

Chapter 29

Commission Delegated Regulation (EU) 2017/589

Article 16 Real-time monitoring(Article 17(1) of Directive 2014/65/EU)

(1) An investment firm shall, during the hours it is sending orders to trading venues, monitor in real time all algorithmic trading activity that takes place under its trading code, including that of its clients, for signs of disorderly trading, including trading across markets, asset classes, or products, in cases where the firm or its clients engage in such activities.

(2) The real-time monitoring of algorithmic trading activity shall be undertaken by the trader in charge of the trading algorithm or algorithmic trading strategy, and by the risk management function or by an independent risk control function established for the purpose of this provision. That risk control function shall be considered to be independent, regardless of whether the real-time monitoring is conducted by a member of the staff of the investment firm or by a third party, provided that that function is not hierarchically dependent on the trader and can challenge the trader as appropriate and necessary within the governance framework referred to in Article 1.

(3) Staff members in charge of the real-time monitoring shall respond to operational and regulatory issues in a timely manner and shall initiate remedial action where necessary.

(4) An investment firm shall ensure that the competent authority, the relevant trading venues and, where applicable, DEA providers, clearing members and central counterparties can at all times have access to staff members in charge of real-time monitoring. For that purpose, the investment firm shall identify and periodically test its communication channels, including its contact procedures for out of trading hours, to ensure that in an emergency the staff members with the adequate level of authority may reach each other in time.

(5) The systems for real-time monitoring shall have real-time alerts to assist staff in identifying unanticipated trading activities undertaken by means of an algorithm. An investment firm shall have a process in place to take remedial action as soon as possible after an alert has been generated, including, where necessary, an orderly withdrawal from the market. Those systems shall also provide alerts in relation to algorithms and DEA orders triggering circuit breakers of a trading venue. Real-time alerts shall be generated within five seconds after the relevant event.