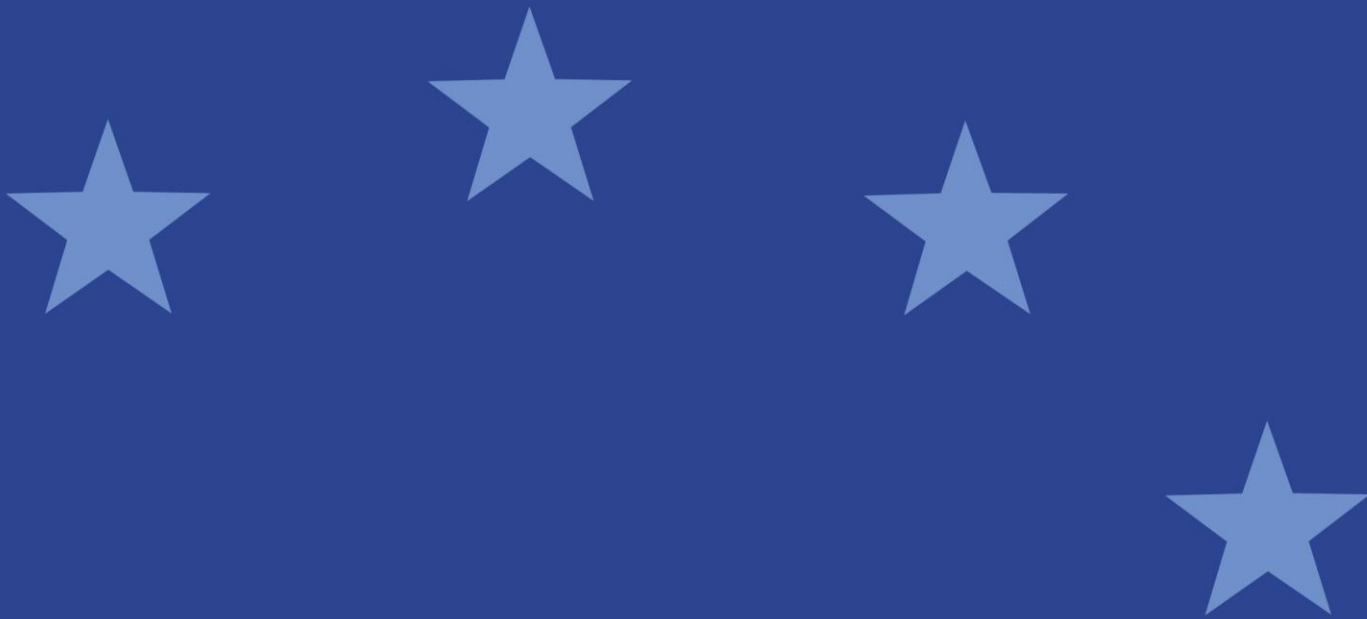


Reply form for the Consultation Paper on MiFID IV/ MiFIR review on the functioning of Organised Trading Facilities (OTF)



Responding to this paper

ESMA invites comments on all matters in this consultation paper and in particular on the specific questions summarised in Annex I. Comments 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.

ESMA will consider all comments received by **25/11/2020**.

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

Instructions

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

1. Insert your responses to the questions in the Consultation Paper in the present response form.
2. Please do not remove tags of the type <ESMA_QUESTION_FOTF_1>. Your response to each question has to be framed by the two tags corresponding to the question.
3. If you do not wish to respond to a given question, please do not delete it but simply leave the text "TYPE YOUR TEXT HERE" between the tags.
4. When you have drafted your response, name your response form according to the following convention: ESMA_FOTF_nameofrespondent_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESMA_FOTF_ABCD_RESPONSEFORM.
5. Upload the form containing your responses, in Word format, to ESMA's website (www.esma.europa.eu under the heading "Your input – Open consultations" → "Consultation on the functioning of the Organised Trading Facility regime").

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publically disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. 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 not to disclose the response 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 heading Legal Notice.

Who should read this paper

This document will be of interest to (i) alternative investment fund managers, UCITS management companies, EUSEF managers and/or EuVECA managers and their trade associations, (ii) distributors of UCITS, alternative investment funds, EuSEFs and EuVECA, as well as (iii) institutional and retail investors investing into UCITS, alternative investment funds, EuSEFs and/or EuVECA and their associations..

