

ESMA agrees to limit the application of tick sizes to systematic internalisers quotes for shares and depositary receipts

ESMA, considering the need to address the application of tick sizes to systematic internaliser (SIs) quotes in a timely fashion, has agreed to limit the application of tick sizes to quotes of SIs to shares and depositary receipts.

RTS 1 details the transparency requirements for equity instruments, including the quoting obligations for SIs under the Markets in Financial Instruments Regulation (MiFIR). Following a consultation, ESMA submitted a proposal to amend RTS 1 to the European Commission (EC) on 26 March 2018. ESMA's draft amendment proposed further specifying the concept of *prices reflecting prevailing market conditions*, and to clarify that SIs' quotes would only reflect prevailing market conditions where those quotes reflect the minimum price levels applicable to on-venue orders and quotes. On 10 August 2018, the EC informed ESMA of its intention to endorse the proposed amendments to RTS 1 with modifications.

Following an assessment of the EC's proposed modifications, ESMA considers that the EC's amendment will ensure the application of tick sizes to SIs' quotes for most equity instruments in a timely fashion. Therefore, ESMA has agreed to limit the application of tick sizes to quotes of SIs to shares and depositary receipts.

ESMA continues to believe that its proposal to tie systematic internaliser quotes to price levels that can be traded on trading venues for all equity and equity-like instruments better achieves the legislative goals expressed in the empowerment of Article 14(7) of MiFIR. However, ESMA has agreed with the EC that any concerns about efficient valuation and price formation are most relevant for shares and depositary receipts.

Furthermore, ESMA also agreed with the other changes introduced by the EC that are of a more technical nature and not intended to change the substance of the ESMA proposals.

Next Steps

ESMA has sent its [opinion and revised draft RTS](#) for endorsement to the EC.