Response to the Fair and Effective Markets Review

Crossover effects of prudential regulations on capital markets

We strongly support the aims of the bank prudential regulations enacted to date, in particular those targeting Too Big to Fail risks and enabling bank bail in to place the burden of recapitalizing a failing bank on the private sector rather than the taxpayer. Credit Suisse has been very active in the policy debates in this area, and was one of the first firms to move to comply fully with the Basel 3 capital requirements. However, we note the emergence of unintended consequences of these well motivated reforms for the fixed income markets.

Following implementation of only some of the new prudential requirements (capital requirements, and some pre anticipation of the leverage ratio) banks' appetite and ability to warehouse risk has reduced leading to smaller and less elastic balance sheets (e.g. dramatic shrinkage of rates assets). As a result, banks are less able to support secondary market liquidity through market making, which has contributed to some of the recent market volatility events. Calibration of bank prudential regulation should take into account the cross-over impacts on markets, especially in Europe where increased market financing (vs traditional bank lending) is desirable to increase growth Credit Suisse published research in May 2014[1] evidencing the impact of new capital requirements on dealer balance sheet elasticity and fixed income market volatility. Shrinking dealer inventories, down 17 percent across the fixed income markets from 2009, and an over 30 percent drop for Rates (equal to $ 200 bn), mean that the sell side can no longer make markets and come in when there is a buy side selloff. This trend will likely continue and worsen as Leverage Ratio, TLAC and other reforms may prompt a further deleveraging wave. Credit Suisse has published a second research piece, "Diminished balance sheet elasticity, lower VaRs and fickle liquidity" in December 2014[2], which expands on the themes in the original research, examines the volatility of 15th October 2014, and concludes that bouts of high volatility are increasingly likely in varying areas of fixed income markets due to the permanent impairment of dealer balance sheet elasticity. We enclose both pieces of research for your consideration.

We note points of concern have been expressed along similar lines in recent International Monetary Fund (IMF) and European Central Bank (ECB) reports as follows:

In the IMF's Global Financial Stability Report published in October 2014[3], the IMF finds that capital markets have become a more important provider of credit, with an increasing share of credit held by both mutual funds and exchange-traded funds (ETFs). Growing asset flows into mutual funds and ETFs have created an illusion of liquidity in underlying credit markets, only boosting one-dimensional liquidity. Other more structural forms of market liquidity measures e.g. depth and breadth have deteriorated as lower trading volumes, smaller share of large trades and smaller trading sizes of many securities in less liquid fixed income markets such as corporate bonds reflect. The decline of underlying structural liquidity resulting from structural changes in the industry may exacerbate illiquidity in times of stress.

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[1] Credit Suisse Fixed Income Research, *Downside of Prudential regulation: Lower liquidity*, May 2014
[2] Credit Suisse Fixed Income Research, *Diminished balance sheet elasticity, lower VaRs and fickle liquidity*, December 2014
[3] International Monetary Fund, Global Financial Stability Report, *Risk Taking, Liquidity, and Shadow Banking: Curbing Excess while Promoting Growth*, October 2014

The ECB argues in its Financial Stability Review published in May 2014[4] that corporate credit markets remain prone to liquidity risk amplification as, over the financial crisis period, "there has been an important shift within the investor base of the corporate credit market: banks have become less involved, while investment vehicles vulnerable to redemption risk have become more entrenched." The Review further suggests that the "share of euro area banks' holdings of non-financial corporate debt has fallen from 40% of the outstanding stock of these bonds in September 2007 to 13% by February", whereas the share of open-ended euro area investment funds has increased from 9% in December 2008 to 21% in February. In the United States, the ECB finds that primary dealer inventories of corporate bonds have dropped to 20% of their 2007 level, and the share of corporate bonds held by households, mutual funds and ETFs now goes beyond that of traditional investors such as insurance companies and pension funds. These developments have severe implications for market liquidity and should not be neglected.

