European Securities and Markets Authority

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Additional Information

Level 1 Regulation
Markets in Financial Instruments Directive II (MiFID II) Directive 2014/65/EU- Secondary Markets

Topic
Multilateral and bilateral systems

Subject Matter
Organized Trading facilities OTFs - Difference with MTFs

Question
What distinguishes an OTF from an MTF?

ESMA Answer

03-04-2017

Original language

[ESMA 70-872942901-38 MiFID II MiFIR market structures Q&A, Q&A 5.12]

MTFs and OTFs both are multilateral trading systems that can be operated by an investment firm or a market operator. However, compared to MTFs, OTFs have a number of key distinct features:

- OTFs may only trade in bonds, structured finance products, derivatives and emission allowance (non-equity instruments);
- There are less stringent limitations to the type of activities that the operator of the OTF may undertake both in relation to matched principal trading and trading on own account. Additional restrictions apply as an OTF and a SI cannot be operated by the same legal entity;
- As opposed to regulated markets and MTFs governed by non-discretionary rules, the OTF operator must exercise discretion either when deciding to place or retract an order on the OTF and/or when deciding not to match potential matching orders available in the system;
- As opposed to regulated markets and MTFs that have members or participants, OTFs have clients. As a consequence, transactions concluded on OTFs have to comply with client facing rules, including best execution rules, regardless whether the OTF is operated by an investment firms or a market operator; and
- Wholesale energy products that must be physically settled (C6 REMIT) do not qualify as financial instruments when traded on an OTF.