General information about respondent

Name of the company / organisation	Deutsche Börse Group (DBG)
Activity	Regulated markets/Exchanges/Trading Systems
Are you representing an association?	<input type="checkbox"/>
Country/Region	Germany

Introduction

Please make your introductory comments below, if any

<ESMA_COMMENT_FOTF_1>

Deutsche Börse Group (DBG) operates amongst others Regulated Markets (RMs), Multilateral Trading Facilities (MTFs) and an Organized Trading Facility (OTF), and therefore appreciates the opportunity to respond to ESMA's consultation on its MiFID II/MiFIR review report on the functioning of OTFs.

We agree with ESMA's analysis of the OTF landscape and with the majority of ESMA's proposals in its consultation paper. For instance, DBG agrees with ESMA on the interpretation how discretion should be applied by OTFs and do not think that further clarification is required. Further, we also agree with ESMA that there is no particular reason to amend the OTF authorization regime to exempt smaller entities. We also support ESMA's proposal to clarify the concept of bulletin boards.

Moreover, we support ESMA's view that as a general rule multilateral systems should be required to seek authorisation as a trading venue. However, we would like to bring to ESMA's attention that this does not contradict arrangements where investment firms pre-arrange transactions which are subsequently formalized on a RM subject to the rules of an RM whilst we agree that these investment firms would be required to obtain a trading venue license when being considered a multilateral system.

DBG believes the distinction between OTFs, other trading venues such as MTFs and the concept of Reception and Transmission of Orders and Execution of orders on behalf of clients is already clear and does not require further clarification. The OTF regime was introduced to allow for a distinction to be made between the non-discretionary business models applied by MTFs and the voice brokered model in which a degree of discretion is necessary and it has been useful to cater for large or illiquid transactions where the knowledge of brokers in bringing about executed trades between counterparties can allow for the minimising of risk and transaction costs. Rather, we share ESMA's concern that the efficiency and usefulness of both

the OTF and MTF regimes has been severely compromised by the proliferation of non-regulated platforms at the regulatory perimeter.

In general, we would like to point out that the MiFID II/MiFIR framework should retain definitional flexibility. Focussing this debate alone on the definition of multilaterality could lead to confusion by both supervisors and the financial industry and allow for greater regulatory arbitrage as unintended side-effects. We are of the view that the current categories of OTF, MTF and RM – as well as the activity of Receipt and Transmission of Orders – are broad enough categories to allow for all trading systems to align themselves with one or the other. Therefore, we agree with ESMA that the current regulatory framework appears suitable to ensure, where necessary, appropriate supervision of currently not captured trading systems and that the existing rules need to be enforced.

We are consequently of the view that all electronic trading systems should now be brought within the regulatory framework and their operators subject to the requirements that follow from authorization for receipt and transmission of orders, irrespective of an actual execution of orders on behalf of clients. If any system is judged by the authority to be multilaterally executing transactions, then it should be authorized as a trading venue and be subject to the higher regulatory requirements that this entails.

In this context, DBG acknowledges that there are software providers who merely develop software which is licensed to third parties who operate it (such as for example trading venues to operate their electronic order books) or who aggregate market information to facilitate a firm's choice of a trading venue. Such services may not qualify as a multilateral system and require an authorization as such. However, where the software provider facilitates an interaction between these order books or liquidity pools, then this can constitute a multilateral system. Indeed, there are software providers, so called aggregators, that have established functionalities that operationally allow individual clients to engage in and conclude on trading interests between themselves and with other parties. Collectively the software provider has created a market network for the purpose of bringing together the trading interests of clients. Therefore, we agree with ESMA that any software provider that facilitates the interaction of multilateral trading interests (without the involvement of a trading venue's system), irrespective of whether trades can actually be concluded by the software functionality, should at least be captured under the receipt and transmission concept or should be required to be authorized as a trading venue.

