



June 4, 2015

ONLINE SUBMISSION:

European Banking Authority
One Canada Square (Floor 46)
Canary Wharf
London E14 5AA| UK

Re: Endorsement of FIA EPTA's response to the EBA consultation on Draft Guidelines on sound remuneration policies under Article 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013

Sun Trading International Ltd. (Sun Trading or the Firm) would like to thank the EBA for the invitation to respond to its proposals on sound remuneration in the **Consultation Paper EBA/CP/2015/03**.

Sun Trading was founded in 2006 under the guiding principle of utilizing quantitative research and analysis, coupled with sound risk management, to provide deep liquidity into the various European markets. As well as being a member of most major European cash equities and futures exchanges, Sun Trading is a member of the European Principal Traders Association (EPTA), which is affiliated with the Futures Industry Association (FIA) and is comprised of 26 EU-based proprietary trading firms that deal on own account on trading venues across Europe.

Sun Trading has been involved in the FIA EPTA Working Group on remuneration since its establishment. We are satisfied with the final version of the FIA EPTA response to the Consultation Paper EBA/CP/2015/03 and would hereby like to endorse FIA EPTA's comments and questions as our own.

Sun Trading, a small business with less than 25 employees, strongly believes a proportionate approach to remuneration for investment firms that engage solely in proprietary trading is required so that firms like ourselves can continue to manage fixed costs, risk, offer appropriate and balanced incentives for risk taking, and comply with key MIFID 2 requirements in 2017 by serving markets in the capacity of market maker.

As discussed in the FIA EPTA's comment letter, the proportionality approach to remuneration was contemplated and introduced for good reason. CRD IV, and the remuneration provisions, emerged in response to the banking crisis in 2008, where numerous banks had to be bailed out by national governments and taxpayer funds. There

is a keen public interest in risk mitigation regulations, such as the remuneration code, that prevent and disincentivize risky behavior by banks. CRD IV does not, however, support the view that proprietary trading firms could not disapply some of the remuneration provisions. European regulators rightly wanted reasonable remuneration policies in place to ensure bank employees were not incentivized to sell exotic, potentially risky, long term products to clients, or invest in them on behalf of the bank. However, the risk profiles of different financial institutions vary greatly, and what might be a reasonable policy for a bank, may not only be an unreasonable policy for a proprietary trading firm, but may in fact, as detailed in the FIA EPTA's comment letter, *increase* a firm's risk profile.

For this reason, the proportionate approach to remuneration has allowed non-complex firms with limited scope of investment activities, and no client money, to disapply certain portions of the remuneration code.

We hope to engage the EBA in order to help come to a position that not only accomplishes the desired and reasonable goals of the initial regulation while not engaging in the over regulation of those firms most susceptible, namely small and mid-size businesses.

We therefore request the EBA to assess the impact of the implementation of all remuneration provisions by proprietary trading firms in more detail. We urgently request the Authority to suggest to the European Commission legislative amendments, including to Articles 92-94 to exclude investment firms engaged solely in proprietary trading, and in the interim, pending application of those amendments, we ask the EBA to support our call on the Commission to bring forward delegated acts providing a temporary derogation from the provisions of Article 92 for such investment firms to ensure Europe's market makers can continue their important role of providing liquidity to European markets.

Yours sincerely,

Simon Dove
Managing Director
Sun Trading International Ltd.