Cumulative effects of prudential and securities reforms on collateral supply and demand

We also note with concern the cumulative effects of the various prudential and securities regulatory reforms on the supply and demand for liquid collateral. We have been raising this issue with policy makers and regulators for over two years, requesting a detailed study. While the ECB and IMF have conducted studies on capital and derivatives reforms affecting collateral demand, no policy body has yet conducted a full and comprehensive analysis of all of the reforms across the prudential and securities areas. In particular, the shadow banking reforms limiting reuse and re-hypothecation for collateral which will restrict the collateral supply side, have not been factored in at all to previous studies. The implementation timing of many of these reforms is within a three year time span. While it seems unlikely that reforms could limit collateral to a dangerous degree, there is little doubt that collateral will become a more valuable resource, and the way that it moves around the financial system will change, with implications for the way that collateral underpins the global securities markets, including but not limited to the fixed income markets. Given the experience of collateral problems and their knock on effects during the financial crisis, we believe this area merits further significant study by public policy bodies that are equipped with the data and independence to conduct a full analysis. We attach a Credit Suisse research report, "When Collateral is King" for further reference regarding the key role of collateral in the financial system. The analysis concludes that liquid and safe collateral is the main form of money for large firms, asset managers, and financial institutions. Unsecured bank deposits can never play that role. A globalized economy has large liquidity needs, which can only be met by a collateral-based financial system. The efficiency advantages of a collateral-based financial system include its adaptability and reduced need for costly relationship-based lending. Examining the shadow banking system and role of collateral allows one to see more clearly the role of the public sector and the central banks in enabling the private sector to deleverage "safely", as well as the risk that misdirected re-regulation could perversely undermine that process.

[4] European Central Bank, *Financial Stability Review*, May 2014

Market microstructure

Q4: 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?

Credit markets have evolved as more bespoke, heterogeneous markets that are more expert and institutional than retail in nature of participation, due to the more challenging risk analysis process for fixed income vs equity securities, and lack of expertise and information needed for investors to conduct due diligence. We support the intentions behind fixed income related reforms in the European Market Infrastructure Regulation (EMIR) and the Markets in Financial Instruments Directive 2 (MiFID 2) and Markets in Financial Instruments Regulation (MiFIR). We believe these reforms will address many of the key standardization, transparency and risk mitigation issues, delivering more readily available information for investors to gauge prices, depth and liquidity for a wider range of fixed income instruments. If properly calibrated, we believe these reforms have the potential on balance to enhance fairness and effectiveness.

The EMIR and MiFID 2 changes are already significant with many remaining at proposal stage and not yet final. In light of the fixed income market impacts from prudential reforms already implemented as described above, we would advise consideration of staggered implementation of the fixed income related market structure and transparency reforms. The MiFID 2 fixed income market structure and transparency reforms are highly ambitious and unique to Europe. They are proving challenging for ESMA and the regulators to draft, and will bring significant systems and infrastructure build out challenges for regulators and industry in a very compressed time frame. In particular, the introduction of full pre trade transparency across the liquid bond and derivatives markets in a "Big Bang" on a single day is highly ambitious. Many of our clients have expressed concerns about the implications of this single aspect of the reforms. We would further note that this transformational change for European fixed income markets roughly coincides with the implementation impacts of Basel 3, the Fundamental Review of the Trading Book, the Basel Committee and other regulatory bodies' work on RWA modelling and shadow banking reforms, all of which will affect the fixed income markets. By contrast, the transformational regulatory and technology changes to Europe's longer established, more homogeneous and single asset class equities markets took place over decades. While we stress our support for the MiFID2 fixed income reforms, we would advise consideration of a phased in approach to pre trade transparency. We would also strongly recommend allowing them to proceed through implementation before attempting to introduce any further requirements or reforms to the fixed income markets.