Finally, DBG does not conclude on the existence and proliferation of networks of Systematic Internalisers (SIs) but thinks that regulators should closely monitor and investigate market developments with a view to identify certain patterns – which may differ subject to the asset class concerned – and to assess if they qualify as a multilateral system. We suggest integrating this question into broader reflections on the future of the SI regime with a view to increase the transparency around SI activities. As part of such review, regulators could consider an authorization regime for SIs based on their business activities. As part of the broader review of the MiFID II/MiFIR framework regulators might also want to consider if they see value in introducing further clarifications on Level 1 should they come to the conclusion that a clear identification and classification of activities as bilateral is currently not feasible according to the definition of multilateral systems.

DBG trusts that our comments are seen as a useful contribution to increase the functioning of MiFID II/MiFIR, and remain at the disposal of ESMA for any questions and additional feedback.]

<ESMA_COMMENT_FOTF_1>

Questions

Q1: What are your views about the current OTFs landscape in the EU? What is your initial assessment of the efficiency and usefulness of the OTF regime so far?

<ESMA_QUESTION_FOTF_1>

[We are aware that the OTF regime was introduced to allow for a distinction to be made between the non-discretionary business models applied by Multilateral Trading Facilities (MTF) and the voice brokered model in which a degree of discretion was and remains a necessity. Given that both OTFs and MTFs were to be subject to their respective regulatory regimes then this seemed fair and we would suggest that the OTF regime has been useful in so far as it has been used to cater for large or illiquid transactions where the knowledge of brokers in bringing about executed trades between counterparties can allow for the minimising of risk and transaction costs. That said, the efficiency and usefulness of both the OTF and MTF regimes has, to our mind, been severely compromised by the proliferation of non-regulated electronic platforms, (often referred to as aggregators), at the regulatory perimeter.

We contend that some of these non-regulated firms may look indistinguishable from OTFs or MTFs if examined closely; many more would at a minimum qualify under MiFID II as an investment firm engaged in the activity of Receipt and Transmission of Orders. However, throughout the EU it is evident that neither ESMA nor National Competent Authorities (NCAs) have sought to enforce this perimeter with the result that the desired impact of trading venues under MiFID has not yet been realised.

Therefore, we welcome ESMA's consultation to explore where further clarifications are needed to ensure a level playing field and better differentiate multilateral systems from other services while fostering on-venue trading. However, we would like to point out that the MiFID II/MiFIR framework should retain definitional flexibility. Focussing this debate alone on the definition of multilaterality could lead to confusion by both supervisors and the financial industry and allow for greater regulatory arbitrage as unintended side-effects. We therefore recommend ensuring that all trading systems are captured at some level within the current framework and that the existing rules are enforced.]

<ESMA_QUESTION_FOTF_1>

Q2: Trading in OTFs has been fairly stable and concentrated in certain type of instruments throughout the application of MiFID II. How would you explain those findings? What in your view incentivizes market participants to trade on OTFs? How do you see the OTF landscape evolving in the near future?

<ESMA_QUESTION_FOTF_2>

[Please see our comments to question 1.]

<ESMA_QUESTION_FOTF_2>

Q3: Do you concur with ESMA's clarifications above regarding the application of Article 1(7) and Article 4(19) of MiFID II? If yes, do you agree with the ESMA proposed amendment of Level 1? Which other amendment of the Level 1 text would you consider to be necessary?

<ESMA_QUESTION_FOTF_3>

DBG agrees with ESMA that as a general rule multilateral systems should be required to seek authorisation as a trading system. This includes indication of interest platforms and inter-dealer brokers, as well as any activities that bring together multilateral trading interests and allow them to interact. The definition of a system enabling multilateral trading should not depend on the conclusion of a contract. As such, any system that brings together multilateral trading interests and allows them to interact should be required to be authorised, independent of whether such system can be used to conclude an actual trade.

In order to maintain a level playing field between all types of trading venues, we believe such broad definition of authorisation requirements is necessary in order to prevent potential regulatory arbitrage resulting from less stringent regulatory requirements for certain systems. We therefore support the transfer of the respective articles from the directive to the regulation to ensure that these provisions are applied in a convergent manner across the European Union.

