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29/05/2019

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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

Does the categorisation of 'passive' and 'aggressive' orders apply to investment firms which use quote-driven trading systems to have client orders executed?

ESMA Answer

29-05-2019

Original language

[ESMA35-43-349 Investor protection Best execution Q&A 23]

The definitions of Article 2(a) and (b) of RTS 28 for aggressive and passive orders both refer to “orders entered into an order book”. However, quote-driven trading systems do not operate order books (see also the typology and descriptions set out in Annex I of RTS 2). Therefore, as part of their RTS 28 reporting, investment firms which use quote-driven trading systems to have client orders executed should insert a ‘N/A’ (i.e. ‘not applicable’) reference in the fields referring to passive and aggressive orders of the relevant reporting template.