

## **Chapter 29**

# **Commission Delegated Regulation (EU) 2017/589**

Article 22 Due diligence assessment of  
prospective DEA clients(Article 17(5) of  
Directive 2014/65/EU)

(1) A DEA provider shall conduct a due diligence assessment of its prospective DEA clients to ensure that they meet the requirements set out in this Regulation and the rules of the trading venue to which it offers access.

(2) The due diligence assessment referred to in paragraph 1 shall cover:

(a) the governance and ownership structure of the prospective DEA client;

(b) the types of strategies to be undertaken by the prospective DEA client;

(c) the operational set-up, the systems, the pre-trade and post-trade controls and the real time monitoring of the prospective DEA client. The investment firm offering DEA allowing DEA clients to use third-party trading software for accessing trading venues shall ensure that the software includes pre-trade controls that are equivalent to the pre-trade controls set out in this Regulation.

(d) the responsibilities within the prospective DEA client for dealing with actions and errors;

(e) the historical trading pattern and behaviour of the prospective DEA client;

(f) the level of expected trading and order volume of the prospective DEA client;

(g) the ability of the prospective DEA client to meet its financial obligations to the DEA provider;

(h) the disciplinary history of the prospective DEA client, where available.

(3) A DEA provider allowing sub-delegation shall ensure that a prospective DEA client, before granting that client access, has a due diligence framework in place that is at least equivalent to the one described in paragraphs 1 and 2.