

Submission Date

12/02/2024

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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 2017/578 - RTS on market making agreements and market making schemes (RTS 8)

Topic

Direct Electronic Access and algorithmic trading

Additional Legal Reference

Article 2(1)(b)

Subject Matter

Market making in securitised derivatives

Question

Are there technical circumstances related to securitised derivatives under which it can be considered that a market maker posting one-way quotes is considered to meet the obligations on market making agreements set out in Article 2 of RTS 8?

ESMA Answer

08-01-2024

Original language

Article 2 of RTS 8 establishes a series of obligations for market makers including to post “simultaneous two-way quotes” in at least one financial instrument for at least 50% of daily trading hours during which continuous trading takes place.

ESMA notes that for securitised derivatives there are instances where it is not technically possible for the market makers to offer both bid and offer quotes. This is the case where all the issued securities have been sold and no more securities can be issued under the prospectus, thus the market maker’s inventory is sold out. In such cases, the market maker is in the position to only post bid quotes for a securitised derivative. Only under this limited circumstance, the requirement to post “simultaneous two-way quotes” under Article 2 of RTS 8 is considered to be met.

This is without prejudice to the exceptional circumstances referred to in Article 3 of RTS 8, under which market makers could provide one-way quotes.