

Submission Date

31/05/2017

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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 2017/589 - RTS specifying the organisational requirements for investment firms (RTS 6)

Level 3 Regulation

ESMA70-872942901-38 - Q&A on MiFID II and MiFIR market structures topics

Topic

Direct Electronic Access and algorithmic trading

Subject Matter

“Continuous” assessment and monitoring of market and credit risk in Article 17(2) of RTS 6

Question

What is meant by “continuous” assessment and monitoring of market and credit risk in Article 17(2) of RTS 6 which relates to investment firms’ post trade controls?

ESMA Answer

31-05-2017

Original language

[ESMA 70-872942901-38 MiFID II MiFIR market structures Q&A, Q&A 3.12]

Article 17(2) of RTS 6 includes as part of the post-trade controls that investment firms engaged in algorithmic trading must have in place the ‘continuous assessment and monitoring of market and credit risk of the investment firm in terms of effective exposure’.

Since there is no requirement to operate this continuous assessment in real-time on an ongoing basis, intraday and/or end of day checks as appropriate can be carried out at entity level. However, it is noted that the investment firm must have the capability to calculate in real time if necessary and on the basis of the information that it has: a) its outstanding exposure; b) the outstanding exposure of each of its traders and c) the outstanding exposure of clients (Article 17(3) RTS 6).

ESMA notes that for that purpose, the reconciliation of the firm’s own records with those provided by trading venues, clearing members, central counterparties, brokers, DEA providers or any other business partners must be made in real time when those counterparties provide the information in real time.