Chapter 29

Commission Delegated Regulation (EU) 2017/589

ANNEX I Criteria to be considered in the investment firm's self-assessment as referred to in Article 9(1)

(1) When considering the nature of its business, an investment firm shall consider the following, where applicable:

(a) the regulatory status of the firm and, where applicable, of its DEA clients, including the regulatory requirements to which it is subject as an investment firm as a result of UK law corresponding to Directive 2014/65/EU, and other relevant regulatory requirements;

(b) the firm's roles in the market, including whether it is a market maker and whether it executes orders for clients or rather only trades on its own account;

(c) the level of automation of trading and of other processes or activities of the firm;

(d) the types and regulatory status of the instruments, products and asset classes that the firm trades in;

(e) the types of strategies the firm employs and the risks contained in these strategies for the firm's own risk management and for the fair and orderly functioning of the markets; the firm shall consider in particular the nature of these strategies, such as market making or arbitrage, and whether those strategies are long-term, short-term, directional, or non-directional;

(f) the latency sensitivity of the firm's strategies and trading activities;

(g) the type and regulatory status of trading venues and other liquidity pools accessed and in particular whether the trading activity on those trading venues and other liquidity pools are lit, dark or over-the-counter trading;

(h) the connectivity solutions of the firm and whether it accesses trading venues as a member, as a DEA client or as a DEA provider;

(i) the extent to which the firm relies on third parties for the development and maintenance of its algorithms or trading systems and whether these algorithms or trading systems are self-developed, co-developed with a third party, or purchased from, or outsourced to, a third party;

(j) the firm's ownership and governance structure, how it is structured organisationally and operationally, and whether it is a partnership, subsidiary, publicly traded company, or otherwise;

(k) the firm's risk management, compliance, audit structure and organisation;

(l) the date of establishment of the firm and level of experience and competency of its personnel and whether it is recently established.

(2) When considering the scale of its business, an investment firm shall consider the following, where applicable:

(a) the number of algorithms and strategies running in parallel;

(b) the number of individual instruments, products, and asset classes traded;

(c) the number of trading desks operated and individual trading identifiers of the natural persons and algorithms responsible for order execution used;

(d) the messaging volume capacities and in particular the number of orders submitted, adjusted, cancelled and executed;

(e) the monetary value of its gross and net positions intraday and overnight;

(f) the number of markets accessed either as a member or participant or via DEA;

(g) the number and size of the firm's clients and notably the firm's DEA clients;

(h) the number of co-location or proximity hosting sites to which the firm has connectivity;

(i) the throughput size of connectivity infrastructure of the firm;

(j) the number of clearing members or CCP memberships of the firm;

(k) the firm's size in terms of number of traders and front-office, middle-office and back-office staff employed as full-time equivalent;

(l) the number of the firm's physical locations;

(m) the number of countries and regions in which the firm is undertaking trading activities;

(n) the firm's annual earnings and profits.

(3) When considering the complexity of its business, an investment firm shall consider the following, where applicable:

(a) the nature of the strategies carried out by the firm or by its clients, to the extent that these strategies are known by the firm and, in particular, whether these strategies imply algorithms initiating orders related to correlated instruments or on several trading venues or liquidity pools;

(b) the firm's algorithms, in terms of coding, inputs upon which the algorithms are reliant, interdependencies, and the rule exceptions contained in the algorithms, or otherwise;

(c) the firm's trading systems in terms of diversity of trading systems employed, and the extent to which the firm has control over setting, adjusting, testing, and reviewing its trading systems;

(d) the structure of the firm in terms of ownership and governance and its organisational, operational, technical, physical, or geographical set up;

(e) the diversity of the firm's connectivity, technology or clearing solutions;

(f) the diversity of the firm's physical trading infrastructures;

(g) the level of outsourcing undertaken or offered by the firm and in particular where key functions are being outsourced;

(h) the firm's provision or usage of DEA, whether it is DMA or sponsored access, and the conditions under which DEA is offered to clients; and,

(i) the speed of trading by the firm or its clients.