EDMA Europe

Position Statement

BREXIT

EDMA members represent major electronic trading platforms for government bonds, corporate bonds and derivatives. A diverse range of market participants across Europe, including the majority of asset managers, central banks, pension funds, and banks rely on our platforms to access liquidity, and our importance for liquidity provision in these marketplaces has only further grown with the introduction of MiFIR and MiFID II at the beginning of this year. Our electronic marketplaces directly contribute to the capital raising processes of European governments and companies, and help reduce their cost of funding. The securities that are bought and sold on our platforms also form a core component of European citizens' pension and savings plans, often through investments of intermediary asset managers.

The UK leaving the EU will create challenges for market access from the UK to the EU27 and vice versa. To mitigate the potential effects of Brexit, EDMA members have established comprehensive contingency plans that will allow them to continue to provide participants across Europe with access to their platforms in any scenario. The liquidity provided on our platforms facilitates market functioning, reduced costs of raising money for European governments and companies as well as competitive execution for European buy-side customers. To maintain this crucial liquidity, both at the time of Brexit and thereafter, the below recommendations should be considered during the negotiations between the UK and the EU:

- **Secure orderly functioning of financial markets and contain systemic risks:** We welcome the UK Government's approach to plan for all eventualities, including a 'no deal' scenario. A variety of financial services statutory measures, benefiting from consultation with stakeholders, will help address any deficiencies the UK may encounter in its final negotiations with the EU and until a new regime can be agreed. We urge both the UK and the EU27 to secure orderly functioning of financial markets and contain systemic risks when negotiating the framework for the UK's exit from the EU.

- **Avoid fragmentation of liquidity and maintain reciprocal market access:** Fragmentation of liquidity between UK and EU27 trading platforms will reduce efficiency, increase funding costs for both UK and EU issuers and negatively impact end investors across Europe by generally making execution more challenging. To avoid such detrimental consequences, trading venues must be able to accept members from 3rd country jurisdictions and UK trading venues must be able to offer their platforms in EU27 jurisdictions without being subject to particular access restrictions. We support the proposal of the UK Government for a temporary permissions regime which would allow EEA firms to continue their activities in the UK for a limited period after the UK's exit date in case of no transitional period. We consider it imperative that a reciprocal arrangement is equally implemented by the EU27 so that market participants can take appropriate measures to minimise the disruption from a disorderly Brexit.

- **Provide clarity on key elements of the post-Brexit market regime:** it took market participants several years to prepare for the implementation of MiFID II. As the date of the UK leaving the EU draws near, European trading venues ask that competent authorities clarify the functioning of the MiFID II / MiFIR regime post-Brexit in the UK and the EU respectively. Details about the following, and other, elements need to be specified soon in order to support any required preparation by UK and EU27 trading venues:

    - The definition of Traded on a Trading Venue (ToTV) and its use in various requirements, technical details of how ToTV information is gathered and provided;

- The pre- and post-trade transparency regime that will apply to transactions executed on UK and EU27 platforms respectively, including the potential use of updated, UK or EU27 specific instrument liquidity classifications and thresholds, the treatment of packages, mechanisms to avoid double reporting;
- The definition of "non-MiFID firm", transaction reporting obligations of firms and trading venues (Article 26.5 MiFIR);
- The application of the Derivatives Trading Obligation and confirmation of Trading Venue Equivalence (Article 28.4 MiFIR);
- The determination of Systematic Internalisers;
- Prudential rules and reporting for UK authorised firms;
- Market management issues including the notification of instrument suspensions; and
- Data storage and transfer.

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About EDMA Europe

Electronic Debt Markets Association represents the interests of companies whose primary business is the operation of regulated electronic fixed income multilateral trading facilities in Europe (regulated markets and/or trading venues) and act as a source of consultation between the members in their roles as operators of such venues in order to project collective views on regulatory, compliance and market structure topics for the benefit of the electronic fixed income markets.

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