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Additional Information

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

Topic
Pre-trade transparency waivers

Subject Matter
Calculation of the “current volume weighted spread reflected in the order book” for negotiated transactions

Question
How should the “current volume weighted spread reflected in the order book” be calculated for negotiated transactions under Article 4(1)(b)(i) of MiFIR?

ESMA Answer

31-05-2017

Original language

[ESMA 70-872942901-35 MiFIR transparency Q&A, Q&A 5.4]

The volume weighted spread should be calculated as the spread between the volume weighted bid and offer prices of orders on the trading venue’s public order book aggregated to the size of the negotiated transaction.

The volume weighted bid (offer) should be calculated considering all bid (sell) orders in the order book that would theoretically be executed if a sell (buy) order of a size equivalent to the negotiated transaction was introduced in the order book. Where the transaction size is larger than the volume of buy (sell) orders on the order book it will be the average price of the transaction assuming that a sell (buy) order is executed against all buy (sell) orders on the order book.

Orders benefitting from a pre-trade transparency waiver should not be included in the calculation.