

**EDMA Europe**  
**Position Statement**  
**Equivalence**

EDMA Europe's members are concerned about the current difficulties faced by European trading venues in accessing other jurisdictions and possible remedies.

To date, the discussion on equivalence for trading venues has predominantly focused on the derivative trading obligation. However, such an approach overlooks the relevance of other requirements, including reporting or licensing, that the operator of a trading venue (as opposed to the market participant trading on the venue) will face when offering its services into the jurisdiction of the participant – independent of any trading mandate. For example, Dodd-Frank-related CFTC rules require SEFs to report real-time trade information to a swap data repository (SDR). A European trading venue, even if not trading in mandated products, cannot fulfil that same obligation and reporting obligations would hence fall upon the participant. This makes the European trading venue uncompetitive from the perspective of a US participant – despite the existence of an 'equivalence' agreement.

A similar challenge exists in other jurisdictions, primarily in Asia. Even in the absence of a trading mandate, it is today not possible to offer a trading venue service into Asia-Pacific jurisdictions (such as Australia, Hong Kong, Japan and Singapore) without holding a local licence. The difficulties for venues have increased in most cases as the regulatory perimeter, and the requirements that apply to those within it, have significantly evolved over recent years. Reporting obligations now apply in most jurisdictions, local staffing requirements and regulatory licence fees are also on the rise. Whilst it used to be relatively straightforward to obtain licences in most of the jurisdictions to offer a single pool of liquidity, the advent of Dodd-Frank started to fragment that single liquidity; that trend further accelerated through the introduction of MiFID II and, soon, Brexit.

To safeguard the competitive position of European trading venues in the global context, we urge the European Commission to aim for broader equivalence agreements that also include reporting and licencing requirements with other jurisdictions (especially those mentioned above, i.e. Australia, Hong Kong, Japan and Singapore). By doing so it can ensure that European trading venues can provide their services on an exempt basis instead of being required to comply with a mesh of local rules. Europe's trading venues still hold a competitive advantage as they host some of the deepest pools of liquidity across various asset classes. However, the increasing fragmentation risks undermining that advantage as other jurisdictions impose their own set of rules which favour local market infrastructure.

July 2018

### **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.

