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19/12/2016

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Additional Information

Level 1 Regulation

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

Level 2 Regulation

Regulation 2017/565 - MiFID II Delegated Regulation

Topic

Direct Electronic Access and algorithmic trading

Subject Matter

Automated Order Router (AOR) and algorithmic trading

Question

Can a functionality be considered as an Automated Order Router (AOR) if it submits the same order to several trading venues? Would that qualify as algorithmic trading?

ESMA Answer

19-12-2016

Original language

[ESMA 70-872942901-38 MiFID II MiFIR market structures Q&A, Q&A 3.3]

According to Recital 22 of Commission Delegated Regulation (EU) 2017/565^[1], an AOR is characterized by only determining the trading venue or trading venues to which the order has to be sent without changing any other parameter of the order (including modifying the size of the order by “slicing” it into “child” orders). In case the same unmodified order is sent to several trading venues to ensure execution and it is executed in one of these venues, the functionality can also cancel the unexecuted orders in the other venues without qualifying as algorithmic trading.

^[1] Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (OJ L 87, 31.3.2017, p. 1–83).