

EDMA Europe**Policy Statement****Prudential Review of Investment Firms**

EDMA Europe, whose members operate regulated electronic fixed income multilateral trading facilities in Europe (regulated markets and/or trading venues), welcomes the opportunity to comment on the European Commission's new prudential framework for investment firms.

EDMA Europe concurs with the European Commission's view that the EU needs stronger capital markets in order to promote investment, unlock new sources of financing for companies, offer households better opportunities and strengthen the Economic and Monetary Union, with investment firms and the services they provide forming a vital cog in a well-functioning CMU.

EDMA Europe also agrees with the European Commission that, for investment firms other than banks, the fact that the current prudential framework focuses on credit institutions and the risks they face and pose rather than investment firms is more problematic. The services provided by these firms and the risks they can create are, to a large extent, not explicitly addressed by the existing rules.

As operators of MTFs, our members request further consideration of the following points:

- Greater emphasis on the nature of business of the investment firm in question
- Pure trading venues operated by investment firms (e.g. MTFs) should, by their nature, be categorised as Category 3 firms
- The K-factor approach will result in skewed capital for trading venues offering matched principal trading services
- A review of investment firms' third country provisions should be broader in scope and include other equivalence frameworks in MiFID II
- The third country equivalence should be outcomes based rather than line-by-line approach
- Exempt trading venue operators (i.e. IF only operating MTFs/OTFs) from the scope of the banking recovery and resolution directive

About EDMA Europe

Electronic Debt Markets Association represents the interests of companies whose 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.