As one of the largest equities dealers in the world, we also wish to draw attention to the lessons of the regulatory interventions, technology and market responses in equity markets over the past twenty years. Despite repeated regulatory interventions, the European equities market remains fragmented, and European securities clearing costs remain among the highest in the world. The Investment Services Directive introduced an exchange trading concentration rule, which mandated the concentration of significant portions of domestic equities trading on the domestic European stock exchanges. This rule did not deliver competition or incentives to remove the impediments to creating truly pan European equity exchanges, but in fact entrenched domestic monopoly and quasi-monopoly markets for many European equities. MiFID I removed the concentration rule, which allowed Multilateral Trading Facilities and broker crossing networks to proliferate and successfully compete with the incumbent exchanges. This brought down trading prices; but has subsequently been criticized for fragmenting the market.

During the debates on MiFID 2, it has become conventional wisdom that migrating trading in equities and fixed income to electronic platforms and/or exchanges, together with maximum transparency for all instruments, will deliver fairer and more competitive markets. While electronic trading clearly has merits, and we are already seeing many new electronic platforms taking shape in the fixed income area, we would note a few misperceptions that could impede the new regulatory changes from delivering the goals of more fair, integrated, efficient, deep and liquid capital markets for Europe.

MilFD 2 appears unlikely to deliver what should have been one of its key objectives: a pan European, Consolidated Tape for equities (and eventually for fixed income). A Consolidated Tape would concretely deliver the full benefits of transparency to investors in a fair way. It is not clear that these benefits will be achieved without it. In the fixed income space, we are effectively at MilFID I stage, just beginning to define what constitutes a liquid vs an illiquid instrument, and which bonds and derivatives should be subject to full pre and post trade transparency. The definition of liquidity for fixed income instruments is crucial to ensuring that transparency delivers benefits rather than detrimental market illiquidity to market participants in Europe.

We also note the significant misperceptions around the function of market making, where the conventional wisdom in the debates often seems to suggest that market making equals proprietary trading, or is so difficult to distinguish that it should simply be deemed to be proprietary trading. Conventional wisdom also appears to imply that full transparency can be a viable substitute for market making even in illiquid instruments, and that such transparency will enable buyers and sellers to find each other across the markets without the need for market making or intermediaries. We believe that these views are not well informed and may prove detrimental to the markets and investors if implemented fully. We therefore strongly suggest that the model of market making, which has evolved in the markets over decades, is closely examined and its benefits more fully appreciated, particularly for less liquid instruments; and for liquid instruments when market liquidity dries up.

Market microstructure – *In fixed income*

Q5: Is greater use of electronic trading venues for a wider range of market participants possible or desirable? Are there barriers preventing a shift to a more transparent market structure?

In the credit asset class, electronic trading venues will undoubtedly play a key role in the changing landscape, but it is important to recognize that they are not a panacea to the secondary market liquidity issues that the credit market is currently facing. To date, electronic platforms have tended to execute the more liquid, smaller-sized trades, while investment banks execute the larger or less-liquid trades OTC. While electronic platforms can deliver increased liquidity for more standard, liquid products, given the nature of the underlying products in credit and the lack of standardization, it is simply not credible for electronic trading venues to fully replace the OTC model.

Over the last couple of years, we have seen, and continue to see numerous new e-trading platforms launch and seek to gain a foothold in the market. Some market participants are trying to create a new marketplace, while others are simply trying to make the OTC model more efficient. Some are pitching themselves as venues, others as networks; some are originating from investment banks or fund managers, others from exchanges or start-ups.

Despite the large number of different approaches and potential alternatives being launched, many of the initiatives, which aim to effectively change the way the market currently transacts, are struggling to get the buy-in necessary to make them a real, workable alternative to the OTC market. As a result, no single market

initiative has yet emerged as a clear front-runner. Investors appear somewhat skeptical about giving their proprietary trading information to any platform run by a single dealer or a single fund manager. Even when the platform offerings are coming from exchanges or start-ups, skepticism still seems to be relatively high and the amount of volume being executed, relatively small.

