



November 4, 2024

CVM Economic Analysis, Risk Management and Integrity Office

VIA EMAIL: asa@cvm.gov.br

Re: PUBLIC CALL FOR CONTRIBUTIONS ASA/CVM No. 01/24

The FIA European Principal Traders Association¹ and the FIA Principal Traders Group² (“FIA EPTA” and “FIA PTG,” collectively the “Associations”) appreciate the opportunity to submit this letter in response to CVM’s public call for contributions to the regulatory discussion involving equity market structure in Brazil. Members of the Associations account for a significant percentage of the trading volume on B3 S.A. – Brasil, Bolsa, Balcão (“B3”).

The Associations are longstanding advocates for competitive, transparent, and efficient markets. As experience shows, regulatory frameworks that pursue these goals reduce costs for investors. However, further to FIA PTG’s comment letter in response to the Public Consultation on Change to Rule for Registration of Cross Orders in Exchange Environment,³ we do not believe that the current state of broker preferencing, and specifically the retail liquidity provider (“RLP”) mechanism in the Brazilian markets adheres to these principles. As a result, CVM should not expand its existing RLP program and we encourage CVM and B3 to consider broader reforms to increase competition in its markets.

¹ The European Principal Traders Association (FIA EPTA) represents Europe’s leading Principal Trading Firms. Our members are independent market makers and providers of liquidity and risk transfer for markets and end-investors across Europe, providing liquidity in all centrally cleared asset classes including shares, bonds, listed derivatives and ETFs. FIA EPTA works constructively with policymakers, regulators and other market stakeholders to ensure efficient, resilient and trusted financial markets in Europe. More information about FIA EPTA and independent market makers is available on: www.fia.org/epta and www.wearemarketmakers.com.

² FIA PTG is an association of firms, many of whom are broker-dealers, who trade their own capital on exchanges in futures, options and equities markets worldwide. FIA PTG members engage in manual, automated and hybrid methods of trading, and they are active in a wide variety of asset classes, including equities, fixed income, foreign exchange and commodities. FIA PTG member firms serve as a critical source of liquidity, allowing those who use the markets, including individual investors, to manage their risks and invest effectively. The presence of competitive professional traders contributing to price discovery and the provision of liquidity is a hallmark of well-functioning markets. FIA PTG advocates for open access to markets, transparency and data-driven policy. More information about FIA PTG is available on: www.fia.org/ptg.

³ See [Letter from Joanna Mallers, Secretary, FIA PTG to Cicero Augusto Vieira Neto and José Ribeiro de Andrade, B3 S.A. dated February 1, 2019](#) (“FIA PTG 2019 Letter”).

CVM RLP Program

Several key issues with the CVM RLP Program undermine transparency and competition. For example, RLP orders are not sent to the central limit order book, have no pre-trade transparency, and a broker only executes against its own customers' orders. Accordingly, RLP orders are not assured of receiving the best price available. Furthermore, segmenting RLP orders and insulating them from competition in this manner fragments liquidity and results in worse outcomes for investors.

As another example, the current regulatory framework lacks sufficient transparency and disclosure regarding execution quality that could enable investors to evaluate the execution performance provided by their broker-dealers. While CVM requires brokers to publish monthly reports regarding RLP Orders, this data is of limited value and does not afford investors the opportunity to evaluate their brokers' execution performance.

CVM Should Consider Reforms to Increase Competition, Transparency and Efficiency

Given the issues with the existing CVM RLP Program, it is not appropriate to expand it to additional instruments at this time. Before proceeding, CVM should consider market and regulatory enhancements to increase competition and efficiency under its existing program. For example, CVM should consider requiring robust order execution disclosures similar to those required under the Securities and Exchange Commission's Rule 605. Facilitating the ability of the public to compare and evaluate execution quality among different intermediaries is an important means of promoting vigorous price competition and competition among intermediaries.

Even if CVM is able to improve its existing RLP Program, it should be cautious and deliberate before expanding its RLP Program to additional instruments. Segmentation involves important trade-offs. Market participants, like the members of the Associations, contribute to the health of markets by providing robust and actionable liquidity on a consistent basis. This is only possible when a market is fair, transparent and promotes robust competition.

If you have any questions, please do not hesitate to contact Piebe Teeboom at pteeboom@fia.org or Joanna Mallers at jmallers@fia.org.

Respectfully,

FIA European Principal Traders Association



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