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**Para:** AudPublicaSDM0919 <audpublicasdm0919@cvm.gov.br>

**Cc:** Thierry Rijper | Da Vinci Derivatives <rijper@davinciderivatives.com>

**Assunto:** CVM instruction 461

Dear Sir/Mrs.,

Please find below our feedback on the consultation:

First of all it is good to make a distinction between topics where we can provide input and topics where we can't provide input as the topics are not applicable or where we are not in the position to comment. This obviously does not imply that we do not have an opinion, but more that we are not in the position to comment as we are either not active such as in the OTC space or where it directly concerns the structure of B3 where we lack detailed knowledge. The list with topics is following:

Topics where we should not provide input:

- Business continuity plans and cyber security
- OTC trading and regulation
- Unified self-regulation
- Powers of the unified self-regulation
- Management of the unified self-regulation
- MRP

Topics where we can provide input:

- CVM to adopt coordinated universal time (UTC)
- Market data proposal
- Block trading
- Best execution

Da Vinci's point of view regarding the topics where we can provide input:

## **UTC**

Da Vinci supports the idea of moving to UTC

## **Market Data**

Da Vinci supports the proposal on the usage and displaying of market data. Da Vinci thinks it is important to stress the importance of a level playing field when distributing and displaying market data, i.e., conditions should be equal for all market participants. Furthermore it is good to mention that we have seen a shift in the business model of regulated markets outside of Brazil in which the price of market data has been used to compensate for the loss in trading revenues. There has been a lot of regulatory outcry about these practices recently and it would be a shame if we would face similar discussions in Brazil.

## **Block trading**

Da Vinci supports the idea of block trading given that the sizes in which these block trades occur are truly meaningful. What we very often see in Europe is that block trades occur in sizes that can also easily be traded on screen. This is purely there to support the inter-dealer broker market and does not add any true value to the market, but purely adds a layer of additional cost and makes trading more opaque in general. What we do notice is that the absence of block trading in Brazil sometimes causes markets to go into auction as brokers have to cross on the screen and very often have to do so far away from the reference price causing interruptions. Tackling this is an important issue (can also be solved differently through stricter rules or creating a strategy screen), but should not take place at the expense of screen liquidity. Consequently Da Vinci strongly suggests that block trading can only occur in sizes that can't be directly executed on the screen and also be subject to clear transparency rules as in that they are immediately published to the market once traded creating a level playing field for all participants.

## **Best execution**

Da Vinci supports the idea of best execution provided that there are clear guidelines on what this best execution actually is. What we have very often witnessed in other markets outside of Brazil is that top of orderbook is not best execution while there often is room within the spread. Brokers together with other participants (PFOF, payment for order flow) than use this top of orderbook to give a minimum price improvement to trade against this flow themselves.

This has an adverse effect on liquidity in general as a healthy order book consists of different types of order flow allowing market makers to provide tight quotes. If the retail flow is taken out of this than market makers are forced to quote wider facilitating more crossing within the spread further deteriorating the quality of the order book. Given that the responsibility of the best execution lies with the broker it should be made explicit with every trades which costs are in each trade including the cost of the spread. If brokers should not adhere to these principles than there would have to be clear and substantial penalties as it is in the wider interest of the market to create a safe trading environment and for retail investors in particular.

Please do not hesitate to contact us if you require any additional information.

Kind regards

Thierry Rijper



**Thierry Rijper**

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