As alluded to in our answer to question 1, when it comes to further action to clarify when facilities would have to be authorised as multilateral systems, it should be ensured that any loopholes are closed and existing regulation is enforced, also catering for a future proof framework that fosters a level playing field with trading venues. We are of the view that the current categories of OTF, MTF and Regulated Market (RM) – as well as the activity of Receipt and Transmission of Orders – are broad enough categories to allow for all trading systems to align themselves with one or the other.

Regarding the place of execution of transactions, we have a more differentiated view. Today, arrangements exist where investment firms pre-arrange transactions which are subsequently formalized on RMs. Depending on how such transactions are pre-arranged, such an investment firm needs to be authorized for either the “reception and transmission of orders” or for the “operation of an OTF”. The possibility of the former is confirmed by ESMA in its Q&A on market structures (question 7 page 40); an investment firm can arrange transactions as a provider of investment services listed under points (1), (2) or (3) in section A of Annex I of MiFID II, should the investment firm be authorised for the provision of such investment services. This includes the reception and transmission of orders without executing them themselves. As per Recital 44 MiFID II, such activity “should also include bringing together two or more investors, thereby bringing about a transaction between those investors”. Thus, investment firms are allowed to receive orders from clients and transmit executable orders to a RM, thereby bringing about a transaction between two clients which is then formalized on the RM subject to its rules. Thus, such reception and transmission of orders which lead to transactions formalized on RMs covers a relatively broad range of activities. If, however, this “bringing together two or more investors” is achieved by operating a multilateral system, then we agree that the authorization for Reception and Transmission of Orders is insufficient, and the investment firm would need to obtain a trading venue license for this multilateral system – however, the execution may still take place on the RM.

In this view, we strongly disagree with ESMA’s view expressed in the first part of answer 7 of its market structure Q&A (page 40) that a trading venue cannot use its trading systems and platforms to arrange transactions that are then reported and ultimately executed on another trading venue, at least in this generality: The crucial requirement of level 1 - applying to all trading venues - that the bringing together of “multiple third-party buying and selling interests in financial instruments” “results in a contract” is also fulfilled if the contract is concluded on a RM to which executable orders are being transmitted.]

<ESMA_QUESTION_FOTF_3>

Q4: Do you agree with ESMA's two-step approach? If not, which alternative should ESMA consider?

<ESMA_QUESTION_FOTF_4>

[Please see our response to question 3. We agree with the proposed two-step approach as Level 1 amendments foster regulatory convergence across member states in the long term, while a guidance through an ESMA Opinion does provide for a certain degree of legal certainty in the short term.]

<ESMA_QUESTION_FOTF_4>

Q5: Do you agree with ESMA's proposal not to amend the OTF authorisation regime and not to exempt smaller entities? If not, based on which criteria should those smaller entities potentially subject to an OTF exemption be identified?

<ESMA_QUESTION_FOTF_5>

[There are concerns in the market that the capital requirements for obtaining an OTF license might constitute a market entry barrier. It is important that the capital requirements are properly calibrated towards the risk profile of the products OTFs trade.

Apart from this, DBG sees no particular reason to further amend the OTF authorization regime and hence agree with ESMA's proposal. We equally agree that smaller entities should not be exempted from the obligation to seek authorization as a trading venue. There is no justification to allow for an entity to sit beyond the perimeter of the regulatory authorization framework simply because of its size. Smaller entities can rapidly gain substantial market share precisely because they are set up outside the perimeter and not subject to supervision. Conversely, some entities may elect to remain small to service niche sectors. Therefore, exempting smaller entities could incentives the creation of an increased number of smaller OTFs, or OTFs limiting their business activity to evade transparency obligations, ultimately leading to a fragmentation of liquidity.

Small entities cannot be assumed to present less risk or harm to the regulatory landscape. Indeed, outside the perimeter the concept of transparency at best remains rather vague and market conduct remains ungoverned or adequately accounted for through the deployment of surveillance systems or other measures. Rather, we would recommend to properly enforce the current regime to address any concerns.]

<ESMA_QUESTION_FOTF_5>

Q6: Which provisions applicable to OTFs are particularly burdensome to apply for less sophisticated firms? Which Level 1 or Level 2 amendments would alleviate this regulatory burden without jeopardising the level playing field between OTFs and the convergent application of MiFID II/MiFIR rules in the EU?

