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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)

Topic
Direct Electronic Access and algorithmic trading

Subject Matter
Direct Electronic Access (DEA) and algorithmic trading

Question

Article 2(1) of RTS 26 provides an exemption from pre-trade, order-by-order checking for on-venue traded cleared derivatives if certain conditions are met. When this exemption applies to clearing members, does it also exempt clearing members from the requirement under Article 26(2) of RTS 6 to have “appropriate pre-trade and post-trade procedures for managing the risk of breaches of position limits”?

ESMA Answer

07-07-2017

Original language

[ESMA 70-872942901-38 MiFID II MiFIR market structures Q&A, Q&A 3.15]

General clearing members and trading venues are not required to subject client orders for cleared derivative transactions on a trading venue to the relevant pre-trade checks required under RTS 26 where the conditions set out in Article 2(1) of RTS 26 are met. However, pursuant to Article 26(2) of RTS 6, they should have other pre-trade procedures to manage the risk of breaches of position limits by their clients, by way of appropriate margining practice and other means.