

Chapter 2

Recognition requirements

2.6 General safeguards for investors, suspension and removal of financial instruments from trading and order execution on regulated markets

2.6.1 **UK** **Schedule to the Recognition Requirements Regulations, Paragraph 4(1)**

The [UK RIE] must ensure that business conducted by means of its facilities conducted in an orderly manner and so as to afford proper protection to investors.

2.6.2 **UK** **Schedule to the Recognition Requirements Regulations, Paragraph 4(2)(aa)**

Without prejudice to the generality of sub-paragraph [4(1)], the [UK RIE] must ensure that -

it has transparent rules and procedures -

- (i) to provide for fair and orderly trading, and
- (ii) to establish objective criteria for the efficient execution of orders;

2.6.2A **UK** **Schedule to the Recognition Requirements Regulations, Paragraph 4C**

(1) The [UK RIE] must make available to the public, without any charges, data relating to the quality of execution of transactions on the trading venues operated by the [UK RIE] on at least an annual basis.

(2) Reports must include details about price, costs, speed and likelihood of execution for individual financial instruments.

2.6.3 **UK** [deleted]

2.6.4 **UK** [deleted]

2.6.5 **G** [deleted]

2.6.6	UK	<p>(1) The rules of the [UK RIE] must provide that the [UK RIE] must not exercise its power to suspend or remove from trading on a <i>trading venue</i> operated by it any <i>financial instrument</i> which no longer complies with its rules, where such step would be likely to cause significant damage to the interests of investors or the orderly functioning of the financial markets.</p> <p>(2) Where the [UK RIE] suspends or removes any financial instrument from trading on a trading venue it operates it must also suspend or remove from trading on that venue any derivative that relates to or is referenced to that financial instrument where that is required to support the objectives of the suspension or removal of trading of that financial instrument.</p> <p>(3) Where the [UK RIE] suspends or removes any financial instrument from trading on a trading venue it operates, including any derivative in accordance with sub-paragraph (2), it must make that decision public and notify the FCA.</p> <p>(4) Where following a decision made under sub-paragraph (2) the [UK RIE] lifts a suspension or re-admits any financial instrument to trading on a trading venue it operates, including any derivative suspended or removed from trading in accordance with that sub-paragraph, it must make that decision public and notify the FCA.</p> <p>[Note: MiFID RTS 18 contains requirements on the suspension and removal of financial instruments from trading]</p>
2.6.6B	UK	<p>Schedule to the Recognition Requirements Regulations, Paragraph 9ZA</p> <p>[Note: This paragraph is relevant to <i>regulated markets</i> only. See ■ REC 2.16A regarding <i>MTFs</i> or <i>OTFs</i>]</p> <p>(1) A [UK RIE] must have non-discretionary rules for the execution of orders on a regulated market operated by it.</p> <p>(2) A [UK RIE] must not on a regulated market operated by it -</p> <ul style="list-style-type: none"> (a) execute any client orders against its proprietary capital; or (b) engage in matched principal trading.
2.6.7	UK	<p>[Note: article 3 of MiFIR covers pre-trade transparency requirements for <i>trading venues</i> in respect of shares, depositary receipts, <i>ETFs</i>, <i>certificates</i> and other similar <i>financial instruments</i>, and article 8 of MiFIR imposes similar requirements in respect of bonds, <i>structured finance products</i>, <i>emission allowances</i> and derivatives]</p>
2.6.8	UK	<p>[Note: MiFID RTS 1 on transparency requirements for trading venues in respect of shares, depositary receipts, <i>exchange traded funds</i>, <i>certificates</i> and other similar <i>financial instruments</i> and the obligation for <i>investment firms</i> to execute transactions in certain <i>shares</i> on a <i>trading venue</i> or a <i>systematic internaliser</i>]</p>
2.6.9	EU	[deleted]
2.6.10	UK	<p>[Note: articles 4 and 5 of MiFIR, MiFID RTS 1 and MiFID RTS 3 on the double volume cap mechanism and the provision of information for the purposes of transparency and other calculations] Article 18 of the MiFID Regulation</p>

