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Market share and contribution to price forming: the AMF assesses the role of systematic internalisers on the French market

As part of its remit to monitor the proper functioning of markets and at a time when the European Commission has undertaken a technical reform of the regulatory framework of these markets, the French regulator has decided to examine the role of systematic internalisers on French equity market. Its findings are published today and show that they make a limited contribution to transparency on buying and selling interests in the market.

Created by the first Markets in Financial Instruments Directive (MiFID I), systematic internalisation, or the possibility for investment firms to execute client orders on own account instead of through traditional venues, was confirmed with MiFID II. Since 3 January 2018, investment services providers have been required to trade shares on regulated markets, multilateral trading facilities or with systematic internalisers. At a time when the European Commission is carrying out a technical reform of MiFID II, as it has done for other European legislation, the AMF has decided to examine in greater detail the role of these systematic internalisers in the structure of the French financial market.

In a study published today, the AMF provides an overview of the 36 players on the French market. They may be internalisers of investment banks or internalisers of high-frequency

electronic liquidity providers. In the first quarter of 2020, depending on the month, they accounted for between 15 and 20% of the amounts traded in French equities.

The study focuses more specifically on the contribution of systematic internalisers in terms of transparency on buying and selling interests (bid and offer prices and quantities available at those prices), what is referred to as pre-trade transparency, and therefore to the process of price formation on the market, and addresses the issue of the quality of the prices offered by systematic internalisers.

Aside from intra-group transactions, internalisers declare that their transactions are involved in price formation for amounts representing 8 to 10% of the total volumes traded in French securities. By comparing these same transactions declared as contributing to price formation with the prices and quantities offered publicly, it emerges that transactions subject to pre-trade transparency account for 22% of the amounts traded with internalisers during the continuous trading phase for liquid French securities. This proportion is equivalent to 1.4% of the total amounts traded on the market during this phase of the session on these same securities.

About the AMF

The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected and that investors are provided with adequate information. The AMF also supervises the orderly operations of markets. Visit our website <https://www.amf-france.org>. URL = [https://www.amf-france.org/]

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