

Christopher Collins Discusses MTF Registration Compliance With *The Full FX*

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Financial Markets and Funds Senior Associate Christopher Collins spoke with *The Full FX* regarding the challenges faced by small technology providers in the UK and EU as they grapple with rules and guidance defining what constitutes a multilateral trading facility (MTF) platform. Smaller technology providers face a tough choice between making a large investment to become a regulated trading venue or operating in a regulatory "grey zone" with potentially significant consequences. Chris noted that compliance is top of mind with many clients of such firms. "It's not just about service providers. A lot of investment firms are going to their tech vendors to check with them about this. They're asking, 'Are you sure that you're not in scope?' Clients want a bit of clarity as well and while existing relationships may continue a bit longer, these questions definitely come up in conversations during the sales process and around onboarding."

Differences in approach between jurisdictions pose another challenge and have implications for liquidity and participation. Chris added, "Part of the issue is that FX is a cross-border offering. Businesses are still digesting whether it's the UK or the EU that offers them the broadest access, they don't want to split liquidity."

Operating as a cross-border business while avoiding becoming a regulated trading venue could become less sustainable in the long run. "Definitions are still fairly grey but if a company has clients in the US, EU and the UK there is potential for enforcement action from a lot of angles. And we should never forget that conducting regulated activities without authorization is a criminal offense in the UK."

While many regulators are slow to move towards enforcement at this stage, Chris noted that he is hopeful that the Financial Conduct Authority (FCA) will take a more consultative approach. "The Swiss regulator FINMA [Swiss Financial Market Supervisory Authority], for example, can be very good at being open and discussing risks with market participants, whereas there can be a perception that the FCA would rather regulate than collaborate for issues such as these. I think that in this case,

because of all the different factors businesses have to consider, the FCA will take a softly, softly approach and allow the market to figure it out. That's what I'd hope but maybe I'm being optimistic."

"The Ultimate Risk-Reward: To MTF or Not?," *The Full FX*, May 22, 2024

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