On all-to-all electronic trading, while we have seen the Central Limit Order Book (CLOB) concept attract a decent amount of attention, particularly on the credit derivative side post Dodd-Frank Request for Quote (RFQ) and click-to-trade models remain clients' and dealers' preferred option for now. For all-to-all electronic trading to really challenge the traditional RFQ model in the credit market, we would need to see more product standardization, although we question the feasibility of such an approach. We struggle to see the incentive for issuers to move towards a more standardized approach to financing at regular intervals and with standardized features, and subsequently give up their ability to opportunistically come to market to take advantage of optimal funding conditions as this could potentially create a substantial risk for the issuer. Changing market participants' behaviors would also be a prerequisite for all-to-all electronic platforms succeeding, as the buy side needs to be willing, able and sufficiently resourced to make prices as well as take prices. Anecdotal evidence from the ICMA Market Liquidity preliminary findings would seem to question whether that is currently the case on a meaningful scale.

Market microstructure – *In fixed income*

Q6: 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?

We appreciate the attractiveness of the theoretical argument that liquidity could be improved by the standardization of corporate bond issuance. However the market reality suggests the case may be far less convincing.

Some argue that issuers should bring a smaller number of more sizeable standardized benchmark bonds to the market at regular intervals, rather than a issuing a large number of sometimes sub-benchmark sized issues scattered across the curve with non-standard coupon dates and features. Their argument focuses on the benefit that would arise from aggregating secondary market liquidity. Clearly there would be significant implications for issuers, which should be weighed equally. As noted above, we fail to see the incentive for issuers to willingly give up their ability to opportunistically come to market to take advantage of optimal funding conditions, whether that be through the use of non-standard features, a below benchmark size issue, or their ability to issue a private placement. If issuers were to agree to only issue benchmark-sized bonds with standard features and at regular intervals this would seem to limit corporates in ways at odds with their duty of care to shareholders. It is unclear what 'standard features' and 'at regular intervals' mean. How would they be defined, and by whom? The concept of regular intervals makes sense insofar as it should theoretically help avoid significant concentrations in an issuer's debt maturity schedule, but does that mean issuers will be encouraged to issue, say, once a quarter? If so, would every issuer be encouraged to disclose to the market its proposed quarterly issuance dates? That, in itself, could create a substantial risk for an issuer as it would leave it exposed to potential geopolitical risks. Unless such standardized issuer behavior was imposed by law, the CFO of a company would be unable to justify more costly, higher risk and suboptimal funding decisions to its shareholders, just because it was encouraged to issue on a set date in a particular quarter when there happened to be a market dislocation.

Therefore, while we appreciate the potential positive implications for secondary market liquidity that standardized corporate bond issuance might suggest, we question the feasibility of such a move. Outside of introducing new laws, it would be hard to envisage a scenario under which issuers would willingly give up such flexibility, and in our view, it would likely raise more questions than it would answer.

Standardization of corporate bond issuance in itself is not desirable nor required but standardization of some definitions and market practices is desirable. The bond markets in Europe are growing at a very strong rate, in part due to the need by issuers to diversify their funding sources away from bank lending and also, as investors seek the ability to diversify their investment portfolios. The bond markets have a history of innovation and providing solutions for issuers and investors alike. Some examples over the last 40 years include exchangeable securities, corporate hybrids and contingent capital securities. Also full standardization is undesirable from an issuer viewpoint as one shape does not fit all – the challenges and requirements facing one issuer may be different to those faced by a similar borrower. Investors will be disadvantaged as they will be offered less product if the resultant standardization creates a class of instrument that doesn't suit all issuers. One example is the proposal for the harmonizing of coupon and maturity dates, as this is likely to lead to spikes and dips in liquidity which would add stress to the financial system not reduce it.

What investors should be provided with is a clear and transparent understanding of the notes that they are buying so they are best able to compare and contrast. A standardized term sheet that is available to any investor, private or institutional, for every transaction would likely add liquidity and transparency to the markets.

