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Additional Information

Level 1 Regulation
Regulation (EU) 2022/858 - DLT Pilot Regime Regulation (DLTR)

Topic
DLT market infrastructure

Subject Matter
Off-chain trading

Question
Are DLT MTFs permitted to organise trading off-chain in relation to DLT financial instruments?
Should it be mandatory for a DLT MTF to operate its matching engine with a DLT technology?

ESMA Answer

02-06-2023

Original language

[ESMA70-460-189 - Heading 8 - Question 1]

Answer provided by the European Commission in accordance with article 16b(5) of the ESMA Regulation.

The DLTR does not require that a DLT MTF organises trading of DLT financial instruments on the blockchain (on-chain), which is a type of distributed ledger. Indeed, Article 2, point (6), DLTR defines DLT MTFs as a multilateral trading facility that only admits to trading DLT financial instruments. Article 2, point (11), DLTR defines DLT financial instruments as financial instruments that are “issued, recorded, transferred and stored using distributed ledger technology”. That definition does not entail that DLT financial instruments are to be traded using DLT, but rather that the DLT are to be used for maintaining accounts and records pertaining to the title over a financial instrument and to facilitate the transfer of such titles between market participants.

Since a DLT MTF is allowed to organise trading off-chain, it is free to operate its matching engine using technology that does not leverage DLT.

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