

Nathaniel Lalone Discusses Market Fragmentation Issues

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John Lothian News published an article on the FIA Expo 2020 panel "Is Market Fragmentation the Future?", featuring comments from Financial Markets and Funds partner Nathaniel Lalone, who served as a panelist. Nate started by pointing out that "even market fragmentation that appears very competitive is often accompanied by small differences that are complicated or expensive to bridge." One such example is the particularities of financial and transaction reporting in different jurisdictions. On the issue of Brexit, he added that "the UK had just said it would grant 18 months of regulatory equivalence to financial institutions in EEA [European Economic Area] countries (the EU members plus Iceland, Liechtenstein and Norway), matching the equivalence granted by them to UK institutions." Due to time limitations, he added that this arrangement was not an adequate response to potential fragmentation between the UK and the EU.

The panel discussed market fragmentation with respect to digital assets. Nate noted that until recently, EU countries had different approaches among themselves on handling digital assets. He stated, "Less than a month ago, the EU introduced its proposal, the regulation of Markets in Crypto-Assets (MiCA) pursuant to which the existing national regimes would be displaced by a Europe-wide regulator. The regulation, if adopted, will create a single EU marketplace for crypto assets — defragging the internal market, so to speak. The current draft, however, does not allow for non-EU entities to participate in EU crypto asset markets, hardening global fragmentation." ("FIA Expo: Good Fragmentation vs. Bad Fragmentation," November 13, 2020)

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