be extended to non-bank firms active in FICC markets?

No response

Surveillance and penalties

Question 40
What role can more effective surveillance and penalties for wrongdoing play in improving the fairness and effectiveness of FICC markets globally? How can firms and the industry as a whole step up their efforts in this area? And are there areas where regulatory supervision, surveillance or enforcement in FICC markets could be further strengthened?

No response

Firm level surveillance

Question 41
How can firms increase the effectiveness of their own surveillance efforts across FICC markets globally? What role could the industry play in helping to explore best practices on how to make whistleblowing and other similar regimes more effective? Is there scope to make greater use of large scale market data sets and electronic voice surveillance to help detect cases of abuse in FICC markets? Are there other potentially effective tools?

No response

Firm level penalties

Question 42
Are there processes or structures that can allow firms to punish malpractice by their own staff more effectively (for example, penalties for breaching internal guidelines)?

No response

Question 43
Could firms active in FICC markets do more to punish malpractice by other firms, for example by shifting business and reporting such behaviour to the authorities?

No response

Regulatory level surveillance and supervision

Question 44
Is the current supervisory approach and level of intensity dedicated to supervising conduct within the UK wholesale FICC markets appropriate?

No response

Question 45
Are there ways to improve the data on FICC market trading behaviour available to the FCA, whether through the extension of the regulatory perimeter or otherwise?

MiFID II/MiFIR extends the scope of transaction reporting to a wider range of instruments and will also require venues to report the trades of non-MiFID firms. This should very significantly increase the level of information currently available to regulators. However, it will be important to ensure that the data requested serves a useful purpose.

Concerns have been raised about the lack of a centralised, single source of data of instruments that will be in scope, as well as some of the details that may be required. This could hinder efforts by regulators to have access to a more complete picture of trading activity.

Regulatory-level penalties

Question 46
What further steps could regulators take to enhance the impact of enforcement action in FICC markets?

No response

Question 47
Should consideration be given to greater use of early intervention, for example, temporary suspension of permission for a particular trading activity for firms or individuals or increased capital charges?

No response

Question 48
Is there a need to widen and or strengthen criminal sanctions for misconduct in FICC markets?

No response

Question 49
Is the approach set out in the Criminal Sanctions Market Abuse Directive appropriate for the United Kingdom? Are there additional instruments or activities to those envisaged by the Directive that should be covered by the domestic criminal regime?

No response