ESMA_QA_1037

Submission Date
16/12/2016

Status: Answer Published

Additional Information

Level 1 Regulation
Markets in Financial Instruments Directive II (MiFID II) Directive 2014/65/EU- Investor Protection and Intermediaries

Topic
Best Execution

Subject Matter
Best Execution

Question
If a firm provides both the services of order execution and transmission of orders to other firms (i.e. to a third party for execution), will they need to produce two sets of top-five reports, or will a single, consolidated report suffice?

ESMA Answer

16-12-2016

Original language

[ESMA35-43-349 MiFIDII Investor protection Best execution 7]

For a given class of financial instruments, there may be many instances where the firm provides both services. If the firm is not a member of all trading venues where client orders need to be routed for execution, the firm will need to transmit some orders to other firms for execution alongside its execution activity as member of trading venues. It may also elect to use a broker instead of directly executing orders on an execution venue to minimise market impact and achieve a better outcome for the client.

ESMA considers that where firms provide both the services of order execution and reception and transmission of orders, they will need to provide two separate reports in relation to these services. It is important that these reports are distinct so that, investment firms disclose on one hand the top five execution venues and on the other hand the top five entities (brokers) to which client orders were routed during the relevant period. To note, this does not preclude firms from, in addition, providing a single consolidated report on the execution venues and entities the firms uses most frequently to execute client orders.