European Securities and Markets Authority

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PRESS RELEASE

ESMA publishes final report on the tick size regime

The European Securities and Markets Authority (ESMA) has today published its Final Report amending the tick size regime (Commission Delegated Regulation (EU) 2017/588 (RTS 11)). The proposed draft amendments to RTS 11 will allow National Competent Authorities (NCAs) of European Union (EU) trading venues, where third-country shares are traded, to decide on an adjusted average daily number of transactions (ADNT) on a case-by-case basis in order to take into account the liquidity available on third country venues in the calibration of tick sizes.

The minimum tick size, under RTS 11, applicable to shares and depositary receipts is calibrated to the ADNT on the most liquid market in the EU. While this metric appears to be an adequate liquidity indicator for the vast majority of equity instruments, experience since MiFID II's implementation shows that it may not be suited to instruments where the most liquid venue is located outside the EU.

In those cases, the mandatory tick size may be calculated only based on a small subset of the global trading activity and, as a result, EU trading venues may be subject to minimum tick sizes that are larger than those applicable on non-EU venues. This may unintentionally put EU venues at a competitive disadvantage, and may result in shallower liquidity on EU trading venues which could be detrimental to the interests of investors trading on EU venues and for orderly trading on EU markets.

Steven Maijoor, Chair, said:

> "Today's proposal aims to alleviate concerns about an unlevel playing field developing regarding tick sizes between third-country and EU trading venues. It also ensures that the applicable tick size in the EU is calibrated in a more convergent way.
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> "The proposed amendment is also relevant in the context of the United Kingdom's withdrawal from the EU, which may result in a significant increase of the number of equity instruments for which the most liquid trading venue is located outside the Union.

It will provide EU national competent authorities with adequate tools to address, at least with respect to the tick size regime, the possible issues that might arise in this context."

Next steps

ESMA has submitted the final report to the European Commission which now has three months to decide whether to endorse the proposed amendments to RTS 11.

Notes for editors

1. Final Report:

   - ESMA70-156-834 Amendment to Commission Delegated Regulation (EU) 2017/588 (RTS 11)

2. Since the implementation of MiFID II on 3 January 2018 trading venues in the EU must comply with a mandatory tick size regime as prescribed under Article 49 of MiFID II and as further specified in RTS 11. Under this regime, orders in shares and depositary receipts traded on an EU trading venue are subject to minimum tick sizes that are determined based on both (i) the average daily number of transactions (ADNT) on the most relevant market in terms of liquidity (i.e. the trading venue in the EU with the highest turnover) and (ii) the price of the order.

3. ESMA's mission is to enhance investor protection and promote stable and orderly financial markets.

   It achieves these objectives through four activities:

   i. assessing risks to investors, markets and financial stability;

   ii. completing a single rulebook for EU financial markets;

   iii. promoting supervisory convergence; and

   iv. directly supervising specific financial entities.

4. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

Further information:

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