Market microstructure – *In fixed income*

Q7: Should the new issue process for bonds be made more transparent through the use of auction mechanisms, publication of allocations or some other route?

If a corporate issuer wishes to launch a new bond issue through an auction system, then they are able to do so under current practices. Making it mandatory and forcing issuers into an auction process when they prefer to engage with investors, book build and target their transaction may be against the issuer's interests and increase their cost of funds. Auctions have no 'underwrite' concept, i.e. if total bids at the target price fail to reach the minimum size then the auction is either cancelled or downsized. Underwriting by lead managers in syndicated transactions allows issuers to be certain of the minimum size required by them. Auctions do not enable borrowers to decide which investors receive bonds on issuance. Auctions are effective for borrowers who are already present and well known to investors, with existing securities already trading and forming a reference price. Less frequent borrowers will not have investor familiarity, or reference pricing points; and investors therefore need the information from an approved offer document for the bond issuance.

Typically issuers who do use auctions, mainly sovereign, have a pre announced schedule of auctions – a protocol that is likely to be unwelcome to corporate issuers, who wish to maintain flexibility in the market of execution and timing for their issuance. Certain of these borrowers use both the auction and syndication method. Examples include many European governments that use the syndication process to launch new issues, but use auctions to tap/increase the issuance subsequently. The rationale for sovereigns using auctions for subsequent issuance is the sheer size of their funding programmes, which dwarf most corporate and financial borrowers' programmes. Given the large programme size, sovereigns are willing to have extremely large single redemptions, and so look to auctions to increase the issue size over time. Corporate and financial borrowers prefer to spread redemptions over a wider time frame to avoid refinancing risk, an issue that was highlighted during late 2008 and throughout 2009. In an auction, the availability of the existing issue as a pricing reference allows investors to price their demand by basing it on a premium or discount to the prevailing market price of the

existing issue. The newly auctioned notes then merge with the outstanding notes to form a larger single series of notes.

Publication or not of order books and / or allocations is and should remain at issuer discretion with agreement from investors. Additionally, over time, as bonds are transferrable securities, the holders of the notes change as investors buy and sell securities. The initial allocations may mislead investors about the current holders and the perceived liquidity of some issues.

It is difficult to quantify the benefit that the publication of allocations brings to an issuer, given they have full visibility and influence over them already. If bond holder identification is beneficial to market transparency and liquidity, which is not clear, then registration of the holders of bonds may be a more effective process (similar to the way share registers operate – subject to the existing issues with nominee and custodian names).

One concern is the use of intra-execution order book status updates, on a public or selective basis, as a tool to encourage investors to participate or inflate an existing order in a transaction. For example, if a new bond issue is oversubscribed, the publication of the order book size prior to pricing incentivizes investors to increase their order to try and obtain their target allocation in light of a scaling of allocations. This in turn can give a false impression of the true order book and it may appear much larger than the allocatable demand. This in turn may encourage investors not involved in the transaction to believe the transaction is more successful than it is, or encourage issuers to increase a transaction in the belief that there is excess demand for the original issue size. In contrast, in a bond auction, the final statistics on subscription are published after the auction has closed, not during the process – something that may be considered best practice in syndicated transactions to ensure the greatest transparency.

Market microstructure– *In foreign exchange*

Q8: Are there risks associated with internalization and last look practices? Are there barriers preventing increased pre and post-trade transparency in foreign exchange markets?

1 - Internalization

Effectiveness

Internalisation or netting of flows is a typical part of market making activity in FX. A distinction should be made between riskless internalisation, i.e. running a matching service or exchange, and risk taking, matching flows that come at different times. The latter type, with which this question seems concerned, does increase risk for banks as they are taking the opposite side of the client transaction but it is difficult to see this posing a general market risk.

Fairness

Internalization allows banks to quote better prices to their clients than would otherwise be possible.

