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Additional Information

Level 1 Regulation
Markets in Financial Instruments Directive II (MiFID II) Directive 2014/65/EU- Secondary Markets

Level 3 Regulation
ESMA70-872942901-38 - Q&A on MiFID II and MiFIR market structures topics

Topic
Direct Electronic Access and algorithmic trading

Subject Matter
Direct Electronic Access (DEA) and algorithmic trading

Question

When a firm submits an order through DEA, which is then executed on-venue, should the resulting transaction be considered, from the DEA user perspective, as an on-venue or OTC transaction?

ESMA Answer

03-02-2021

Original language

[ESMA 70-872942901-38 MiFID II MiFIR market structures Q&A, Q&A 3.32]

As per Article 4(1)(41) of MiFID II, DEA is a mechanism allowing a client to “electronically transmit orders relating to a financial instrument directly to the trading venue” using the trading code of the DEA provider. Hence, a DEA trade should not be considered as a series of trades (i.e. one trade involving the DEA client and the DEA provider, one trade submitted by the DEA provider and executed on-venue), but rather as one single trade submitted by the DEA user and executed on-venue.

This interpretation is however without prejudice to other specific guidance provided by ESMA for ad hoc regulatory purposes as, for instance, in the Guidelines on “Transaction reporting, order record keeping and clock synchronisation under MiFID II” (ref. ESMA/2016/1452, p.162).