Waivers based on market model and type of order or transaction	
(1)	<p>Waivers in accordance with Article 29(2) and 44(2) of [MiFID] [(see REC 2.6.3 UK)] may be granted by the[FCA] for systems operated by an <i>MTF</i> or a <i>regulated market</i>, if those systems satisfy one of the following criteria:</p> <ul style="list-style-type: none"> (a) they must be based on a trading methodology by which the price is determined in accordance with a reference price generated by another system, where that reference price is widely published and is regarded generally by market participants as a reliable reference price; (b) they formalise negotiated transactions [(see REC 2.6.11 EU)], each of which meets one of the following criteria: <ul style="list-style-type: none"> (i) it is made at or within the current volume weighted spread reflected on the order book or the quotes of the market makers of the <i>regulated market</i> or <i>MTF</i> operating that system or, where the share is not traded continuously, within a percentage of a suitable reference price, being a percentage and a reference price set in advance by the system operator; (ii) it is subject to conditions other than the current market price of the share [see REC 2.6.12 EU]. <p>For the purposes of point (b), the other conditions specified in the rules of the <i>regulated market</i> or <i>MTF</i> for a transaction of this kind must also have been fulfilled.</p> <p>In the case of systems having functionality other than as described in points (a) or (b), the waiver shall not apply to that other functionality.</p>
(2)	<p>Waivers in accordance with Articles 29(2) and 44(2) of [MiFID] [(see REC 2.6.3 UK)], based on the type of orders may be granted only in relation to orders held in an order management facility maintained by the <i>regulated market</i> or the <i>MTF</i> pending their being disclosed to the market.</p>

2.6.11 UK

[Note: article 5 of MiFIR, and MiFID RTS 3] **Article 19 of the MiFID Regulation**

References to negotiated transaction	
<p>For the purpose of Article 18(1)(b) [(see REC 2.6.10 EU)] a negotiated transaction shall mean a transaction involving members or participants of a <i>regulated market</i> or an <i>MTF</i> which is negotiated privately but executed within the <i>regulated market</i> or <i>MTF</i> and where that member or participant in doing so undertakes one of the following tasks:</p>	
(a)	dealing on own account with another member or participant who acts for the account of a <i>client</i> ;
(b)	dealing with another member or participant, where both are executing orders on own account;
(c)	acting for the account of both the buyer and seller;
(d)	acting for the account of the buyer, where another member or participant acts for the account of the seller;
(e)	trading for own account against a <i>client</i> order.

2.6.11A UK [Note: article 8 of *MiFIR*]

2.6.11B UK [Note: *MiFID RTS 2* with regard to regulatory technical standards on transparency requirements for trading venues with respect to bonds, structured finance products, emission allowances and derivatives]

2.6.11C R [Note: article 9 of *MiFIR*]

2.6.12 EU [deleted]

2.6.13 EU [deleted]

2.6.14 EU [deleted]

2.6.15 UK [Note: article 6 of *MiFIR* now covers post-trade transparency requirements for trading venues in respect of shares, depositary receipts, *ETFs*, certificates and other similar financial instruments and article 10 of *MiFIR* imposes similar requirements in respect of bonds, structured finance products, emission allowances and derivatives]**Article 27(1) of the MiFID Regulation**

Post-trade transparency obligation	
1.	<p>... regulated markets, and ... market operators operating an <i>MTF</i> shall, with regard to transactions in respect of shares admitted to trading on regulated markets concluded ... within their systems, make public the following details:</p> <ul style="list-style-type: none"> (a) the details specified in points 2, 3, 6, 16, 17, 18 and 21 of Table 1 of Annex I [(see REC 2.6.16 EU)] (b) an indication that the exchange of shares is determined by factors other than the current market valuation of the share, where applicable [(see REC 2.6.17 EU)]; (c) an indication that the trade was a negotiated trade, where applicable; (d) any amendments to previously disclosed information, where applicable. <p>Those details shall be made public either by reference to each <i>transaction</i> or in a form aggregating the volume and price of all <i>transactions</i> in the same share taking place at the same price at the same time.</p>

