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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
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Question
What is the scope of the RTS 27 reporting requirements for market makers and other liquidity providers?

ESMA Answer

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Original language

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RTS 27 requires market makers and other liquidity providers to report on transactions in financial instruments not subject to the trading obligation. This includes transactions (i) that are conducted on an OTC basis or (ii) pursuant to the pre-trade transparency waivers in Articles 4 and 9 of MiFIR (except orders held in an order management facility of a trading venue pending disclosure). In the case of the latter, both trading venues and market makers and other liquidity providers will account for these transactions in their RTS 27 reports. This is because the scope of the RTS 27 reporting requirements for trading venues covers all transactions in financial instruments, including those that are subject to the pre-trade transparency waivers (Recital 6 of RTS 27).

The obligations set out in the previous paragraph require both (i) market makers and other liquidity providers (that facilitate the trade which is finally concluded on the trading venue) as well as (ii) trading venues (where the trade is finally concluded) to provide RTS 27 reporting. This is to ensure the provision of execution quality data in relation to both OTC trades as well as transactions pursuant to the pre-trade transparency waivers that are carried out on-book and off-book, but under the rules of the venue. This information allows to identify the quality of the liquidity provided by market makers and other liquidity providers.

For trading venues, the requirements under Article 7(2)(k) and (l) of RTS 27 identify among the reported information, the number and value of transactions that are subject to a pre-trade transparency waiver (excluding orders held in an order management facility). This approach ensures that the RTS 27 reports distinguish between (i) liquidity that is subject to a pre-trade transparency waiver and (ii) liquidity subject to pre-trade transparency requirements (and is truly visible).