

September 3, 2024

Via Electronic Submission

Jose Manuel Campa
Chairperson
European Banking Authority (EBA)
Floor 46 1 Canada Square
London E14 5AA

Verena Ross
Chairperson
European Securities and Markets Authority (ESMA)
201-203 Rue de Bercy · 75589
Paris

Re: Call for advice on the investment firms prudential framework

Dear Sir/Madam,

Cboe Europe (“Cboe”) appreciates the opportunity to provide feedback on the EBA and ESMA’s above-referenced discussion paper on EU investment firms’ prudential framework.¹ The discussion paper sets forth elements of the Investment Firm Directive (IFD) and Investment Firm Regulation (IFR) for possible improvement.

Cboe Europe is a leading operator of pan-European equity and derivatives trading and clearing services, including the largest pan-European stock exchange by market share and the most connected open-access central counterparty (CCP). With experience in developing and maintaining transparent, exchange-traded, centrally cleared markets, we are well positioned to offer feedback on how the EU framework for investment firms (IFs) can enhance financial markets for the benefit of the broader EU ecosystem.

The discussion paper notes the existing framework for EU investment firms aims to provide a risk-sensitive prudential structure tailored to the size, activities, and complexity of investment firms. Although the EBA appears to be of the view that the current framework generally satisfies this objective, it is worth reiterating that supervisors and market participants, including Cboe, have raised many concerns with the IFR/D framework over the years.

Our overarching concern remains that aspects of the IFR/D framework may not be sufficiently tailored to

1 [See ESMA and European Banking Authority \(EBA\), June 2024, “Discussion Paper on the Call for advice on the investment firms prudential framework,” available at: <https://www.esma.europa.eu/document/discussion-paper-call-advice-investment-firms-prudential-framework>](https://www.esma.europa.eu/document/discussion-paper-call-advice-investment-firms-prudential-framework)

the risks posed by IFs. As a market infrastructure provider our goal is to grow markets through the development of a reliable and vibrant market ecosystem. Liquidity is critical to build such an ecosystem. This liquidity is often supplied by investment firms – proprietary market-making firms in particular – who invest their own capital to support new and existing products and infrastructures. In the past, we have urged policymakers to ensure that IFs that have neither clients nor deposits are not unnecessarily reclassified as credit institutions and that K factors fully recognise economically offsetting positions and risk reducing nature of cleared positions.

Ultimately, the IF community is in the best position to provide feedback on the specific aspects of IFR/D impacting their businesses and their ability to invest in European markets. At this stage we would simply like to emphasise how crucial it is for the EBA and ESMA to provide advice to the European Commission that addresses the outstanding issues raised by the IF community. If the advice does not address those issues, we encourage the European Commission to identify its own solutions as is contemplated by the Commission's Call for Advice.² Markets are global, and IFs are central to European competitiveness. We must continue to work toward an IFR/D framework that allows EU IFs to grow in Europe. As IFs grow so too will European markets and European competitiveness.

We appreciate your consideration of these comments and look forward to further discussing these issues.

Sincerely,

Kyle Edwards
VP, Market Policy
Cboe Global Markets

² Importantly, as noted in the European Commission's call for advice, the analysis provided from the EBA and ESMA in the call for advice need not prejudice the Commission's final decision. [See https://www.eba.europa.eu/sites/default/files/document_library/About%20Us/Missions%20and%20tasks/Call%20for%20Advice/2023/1052019/CfA_IFR%20and%20IFD%20review%20-%20final.pdf](https://www.eba.europa.eu/sites/default/files/document_library/About%20Us/Missions%20and%20tasks/Call%20for%20Advice/2023/1052019/CfA_IFR%20and%20IFD%20review%20-%20final.pdf)