

Chapter 5

Multilateral trading facilities (MTFs)

5.3 Trading process requirements

Rules, procedures and arrangements

5.3.1

R

A *firm* must have:

- (1) transparent rules and procedures for fair and orderly trading;

[**Note:** articles 18(1) and 19(1) of *MiFID*]

- (2) objective criteria for the efficient execution of orders which are established and implemented in non-discretionary rules;

[**Note:** articles 18(1) and 19(1) of *MiFID*]

- (2A) arrangements for the sound management of the technical operations of the facility, including the establishment of effective contingency arrangements to cope with the risks of systems disruption;

[**Note:** article 18(1) of *MiFID*]

- (3) transparent rules regarding the criteria for determining the *financial instruments* that can be traded under its systems;

[**Note:** subparagraph 1 of article 18(2) of *MiFID*]

- (4) published, transparent and non-discriminatory rules, based on objective criteria, governing access to its facility and which must provide that its members or participants are *investment firms*, *CRD credit institutions* or other *persons* who:

- (a) are of sufficient good repute;
- (b) have a sufficient level of trading ability, competence and experience;
- (c) where applicable, have adequate organisational arrangements; and
- (d) have sufficient resources for the role they are to perform, taking into account the different financial arrangements that the *firm* operating the *MTF* may have established in order to guarantee the adequate settlement of transactions;

[**Note:** articles 18(3), 19(2) and 53(3) of *MiFID*]

- (5) arrangements to provide, or be satisfied that there is access to, sufficient publicly available information to enable its users to form an investment judgement, taking into account both the nature of the users and the types of instrument traded; and

[Note: subparagraph 2 of article 18(2) of *MiFID*]

- (6) (as between the interests of the *MTF*, its owners, or the *firm* and those of the members and participants or users in the sound functioning of the *trading venue*) arrangements to identify clearly and to manage any conflict with adverse consequences for:
 - (a) the operation of the *trading venue* for the members and participants or users; or
 - (b) the members and participants or users otherwise.

[Note: article 18(4) of *MiFID*]

Functioning of an MTF

5.3.1A

R

A *firm* must:

- (1) ensure the *MTF* has at least three materially active members or users who each have the opportunity to interact with all the others in respect of price formation;

[Note: article 18(7) of *MiFID*]
- (2) have arrangements to ensure it is adequately equipped to manage the risks to which it is exposed, to implement appropriate arrangements and systems to identify all significant risks to its operation and put in place effective measures to mitigate those risks;

[Note: article 19(3)(a) of *MiFID*]
- (3) have available at the time of *authorisation* and on an ongoing basis, sufficient financial resources to facilitate its orderly functioning, having regard to the nature and extent of the transactions concluded on the venue and the range and degree of the risks to which it is exposed;

[Note: article 19(3)(c) of *MiFID*]
- (4) not execute orders against proprietary capital, or engage in *matched principal trading*;

[Note: article 19(5) of *MiFID*]
- (5) [deleted]
- (6) provide the following to the *FCA*:
 - (a) a detailed description of the functioning of the *MTF*, including any links to or participation by a *regulated market*, an *MTF*, *OTF* or *systematic internaliser* owned by the same *firm*; and
 - (b) a list of its members, participants and users.

[Note: article 18(10) of *MiFID* and *MiFID ITS 19* with regard to the content and format of the description of the functioning of *MTFs*]

5.3.1B

G

The requirement in ■ MAR 5.3.1AR(4) does not prevent a *firm*, with the appropriate *permission*, from executing orders against its proprietary capital or engaging in *matched principal trading* outside the *MTF* it operates.

5.3.2 **G** [deleted]

5.3.3 **G** [deleted]

5.3.4 **G** [deleted]

5.3.5 **G** [deleted]

5.3.6 **G** [deleted]

Operation of a primary market in financial instruments not admitted to trading on a regulated market

5.3.7 **G** The FCA will be minded to impose a variation on the *Part 4A permission* of an MTF operator that operates a primary market in *financial instruments not admitted to trading on a regulated market* in order to ensure its fulfilment of the requirements in ■ MAR 5.3.1 R as regards fair and orderly trading.

Transferable securities traded without issuer consent

5.3.8 **R** Where a *transferable security*, which has been *admitted to trading* on a *regulated market*, is also traded on an MTF without the consent of the *issuer*, the *firm* operating the MTF must not make the *issuer* subject to any obligation relating to initial, ongoing or ad hoc financial disclosure with regard to that MTF.

[Note: article 18(8) of MiFID]