<ESMA_QUESTION_FOTF_6>

[The authorisation requirements serve as a bedrock for the functioning of the markets. If any current regulatory provisions are considered by the regulator to be unnecessarily burdensome, or indeed unnecessary per se, then they should be amended or withdrawn. However, any changes should be applied to all market participants and not to a subgroup thereof on the basis that they are “perceived” to be less sophisticated. ESMA must be aware that risk can swiftly manifest itself in less transparent operations where supervisory oversight has been relaxed. Please also see our response to question 5.]

<ESMA_QUESTION_FOTF_6>

Q7: Do you consider that ESMA should publish further guidance on the difference between the operation of an OTF, or other multilateral systems, and other investment services (primarily Reception and Transmission of Orders and Execution of orders on behalf of clients)? If yes, what elements should be considered to differentiate between the operation of multilateral systems and these other investment services?

<ESMA_QUESTION_FOTF_7>

[No, DBG believes the distinction between OTFs and other trading venues such as MTFs is already clear and that further clarification is not merited.

As already alluded to, our concern is that in relation to the primarily over the counter activity of receipt and transmission of orders, ESMA and Member States NCA’s have failed to adequately enforce the perimeter. We are consequently of the view that all electronic trading systems should now be brought within the regulatory framework and their operators subject to the requirements that follow from authorization for receipt and transmission of orders, irrespective of an actual execution of orders on behalf of clients. If any system is judged by the authority to be multilaterally executing transactions, then it should be authorized as a trading venue and be subject to the higher regulatory requirements that this entails.

We note that other authorities are coming to the conclusion that it is too easy to conceive of or structure systems in such a way that they can be placed outside the regulatory framework, and hence we have equally come to the conclusion that all trading systems should be captured, albeit they may be subject to various compliance levels. We believe that capturing all systems will eliminate operators from concentrating on arbitraging the perimeter and instead foster and encourage growth in market innovation.]

<ESMA_QUESTION_FOTF_7>

Q8: Do you consider that there are networks of SIs currently operating in such a way that it would in your view qualify as a multilateral system? Please give concrete examples.

<ESMA_QUESTION_FOTF_8>

[DBG does not conclude on the existence and proliferation of networks of SI and states that regulators should closely monitor and investigate market developments with a view to identify certain patterns – which may differ subject to the asset class concerned – and to assess if they qualify as a multilateral system.

Should authorities come to the conclusion that there are such networks then we agree that they should be subject to review, not only to determine whether in the round they would qualify as a trading venue, but also to determine whether they have been engaged in any potential abusive practices. Further, we consider it important to closely monitor the situation in derivatives markets in order to prevent the existence or a potential emergence of such networks for ETD markets, undermining transparent derivative exchanges by less transparent SI trading practices.

We strongly believe that the fact that there is still no clear view from a market supervisory and regulatory perspective on the existence, relevance and proliferation of these networks, does shed some light on the still prevailing opacity around SI activities. We consider this a worrisome observation as it interferes with authorities' tasks to closely supervise market structures and behaviours.

Therefore, we suggest integrating this question into broader reflections on the future of the SI regime with a view to clarify SIs' activities through measures increasing the transparency around. The starting point would be to introduce the statutory requirement for investment firms for an outright authorisation requirement in MiFIR to provide SI services; the SI functionality shall go beyond a simple definition in the legal texts and a notification towards the NCA. Conditional to the authorisation, investment firms and their SIs shall provide a detailed description of their business activities as part of their application documents. The description of the activities should among other include information on the conditions of execution of orders (per categories of clients, order size), interactions between SIs and other trading venues, compliance with best execution requirements, risk mitigation, etc. Moreover, compliance with the requirements shall be subject to periodic scrutiny as well as the right for competent authorities to request further information at any time (following an amendment of Art. 16 MiFIR).]

<ESMA_QUESTION_FOTF_8>

Q9: Do you agree that the line differentiating bilateral and multilateral trading in the context of SIs is sufficiently clear? Do you think there should be a Level 1 amendment?