2.6.16 UK [Note: *MiFID RTS 1*] **Points 2, 3, 6, 16, 17, 18 and 21 of Table 1 of Annex I of the MiFID Regulation**

2.	Trading Day	The trading day on which the <i>transaction</i> was executed.
3.	Trading Time	The time at which the <i>transaction</i> was executed, reported in the local time of the competent authority to which the <i>transaction</i> will be reported, and the

6.	Instrument Identification	<p>basis in which the <i>transaction</i> is reported expressed as Co-ordinated Universal Time (UTC) +/- hours.</p> <p>This shall consist in:</p> <ul style="list-style-type: none"> - a unique code to be decided by the competent authority (if any) to which the report is made identifying the [share] which is the subject of the <i>transaction</i>; - if the [share] in question does not have a unique identification code, the report must include the name of the [share] ...
16.	Unit Price	The price per [share] excluding commission and (where relevant) accrued interest. ...
17.	Price Notation	The currency in which the price is expressed ...
18.	Quantity	The number of units of the [shares].
21.	Venue identification	<p>Identification of the venue where the <i>transaction</i> was executed. That identification shall consist ... [of the <i>regulated market</i> or <i>MTF's</i>] ... unique harmonised identification code;</p> <p>...</p>

2.6.17 EU [deleted]

2.6.18 UK [Note: article 7 of *MiFIR*]

Deferred publication of large transactions

The deferred publication of information in respect of *transactions* may be authorised, for a period no longer than the period specified in Table 4 in Annex II [(see REC 2.6.20 EU)] for the class of share and *transaction* concerned, provided the following criteria are satisfied:

- (a) the *transaction* is between [a *MiFID investment firm*] *dealing on own account* and a *client* of that firm;
- (b) the size of that *transaction* is equal to or exceeds the relevant minimum qualifying size, as specified in Table 4 in Annex II [(see REC 2.6.20 EU)].

In order to determine the relevant minimum qualifying size for the purposes of point (b), all shares admitted to trading on a *regulated market* shall be classified in accordance with their average daily turnover to be calculated in accordance with Article 33.

2.6.18A UK [Note: article 10 of *MiFIR*]

2.6.18B UK [Note: *MiFID RTS 22*]

2.6.18C UK [Note: article 11 of *MiFIR*]

- 2.6.19 **EU** [deleted]
- 2.6.20 **EU** [deleted]
- 2.6.21 **EU** [deleted]
- 2.6.22 **EU** [deleted]
- 2.6.23 **EU** [deleted]
- 2.6.24 **EU** [deleted]
- 2.6.25 **EU** [deleted]
- 2.6.26 **G** In determining whether:
- (1) business conducted by means of a *UK RIE's facilities* is conducted so;
 - (2) [deleted]
- as to afford proper protection to investors, the *FCA* may, in addition to the matters dealt with in ■ REC 2.7 to ■ REC 2.12, have regard to all the arrangements made by the *UK recognised body* concerning the operation of its *facilities*.
- 2.6.27 **G** The *FCA* may also have regard to the extent to which the *UK recognised body's* rules, procedures and the arrangements for monitoring and overseeing the use of its *facilities*:
- (1) include appropriate measures to prevent the use of its *facilities* for abusive or improper purposes;
 - (2) provide appropriate safeguards for investors against fraud or misconduct, recklessness, negligence or incompetence by users of its *facilities*;
 - (3) provide appropriate information to enable users of its *facilities* to monitor their use of the *facilities*;
 - (4) include appropriate arrangements to enable users of its *facilities* to raise queries about any use of those *facilities* which they are reported to have made;
 - (5) include appropriate arrangements to enable users of its *facilities* to comply with any relevant regulatory or legal requirements; and
 - (6) include appropriate arrangements to reduce the risk that those *facilities* will be used in ways which are incompatible with relevant regulatory or legal requirements;

and in this paragraph "appropriate" should be taken to mean appropriate having regard to the nature and scale of the *UK recognised body's facilities*, the types of persons who will use the *facilities* and the use which they will make of those *facilities*.

