

Chapter 7A

Algorithmic trading

7A.4 Requirements when providing direct electronic access

Application

- 7A.4.1 **R** This section applies to a *firm* which provides the services of *DEA* to a *trading venue*.

Systems and controls

- 7A.4.2 **R** A *firm* must have in place systems and controls which:
- (1) ensure it conducts an assessment and review of the suitability of *clients* using the service;
 - (2) prevent *clients* using the service from exceeding appropriate pre-set trading and credit thresholds;
 - (3) prevent trading by *clients* which:
 - (a) may create risks to the *firm*;
 - (b) or may create, or contribute to, a disorderly market; or
 - (c) could be contrary to the *Market Abuse Regulation* or the rules of the *trading venue*.

[Note: article 17(5) of *MiFID*]

Client dealings

- 7A.4.3 **R**
- (1) A *firm* must monitor the transactions made by *clients* using the service to identify:
 - (a) infringements of the rules of the *trading venue*; or
 - (b) disorderly trading conditions; or
 - (c) conduct which may involve *market abuse* and which is to be reported to the *FCA*.
 - (2) A *firm* must have a binding written agreement with each *client* which:
 - (a) details the essential rights and obligations of both parties arising from the provision of the service; and

- (b) states that the *firm* is responsible for ensuring the *client* complies with the requirements of *MiFID* and the rules of the *trading venue*.

[Note: article 17(5) of *MiFID*] Notifications

Notifications

7A.4.4 **R** A *firm* must immediately notify the *FCA* if it is providing *DEA* services. [Note: article 17(5) of *MiFID* and *MiFID RTS 6* specifying the organisational requirements of *investment firms* providing *direct electronic access*]

7A.4.5 **R** A *firm* must provide the following, at the *FCA*'s request, within 14 days from receipt of the request:

- (1) a description of the systems mentioned in ■ MAR 7A.4.2R(1);
- (2) evidence that those systems have been applied; and
- (3) information stored in accordance with ■ MAR 7A.4.6R.

[Note: article 17(5) of *MiFID*]

Record keeping

7A.4.6 **R** A *firm* must arrange for records to be kept:

- (1) on the matters referred to in ■ MAR 7A.4.2R in relation to its systems and controls; and
- (2) in order to enable it to meet any requirement imposed on it under ■ MAR 7A.4.5R.

[Note: article 17(5) of *MiFID*]