<ESMA_QUESTION_FOTF_9>

[Following our answer to the previous question, we think that regulators should carefully monitor if market structures evolve that circumvent license requirements applying to multilateral systems and we recommend considering if additional requirements may contribute to gain a better understanding of the business activities of SIs, their legal framing as well as their regulatory scrutiny. Against this background, DBG does not think that the concept of bilateral system under MiFID II/MiFIR is uniformly understood, especially not in the context of SIs. National regulators should carefully monitor if those systems that were / are registered as bilateral systems do operate as such and vice versa the same should apply for multilateral systems. Against this background, DBG would suggest that it may make sense to consider including clear restrictions that apply to bilateral trading systems when revisiting the MiFID II/MiFIR legislation. Further clarification on Level 1 might be beneficial, should regulators come to the conclusion that a clear identification and classification of activities as bilateral is not feasible according to the definition of multilateral systems. Should regulators see any value in introducing a definition of bilateral trading in addition, we recommend that such a definition should be very precise and done in strict opposition to the definition of multilateral systems.]

<ESMA_QUESTION_FOTF_9>

Q10: What are the main characteristics of software providers and how to categorise them? Amongst these business models of software providers, which are those that in your view constitute a multilateral system and should be authorised as such?

<ESMA_QUESTION_FOTF_10>

As aforementioned, we are of the view that multilateral systems should be subject to authorization within the current framework. DBG generally agrees with ESMA that the framework must be enforced to regulate software providers for the activities they engage in, including multilateral and other systems if they are operated by software providers.

Generally, the following software providers may not operate a multilateral system and should therefore not seek authorization as a trading system:

- i. Software providers who merely develop a software which they license to third parties who then operate it. For example, this comprises software that trading venues use to operate electronic order books; provided that the software provider does not retain interest in the trading activities of such systems as may be evident through charging structures etc.
- ii. Software providers who aggregate market information in order to facilitate a firm's choice of a trading venue, provided that the sum of the software parts, including where contracted for separately, collectively do not amount to a trading system. For example, a software provider might create an integrated screen on which market participants can see the order books of several trading venues for a certain class of financial instruments. If a market participant selects an order from one of the order books and only interacts with that order book then this would not be a trading system as the market participant would have effectively entered into the domain of the operator providing that trading system. The reason that such a system does not trigger a license requirement is simply that such an aggregation of information could be achieved by market participants without the intervention of the software provider: market participants could simply put several screens on their desk and access the order books in question separately. The intervention of the software provider therefore only facilitates this aggregation of information, but does not provide any functionality that the client cannot replicate.

However, where the software provider facilitates an interaction between these order books or liquidity pools, perhaps through the inclusion or additional provision of routing systems, whether or not provided for separately, then this can constitute a multilateral system if considered collectively. Indeed, for some years, software providers, aggregators, have been deploying measures which ensure they do not require authorization as a trading venue. One such measure, for example, has been to license technology to clients individually, but which operationally allows those same individual clients to engage in and conclude on trading interests between themselves and with other parties. The operator, who supports this network of interests, may say that because the software is licensed to each client individually, then the trading interests are bilateral and hence do not come within the scope of MiFID II. However, this argument is spurious at best. Collectively the software provider has obviously created a market network for the purpose of bringing together the trading interests of clients. This is clearly a multilateral system, and it should not matter where the technology resides nor on the

contractual relationship between the software provider and the client. Hence, as mentioned above, if the nature of the system is to support a network or web of clients interacting with each other and the software provider thereby facilitates the interaction of multilateral trading interests (without the involvement of a trading venue's system), irrespective of whether trades can actually be concluded by its functionality, then at the least it must fall under the concept of receipt and transmission if not outright qualify as a trading venue.]

<ESMA_QUESTION_FOTF_10>

Q11: Do you agree with the approach suggested by ESMA regarding software providers that pre-arranged transactions formalised on other authorised trading venues? Do you consider that this approach is sufficient to ensure a level playing field or do you think that ESMA should provide further clarifications or propose specific Level 1 amendments, and if so, which ones?

<ESMA_QUESTION_FOTF_11>

[Following our response to the previous question we agree with ESMA that software providers, which allow for pre-arranged transactions in a multilateral fashion, should be authorised as multilateral systems. However, please also note our response to question 3.]

