

## ICI VIEWPOINTS

FEBRUARY 25, 2011

## Pursuing Sound Financial Regulation for International Markets

By Ari Burstein

Whether at home or overseas, ICI works to ensure that regulators pursue the creation of consistent and sensible rules for the financial markets. Internationally, we recently provided [input](#) to the European Commission, which is taking a [comprehensive look](#) at ways to reform regulation of European financial markets. In the words of our letter:

The issues surrounding the trading of securities by funds and other institutional investors are no longer purely a domestic matter. Many funds utilize intricately linked global trading desks and must be concerned not only about the regulation and structure of the financial markets in the United States but also in other jurisdictions in which they trade. Funds' overriding interest in the debate, we added, is to make sure that market structure reforms promote efficiency and transparency for all market participants—not for a particular market center, exchange, or business model.

Our letter recognizes the challenges of this task. To aid the Commission in its efforts, we provided it with a series of recommendations on the most significant issues affecting funds, such as developments in automated and “high-frequency” trading, pre- and post-trade market transparency, and the reporting of transactions.

We touched on similar themes in a recent [letter](#) to the International Organization of Securities Commissions (IOSCO). IOSCO is examining the issue of “dark liquidity,” a term which refers to liquidity that is generally not displayed to the public markets. For ICI members, who frequently must execute large orders, transacting in this fashion has significant benefits, potentially lowering both trading costs and the risk that other parties will “front run” fund trades to the detriment of funds and their shareholders.

Our letter, however, acknowledges concerns from regulators on the use of dark liquidity, such as its impact on price discovery and possible market fragmentation. While supporting the goals of IOSCO's regulatory efforts, ICI urges a measured response. As our letter says, “if regulations are too restrictive, they may unintentionally limit the use of evolving market practices and technological developments in a way that impedes funds' use of new and innovative trading venues such as dark pools.”

- Read ICI's [letter to the European Commission](#).
- Read ICI's [letter to IOSCO](#).
- Read the European Commission's [Review of the Markets In Financial Instruments Directive](#)
- Learn more about ICI's [work on financial markets policy](#).
- Visit ICI's [comment letter archive](#).

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