Orderly markets

2.6.28 G In determining whether a *UK RIE* is ensuring that business conducted by means of its *facilities* is conducted in an orderly manner (and so as to afford proper protection to investors), the *FCA* may have regard to the extent to which the *UK RIE's* rules and procedures:

- (1) are consistent with the *Market Abuse Regulation*;
- (2) prohibit abusive trading practices or the deliberate reporting or publication of false information about trades; and
- (3) prohibit or prevent:
 - (a) trades in which a party is improperly indemnified against losses;
 - (b) trades intended to create a false appearance of trading activity ("wash trades");
 - (c) cross trades executed for improper purposes;
 - (d) improperly prearranged or prenegotiated trades;
 - (e) trades intended to assist or conceal any potentially identifiable trading abuse ("accommodation trades"); and
 - (f) trades which one party does not intend to close out or settle.

2.6.29 G In determining whether a *UK RIE* is ensuring that business conducted by means of its *facilities* is conducted in an orderly manner (and so as to afford proper protection to investors), the *FCA* may have regard to whether the *UK RIE's* arrangements and practices:

- (1) enable *members* and *clients* for whom they act to obtain the best price available at the time for their size and type of trade;
- (2) demonstrate that the *UK RIE* is able to satisfy:
 - (a) either or both of the following:
 - (i) (for shares, depositary receipts, *exchange traded funds*, *certificates* and other similar *financial instruments* traded on its *trading venues*) the pre-trade transparency requirements in article 3 of *MiFIR*, unless waived by the *FCA* under article 4 of *MiFIR* in which case the *FCA* will have regard to the *UK RIE's* ability to demonstrate that it is able to satisfy article 5(7) of *MiFIR*; or
 - (ii) (for bonds, *structured finance products*, *emission allowances* and derivatives traded on its *trading venues*) the pre-trade transparency requirements in article 8 of *MiFIR*, unless waived or temporarily suspended by the *FCA* under article 9 of *MiFIR*; and
 - (b) either or both of the following:

- (i) (for shares, depositary receipts, *exchange traded funds*, *certificates* and other similar *financial instruments* traded on its *trading venues*) the post-trade transparency requirements set out in article 6 of *MiFIR*, unless the *FCA* has provided for deferred publication in accordance with article 7 of *MiFIR*; or
- (ii) (for bonds, *structured finance products*, *emission allowances* and *derivatives* traded on its *trading venues*) the directly applicable post-trade transparency requirements set out in article 10 of *MiFIR*, unless the *FCA* has provided for deferred publication or temporarily suspended such post-trade transparency requirements in accordance with article 11 of *MiFIR*. In the event the *FCA* has provided for deferred publication of the post-trade transparency requirements, regard would be had to the *UK RIE's* ability to demonstrate that it is able to satisfy any other requests made by the *FCA* pursuant to article 11(3) of *MiFIR*; and
- (c) (for all *financial instruments* referred to in ■ REC 2.6.29G(2)(a) or ■ REC 2.6.29(2)(b) traded on its *trading venue*) the obligation to make pre-trade and post-trade data available separately and on a reasonable commercial basis in accordance with articles 12 and 13 of *MiFIR*, and *MiFID RTS 14* on the specification of the offering of pre-trade data and post-trade data and the level of disaggregation.

(2A) [deleted]

(3) [deleted]

(4) [deleted]

2.6.29A G In addition to the matters set out in ■ REC 2.6.29G, the *FCA* may have regard to the *UK recognised body's* compliance with relevant requirements of *MiFID RTS 7* on the prevention of disorderly trading conditions.

2.6.30 G [deleted]

2.6.31 G [deleted]

2.6.32 G [deleted]

2.6.33 G [deleted]

2.6.34 G [deleted]