<ESMA_QUESTION_FOTF_11>

Q12: Do you agree with the principles suggested by ESMA to identify a bulletin board? If not, please elaborate. Do you agree to amend Level 1 to include a definition of bulletin board?

<ESMA_QUESTION_FOTF_12>

[We would agree with ESMA's proposals as clarification in this respect is welcomed.]

<ESMA_QUESTION_FOTF_12>

Q13: Are you aware of any facility operating as a bulletin board that would not comply with the principles identified above?

<ESMA_QUESTION_FOTF_13>

[We are not aware of any such facilities.]

<ESMA_QUESTION_FOTF_13>

Q14: Market participants that currently operate such systems are invited to share more detailed information on their crossing systems (scale of the activity, geographical coverage, instruments concerned, etc...), providing examples of such platforms and describing how much costs & fees are saved this way as opposed to executing the relevant transactions via brokers or trading venues.

<ESMA_QUESTION_FOTF_14>

[TYPE YOUR TEXT HERE]

<ESMA_QUESTION_FOTF_14>

Q15: Do you consider that internal crossing systems allowing different fund managers within the same group to transact between themselves should be in scope of MiFID II or regarded as an investment management function covered under the AIFMD and UCITS? Please explain. In your view, should the regulatory treatment of these internal crossing system be clarified via a Level 1 change?

<ESMA_QUESTION_FOTF_15>

[DBG does not believe that rules regarding internal crossing systems for fund managers should be included into MiFID II but rather believes that respective rules should remain in the scope of AIFMD and UCITS. As funds are not in scope of MiFID II, an inclusion into MiFID II could lead to confusion and an increase of complexity for respective market participants]

Q16: Do you agree with the interpretation provided by ESMA regarding how discretion should be applied and do you think the concept of discretion should be further clarified?

<ESMA_QUESTION_FOTF_16>

[We agree and do not think that there is a need to provide further clarification how discretion is applied.]

<ESMA_QUESTION_FOTF_16>

Q17: For OTF operators: Do you apply discretion predominantly in placement of orders or in execution of orders? Does this depend on the type of trading system you operate? Please explain.

<ESMA_QUESTION_FOTF_17>

[The EEX OTF applies direction predominantly to execution of orders.]

<ESMA_QUESTION_FOTF_17>

Q18: For OTF clients: Do you face any issue in the way OTF operators exercise discretion for order placement and order execution? If so, please explain. Does it appear to be used regularly in practice by OTF operators?

<ESMA_QUESTION_FOTF_18>

[TYPE YOUR TEXT HERE]

<ESMA_QUESTION_FOTF_18>

Q19: Do you think ESMA should clarify any aspect in relation to MPT or that any specific measure in relation to MPT shall be recommended?

<ESMA_QUESTION_FOTF_19>

[TYPE YOUR TEXT HERE]

<ESMA_QUESTION_FOTF_19>

Q20: In your view what is the difference between MPT and riskless principal trading and should this difference be clarified in Level 1? In addition, what, in your view, incentivizes a firm to engage in MPT rather than in agency cross trades (i.e. trades where a broker arranges transactions between two of its clients but without interposing itself)?

<ESMA_QUESTION_FOTF_20>

[In our view, possibly MPT provides for a higher level of anonymity, as the interposition of the broker between the buyer and seller results in the counterparties to the transaction remain unknown to each other. For agency cross trades, where both clients directly trade with another, anonymity may not be guaranteed and thus not the first choice for trade execution in certain instances. Nevertheless, agency cross trades, where both clients execute the trade on-venue, may come with a higher degree of operational efficiency compared to MPT as it may allow to directly attribute the position to the correct trading accounts without having to conduct a give-up / take-up process.]

<ESMA_QUESTION_FOTF_20>

Q21: Do you agree with ESMA's proposal to clarify that the prohibition of investment firms or market operators operating an MTF to execute client orders against proprietary capital or to engage in matched principal trading only applies to the MTF they operate, in line with the same wording as applicable to regulated markets?

<ESMA_QUESTION_FOTF_21>

[DBG agrees with ESMA's proposal.]

<ESMA_QUESTION_FOTF_21>