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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 2017/566 - RTS on the ratio of unexecuted orders to transactions (RTS 9)

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
Trading venues - OTRs

Question
Could trading venues set out different OTRs for different types of market participants (e.g. firms engaged in a market making scheme)?

ESMA Answer

07-07-2017

Original language

[ESMA 70-872942901-38 MiFID II MiFIR market structures Q&A, Q&A 3.18]

As clarified by Recital 3 of Commission Delegated Regulation (EU) 2017/566 (RTS 9) trading venues may set the maximum ratio of unexecuted orders to transactions at the level they consider appropriate to prevent excessive volatility in the financial instrument concerned.

Nothing prevents trading venues from setting the limits on the basis of the different categories of market participants that operate in their systems. In particular, trading venues may determine a specific limit ratio for members or participants subject to market making obligations under a written agreement (Article 17(2) of MiFID II) or a market making scheme (Article 48(2)(b) of MiFID II).

The ratio limiting the number of unexecuted orders to transactions should be set in compliance with the objective of Article 48 of MiFID II and supported by statistical analysis of the activity of the different categories of members or participants and the liquidity of the instruments in which they operate.