# ESMA_QA_1068

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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**
In accordance with the Annex (Table 3) and Articles 4 and 9 of RTS 27, how should execution venues classify financial instruments, which do not have calibrated market sizes (i.e. Standard Market Size (SMS), Large in Scale (LIS), Size Specific to the Instrument (SSTI)) and are traded on an EU trading venue?

## ESMA Answer

11-07-2019

Original language

[ESMA35-43-349 Investor protection Best execution Q&A 25]

In the case of financial instruments that (i) are traded on an EU trading venue and (ii) for which ESMA has not published on its website any respective Standard Market Size (SMS), Large in Scale (LIS) and Size Specific to the Instrument (SSTI) values, those instruments should be classified, according to the following criteria:

1. For SMS values related to equity instruments: Recital 10 of RTS 27 sets out that “for shares, exchange-traded funds and certificates deemed to be illiquid under Regulation (EU) No 600/2014, the standard market size threshold to be used is the minimum available standard market size for that type of financial instrument”, (see the smallest size in Table 3 of Annex II of RTS 1). The same approach should also be used for any other equity instruments in case temporarily, ESMA does not publish one or more of the parameters related to the transparency calculations, such as the SMS.[1]

2. For (post-trade) LIS values related to equity instruments:

- For shares, depositary receipts, certificates and other similar financial instruments: the LIS thresholds should be those related to the highest threshold available in the smallest average daily turnover (ADT) band (i.e. ADT < 50 000) provided in:[2]

- Table 4 of Annex II of RTS 1 for shares and depositary receipts;
- Table 6 of Annex II of RTS 1 for certificates and other similar financial instruments.

- For exchange-traded funds (ETFs): the LIS thresholds should be the highest threshold specified in Table 5 of Annex II of RTS 1.

3. For (post-trade) LIS and Size Specific to the Instrument (SSTI) values related to bonds: See Q&A 15 in the section “Non-equity transparency” of the ESMA Q&As on “MiFID II and MiFIR transparency topics”[3].

Those abovementioned criteria should also be used to classify financial instruments issued in non-EU countries that (i) are traded on an EU trading venue and (ii) for which ESMA has not published on its website any respective Standard Market Size (SMS), Large in Scale (LIS) and Size Specific to the Instrument (SSTI) values.

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[1] This approach follows closely Q&A 3 of the section “Equity transparency” of the ESMA Q&As on MiFID II and MiFIR transparency topics [Ref: ESMA70-872942901-35] and see: https://www.esma.europa.eu/sites/default/files/library/esma70-872942901-35_qas_transparency_issues.pdf

[2] These thresholds for (post-trade) LIS values related to shares, depositary receipts, certificates and other similar financial instruments are in line with Q&A 3 of the section “Equity transparency” of the ESMA Q&As on MiFID II and MiFIR transparency topics [Ref: ESMA70-872942901-35].

[3] See ESMA Q&As on MiFID II and MiFIR transparency topics [Ref: ESMA70-872942901-35].