

**Submission Date** 

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**ESMA\_QA\_1500** 

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### **Additional Information**

### **Level 1 Regulation**

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

# **Topic**

Multilateral and bilateral systems

## **Subject Matter**

Multilateral and bilateral systems - Systematic internalisers

## Question

Can an investment firm acting as single liquidity provider on an RM and/or an MTF, operate an SI?

### **ESMA** Answer

16-12-2022

## Original language

[ESMA 70-872942901-38 MiFID II MiFIR market structures Q&A, Q&A 5.33]

Yes, but only if the two activities are fully separated. ESMA notes that instances where an investment firm acts as a single liquidity provider on an RM and/or MTF generate a conflict of interest, due to the investment firm having privileged access to order book information when acting in its liquidity provider capacity.

To better manage the possible conflict of interest the investment firm should take all the necessary steps to carry out the two activities in a separated manner (e.g. having distinct management and operational teams and physical separation of activities, ensuring segregation of execution systems and having safeguards in place to ensure that there is no information leakage across the two activities). The above is without prejudice to the MiFID II provisions on identification and management of conflicts of interest to be met by each of the two investment firms.