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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

Question

Can an OTF offer trading in C(6) REMIT wholesale energy products only?

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Original language

[ESMA 70-872942901-38 MiFID II MiFIR market structures Q&A, Q&A 5.22]

No. Under Article 4(1)(23) of MiFID II, an organised trading facility (OTF) is a multilateral trading system which organises the interaction of multiple third party buying and selling interests in bonds, structured finance products, emission allowances and derivatives, i.e. in financial instruments.

Accordingly, to be authorised as an OTF, a multilateral trading system must offer trading in the financial instruments listed above, without prejudice to the other requirements to be met for such authorisation.

However, a trading platform that is authorised as an OTF based on trading financial instruments can, in addition, offer trading in wholesale energy contracts that must be physically settled ("REMIT carve-out" contracts).

ESMA highlights that the OTF must ensure that genuine trading in financial instruments takes place on the OTF to be authorised, and retain authorisation, as an OTF, with appropriate staff, IT, financial and other resources being devoted to this activity. Trading in financial instruments should not be designed for the sole purpose of obtaining an OTF license and with the end-objective of trading REMIT carve-out contracts almost exclusively.