ESMA_QA_1493

Submission Date
06/04/2021

Status: Answer Published

Additional Information

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

Topic
Tick size regime

Subject Matter
Minimum tick size regime under Article 49 of MiFID II - Pre-trade transparency waivers

Question
Does the minimum tick size regime under Article 49 of MiFID II apply to all orders for which a pre-trade transparency waiver can be granted in accordance with Article 4 of MiFIR?

ESMA Answer

06-04-2021

Original language

[ESMA 70-872942901-38 MiFID II MiFIR market structures Q&A, Q&A 4.6]

Article 49 of MiFID II requires trading venues to adopt minimum tick sizes in relation to equity and certain equity-like instruments. RTS 11 specifies the minimum tick size regime which applies to those instruments depending on their liquidity and price level. As the aim of the minimum tick size regime is to ensure the orderly functioning of the market, its application extends to all orders submitted to trading venues including, for example, limit orders resting on an order book and orders held in an order management system.

However, the minimum tick size regime does not apply to the following:

- transactions executed in systems that match orders on the basis of a reference price as per Article 4(1)(a) of MiFIR;
- negotiated transactions as per Article 4(1)(b) of MiFIR; and
- large-in-scale orders that are matched at the mid-point of bid and offer prices - as per Art 49(1) of MiFID, as amended.