

Submission Date

03/10/2017

ESMA_QA_1661

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

Systematic internaliser

Question

Article 15(2) of MiFIR sets out that “in justified cases”, systematic internalisers may execute orders at a better price than the quoted prices provided that the price falls within a public range close to market conditions. What are those justified cases?

ESMA Answer

03-10-2017

Original language

[ESMA 70-872942901-38 MiFID II MiFIR market structures Q&A, Q&A 5.29]

Articles 14, 15, and 17 of MiFIR establish a comprehensive pre-trade transparency framework for systematic internalisers (SIs) in shares, depositary receipts, ETFs, certificates and other similar financial instruments. As set out in Article 17(3) of MiFIR, the implementing measures further aim at ensuring the efficient valuation of those instruments and maximising the possibility for investment firms to obtain the best deal for their clients.

Whilst Article 15(2) of MiFIR provides that in justified cases, systematic internalisers may execute orders at a better price than the quote published, ESMA considers that price improvements on those quotes are only justified where they would serve similar purposes as those referred on Article 17(3) of MiFIR.

ESMA notes that marginal price improvements on quoted prices would challenge the efficient valuation of equity instruments without bringing any real benefits to investors. As a consequence, and to ensure that price improvements do not undermine the efficient pricing of instruments traded, price improvements on quoted prices would only be justified when they are meaningful and reflect the minimum tick size applicable to the same financial instrument traded on a trading venue.

This is without prejudice to SIs' ability to quote any price level when dealing in sizes above standard market size.