ESMA_QA_1615

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07/07/2017

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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 2017/566 - 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
Order to Trade Ratio (OTR)

Question

In terms of the Order to Trade Ratio (OTR), how should a trading venue tackle cases where a market participant has executed no trades after the submission of a high number of orders?

ESMA Answer

07-07-2017

Original language

[ESMA 70-872942901-38 MiFID II MiFIR market structures Q&A, Q&A 3.19]

RTS 9 describes the methodology to calculate the actual OTR incurred by each member or participant of a trading venue using a fraction. In case there have been no trades, a strict application of the proposed methodology is not possible since one cannot divide by zero.

ESMA is of the view that trading venues should consider that the maximum OTR has been breached if the orders submitted without executing one single transaction surpassed the maximum authorised number of orders that can be sent for one transaction being executed. For instance if the maximum OTR set by the trading is 10, members or participants should not sent more than 10 orders without executing one transaction.