SPEECH HELD BY MATTHIJS PARS, DIRECTOR APT
DURING AFM PROPRIETARY TRADING SEMINAR
12 June 2019

Ladies and gentlemen,

Many thanks to the AFM Supervisory Team for inviting me here today to say some words on behalf of the Association of Proprietary Traders APT, the trade organisation of prop traders in the Netherlands.

My name is Matthijs Pars, director of APT. Currently we have 19 members, of which nearly all are situated in Amsterdam, some at Euronext on Beursplein 5, some along the canals and others on the Zuidas.

Let me start by thanking the AFM. For organizing this seminar, which is a great way to come together and discuss current challenges and developments. For going beyond being a well-informed regulator by also acting as trusted advisor of decision makers in the Hague about the impact of measures on proprietary traders and capital markets in general. For doing a first class job in the balancing act of warmly welcoming Brexit parties to Amsterdam, of whom many are here today, whilst at the same times strengthening ties with London.

The arrangement between AFM and FCA, in addition to the multilateral memorandum, brought a smile to the faces of AFM and FCA, as we could see from the picture taken at the signing last week. It is also very much welcomed by our industry. Because despite "fog of Brexit" we are currently in, it is crystal clear that the future relationship between the UK and EU will remain highly interconnected. We warmly support arrangements to keep markets open and prevent fragmentation. We also welcome the fact that two important regulators are teaming up, promoting much-needed pragmatic and market-oriented views for policy-making in Europe.

The past period Amsterdam has seen an influx of prop firms and trading platforms starting or expanding operations in the Netherlands. They make up a not unimpressive share of the 42 companies who came to the Netherlands last year because of Brexit. It is too early to tell, but we might be seeing a shift that could structurally change European capital markets, with a much larger share of financial instruments being traded from Amsterdam.

Amsterdam is well equipped for this. We are a nation of traders, we had the first stock exchange in the world and we have always welcomed expats. You can see Mercury, the god of trade, the quickest of the gods, with wings on his feet and on his helmet all around the Euronext building, but also on the top of the Palace on the Dam, where a statue holds the staff of Mercury in its hands. The symbols of trade can be seen all around the area where the shipyards and warehouses once were and where tech companies such as Booking, Oracle and Adyen are now situated, competing with prop firms for highly skilled employees. Last but not least, Holland has an exceptional ecosystem, with a concentration of market makers, pension funds with very large assets, one the best clearing banks in the world, an attractive living and working climate, good infrastructure, a predictable government and well-informed and approachable regulators.

So conditions for trading and liquidity provision from Amsterdam are excellent. However, there are also three big challenges in keeping markets competitive, transparent and liquid which face us today and which I would like to mention here:

1. The first challenge is to prevent regulatory requirements, limitations and costs that do not address risks to financial stability or investor protection. As market makers and prop traders continuously provide liquidity and "animate" the market, the result of such new measures could be a negative impact on liquidity provision. New rules could unnecessarily set the Netherlands and Europe on a competitive disadvantage towards the US and Asia. Therefore, Level 2 of IFR/IFD and the technical standards that will be set should not impose too strict requirements on our industry.

   In this context, the legislative proposal to continue the exception for prop traders to the bonus cap is a positive development. Restrained by the elements of the Law on Remuneration Policy, rewarding traders and staff with a profit share prevents the Netherlands from setting itself apart from the rest of the world and acknowledges a positive form of inclusive ownership. It is a long way to Tipperary before the bill will have passed, but we remain confident that common sense will prevail.

2. The second challenge I would like to mention is the trend that volume is leaking away from lit to dark trading, the reverse of the objective of MIFID 2. Because the flow market makers can address on exchanges is diminishing, liquidity decreases and the basis of price formation is weakened. This worrying trend deserves our attention.

3. Thirdly, and more specifically, not only small and midcap liquidity but also the number of IPOs is dropping back. Concentration on the blue chips is making capital markets less attractive for SMEs. This is also a trend that demands action.

I trust that the recent initiative taken by minster Hoekstra together with his French and German colleagues to further build and strengthen the Capital Markets Union in Europe will give fresh impetus to addressing these challenges.

To strengthen this initiative, we would like to actively explore, together with clearing, exchanges and investors and with AFM, DNB, regulators and policy makers what measures and incentives could strengthen and which requirements and limitations could harm the Capital Markets Union.

I very much hope we can kickstart this dialogue soon, whilst the new initiative is taking form and, thus, each from his own perspective and role, contribute to competitive, transparent and liquid capital markets.

Thank you.