

Chapter 29

Commission Delegated Regulation (EU) 2017/589

Article 20 Controls of DEA providers(Article
17(5) of Directive 2014/65/EU)

(1) A DEA provider shall apply the controls laid down in Articles 13, 15 and 17 and the real-time monitoring laid down in Article 16 to the order flow of each of its DEA clients. Those controls and that monitoring shall be separate and distinct from the controls and monitoring applied by DEA clients. In particular, the orders of a DEA client shall always pass through the pre-trade controls that are set and controlled by the DEA provider.

(2) A DEA provider may use its own pre-trade and post-trade controls, controls provided by a third party or controls offered by the trading venue and real time monitoring. In all circumstances, the DEA provider shall remain responsible for the effectiveness of those controls. The DEA provider shall also ensure that it is solely entitled to set or modify the parameters or limits of those pre-trade and post-trade controls and real time monitoring. The DEA provider shall monitor the performance of the pre-trade and post-trade controls on an on-going basis.

(3) The limits of the pre-trade controls on order submission shall be based on the credit and risk limits which the DEA provider applies to the trading activity of its DEA clients. Those limits shall be based on the initial due diligence and periodic review of the DEA client by the DEA provider.

(4) The parameters and limits of the controls applied to DEA clients using sponsored access shall be as stringent as those imposed on DEA clients using DMA.