Transparency

One might expect that as banks increase the level of internalization this would harm market transparency but price formation still happens on the public markets and hence clients can see market levels before, during, and after trading.

2 - Last look

Effectiveness

Clients can choose between a number of factors to get the correct liquidity for their needs. Typically spreads, fill ratios and dealable size come in as key parameters. Last look is a trade-off between spreads (improved) and fill ratios (lowered).

Fairness

If clients decide to accept last look then it should be handled in a symmetric fashion, i.e. clients should be rejected on orders in and out of their favour, unless specifically requested.

Transparency

In order to be used correctly clients should be informed if their liquidity offering is being 'last looked' and be able to opt out if desired.

3 - Preventing transparency

Given the bespoke nature of FX, liquidity transparency is inhibited when the offering is not made clear to the client. Clients should understand the liquidity being provided including the use of any internalisation and last look being applied.

Responsibilities, governance and incentives

Q36: 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?

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?

We agree with the industry response provided via AFME. Market abuses to a major extent happen due to breaches of ethical standards.

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?

We believe that firms, by educating their employees about potential consequences of their inadequate behavior and their responsibilities as well as promoting strong risk cultures within firms, can help mitigate these problems and reduce the frequency and sizes of the losses. We agree that setting the 'Tone from the Top' enabled via engagement of senior management of the firms and cascading key messages from the top through the next levels of corporate hierarchy is of critical importance. We would also like to stress that the cultural and behavioral change is a long-term endeavor and cannot be limited to FICC; it requires consistency in its implementation across different asset classes and different parts of the firms.

And how can the authorities, either internationally or domestically, help to reinforce that process, whether through articulating or incentivizing good practice, or through further regulatory steps?

We agree that incentivizing and promoting good practices both domestically and internationally (e.g. by means of conferences, round tables, etc.) would be beneficial for the ongoing cultural change. Additionally, in support of the example brought up by AFME, we agree that the remuneration policies (under the CRD4/CRR) fostering sound risk management and long-term decision making will also reinforce that process.

Responsibilities, governance and incentives - *Firm-wide initiatives to improve incentives and governance*

Q37: 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?

We agree in principle. As stated in our response to Q36, we believe that the priorities highlighted in Section 5.5 should not be limited to FICC firms or FICC activities, but rather apply universally to all asset classes and through the whole value chain of activities performed by firms active on capital markets.

Responsibilities, governance and incentives - *Market wide initiatives to align market conduct, incentives and governance*

Q38: 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?

As stated in our response to Q36-37, we believe the standards should not be limited to the FICC markets or just banks. Sustainable and efficient results can be achieved only if the standards are applied consistently across all markets and market participants.

Responsibilities, governance and incentives - *Regulatory initiatives to improve governance and incentives*

Q39: 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?

Please refer to our response to Q36.

Surveillance and penalties

Q40: 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?

Effective surveillance and penalties for wrongdoing play an important role in improving the fairness and effectiveness of the capital markets in general and FICC markets in particular. Efforts to improve those are underway and should be pursued further by both firms and the industry. Key focus in this endeavor should be on applicability and relevance of the efforts for the firms (please refer to our response to Q41).

Surveillance and penalties - *Firm level surveillance*

Q41: 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?

Surveillance efforts are important in helping to detect cases of abuse in capital markets and should be developed further. Our view is that best practice examples should be examined and adopted by firms, whereby firms should be allowed to make their judgment calls regarding applicability based on the specifics and complexity of their businesses, as well as the cost-benefit analysis.

Surveillance and penalties - *Firm level penalties*

Q42: 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)?

We believe that these processes and structures already exist.

Surveillance and penalties - *Firm level penalties*

Q43: Could firms active in FICC markets do more to punish malpractice by other firms, for example by shifting business and reporting such behavior to the authorities?

We believe that a higher transparency around the malpractice by firms, a feedback loop and a constructive dialog between firms and authorities could be more powerful than additional informal reporting of such behavior by other firms.