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14/11/2018

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Additional Information

Level 1 Regulation
Markets in Financial Instruments Regulation (MiFIR) Regulation (EU) No 600/2014- Secondary Markets

Level 2 Regulation
Regulation 2017/587- RTS on transparency requirements in respect of equity financial instruments (RTS 1)

Topic
Equity transparency

Additional Legal Reference
Regulation 2017/583- RTS on transparency requirements in respect of non-equity financial instruments (RTS 2)

Subject Matter
Pre-trade transparency- RFQ system

Question
a) When should the operator of an RFQ system provide pre-trade transparency?
b) Which quotes should be made public in a RFQ system?
c) Can an RFQ system be construed as a two-step process where (i) an RFQ is initiated and quotes are received in response to that RFQ, and (ii) the transactions are ultimately executed following a bilateral confirmation with one of the respondents?

ESMA Answer

16-10-2024

Original language

(a) Trading venues trading equity instruments are responsible for designing their RFQ systems in compliance with the pre-trade transparency requirements defined in MiFIR and specified in Annex I of RTS 1. The arrangements used may differ depending on the approach chosen by individual trading venues. Such approaches might include arrangements where trading interests become executable after a pre-defined period of time but would, in any circumstances, require the indications of interest to be disclosed no later than when they become actionable and in any case before the conclusion of a transaction. However, the conclusion of a transaction is not a condition for the publication of pre-trade transparency. Therefore, pre-trade transparency should also apply where a quote provided on request, including actionable indications of interest, is not acted upon.

The disclosure of the pre-trade quotes or actionable indications of interest only at the time of execution would not be consistent with the obligations set in Annex I of RTS 1.

(b) A quote received in response to an RFQ that contains all the necessary information to agree on a trade and therefore complies with the definition of an actionable indication of interest as defined in Article 2(1)(33) of MiFIR should be made pre-trade transparent. The requirement within Annex I of RTS 1 that quotes should be made public “no later than when they become executable” is simply meant to ensure that all quotes are treated equally for the purpose of pre-trade transparency and can be published all at the same time. In any case the concept of executable quotes should not be interpreted in a way that would preclude quotes that qualify as A-IOIs to be made pre-trade transparent.

(c) No, Annex I of RTS 1 defines RFQ systems as systems “where a quote or quotes are provided in response to a request for quote submitted by one or more members or participants. The quote is executable exclusively by the requesting member or participant. The requesting member or participant may conclude a transaction by accepting the quote or quotes provided to it on request”. Therefore, the definition does not foresee the possibility to privately negotiate with one RFQ respondent to agree on the final div of the transaction. If such a bilateral negotiation is necessary it should be considered as a separate trading process outside the initial RFQ session.

14-11-2018

Original language

[ESMA 70-872942901-35 MiFIR transparency Q&A, Q&A 2.7]

(a) Trading venues **trading equity instruments** are responsible for designing their RFQ systems in compliance with the pre-trade transparency requirements defined in MiFIR and specified in Annex I of RTS 1 ~~and RTS 2~~. The arrangements used may differ depending on the approach chosen by individual trading venues. Such approaches might include arrangements where trading interests become executable after a pre-defined period of time but would, in any circumstances, require the indications of interest to be disclosed no later than when they become actionable and in any case before the conclusion of a transaction. However, the conclusion of a transaction is not a condition for the publication of pre-trade transparency. Therefore, pre-trade transparency should also apply where a quote provided on request, including actionable indications of interest, is not acted upon.

The disclosure of the pre-trade quotes or actionable indications of interest only at the time of execution would not be consistent with the obligations set in Annex I of RTS 1 ~~and 2~~.

(b) A quote received in response to an RFQ that contains all the necessary information to agree on a trade and therefore complies with the definition of an actionable indication of interest as defined in Article 2(1)(33) of MiFIR should be made pre-trade transparent. The requirement within Annex I of RTS 1 ~~and RTS 2~~ that quotes should be made public “no later than when they become executable” is simply meant to ensure that all quotes are treated equally for the purpose of pre-trade transparency and can be published all at the same time. In any case the concept of executable quotes should not be interpreted in a way that would preclude quotes that qualify as A-IOIs to be made pre-trade transparent.

(c) No, Annex I of RTS 1 ~~and RTS 2~~ define**s** RFQ systems as systems “where a quote or quotes are provided in response to a request for quote submitted by one or more members or participants. The quote is executable exclusively by the requesting member or participant. The requesting member or participant may conclude a transaction by accepting the quote or quotes provided to it on request”. Therefore, the definition does not foresee the possibility to privately negotiate with one RFQ respondent to agree on the final div of the transaction. If such a bilateral negotiation is necessary it should be considered as a separate trading process outside the initial RFQ session.