

Submission Date

03/04/2017

ESMA_QA_1645

Status: Answer Published

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 - Liquidity of sovereign debt instruments

Question

The operator of an OTF may engage in dealing on own account other than matched-principal trading only with regard to sovereign debt instruments that do not have a liquid market. (Article 20(3) of MiFID II. How should the liquidity of sovereign debt instruments be assessed?

ESMA Answer

03-04-2017

Original language

[ESMA 70-872942901-38 MiFID II MiFIR market structures Q&A, Q&A 5.13]

ESMA notes that RTS 2 sets out how to determine whether a financial instrument has a liquid market.

Although RTS 2 was developed for the sole purpose of further specifying the MiFIR pre-trade and post-trade transparency obligations for trading venues and investment firms, ESMA considers that the methodology and criteria set out in RTS 2 for assessing whether a sovereign bond has a liquid market are also relevant, and should serve as a reference, for the purpose of Article 20(3) of MiFID II.