# ESMA_QA_1056

**Submission Date**
03/10/2017

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## 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**
How do the OTF best execution obligations apply when third-party brokers are clients of the OTF or when these brokers provide Direct Electronic Access (DEA) to the OTF (see Article 4(1)(41) of MiFID II)?

## ESMA Answer

03-10-2017

Original language

[ESMA35-43-349 MiFID II Investor protection Best execution Q&A 16]

When an investment firm or a market operator operating an OTF receives orders or indications of interest from a broker acting on behalf of its own clients, the operator of the OTF should be implementing its own best execution policy when executing the order from the broker as it owes its user clients (the broker) the duty of best execution. The broker should determine that the OTF it selects allows it to comply with its best execution obligations towards its own clients. To that end, the broker should conduct a performance assessment of the OTF including how discretion is exercised.

In the specific case of DEA to an OTF, the DEA order is entered in the OTF client's name (the broker) and the OTF operator should execute the DEA order as it would for any OTF client order. Alternatively, the operator of the OTF may decide not to permit DEA to its system.

ESMA notes that a DEA order could be considered as a client specific instruction to the broker providing the DEA arrangements to its clients (see Q.16).