

## PUBLIC STATEMENT

### **Actions to mitigate the impact of COVID-19 on the EU financial markets regarding the new tick size regime for systematic internalisers**

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The European Securities and Markets Authority (ESMA) is aware of the difficulties encountered by EU systematic internalisers to comply with the new tick-size regime introduced to Regulation (EU) No 600/2014 ('MiFIR') by Regulation (EU) No 2019/2033 ('Investment Firm Regulation' or 'IFR'), in a situation where they are already facing significant challenges due to the COVID-19 pandemic and the related actions taken by the EU Member States to prevent its contagion.

In this respect, and in accordance with Article 31(2)(e) of Regulation (EU) No 1095/2010<sup>1</sup>, ESMA is issuing this Public Statement to ensure coordinated supervisory actions needed in response to the effect of the aforementioned adverse events on the application of IFR for systematic internalisers.

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Pursuant to Article 17a of MiFIR systematic internalisers (SIs) have to comply with tick sizes set in accordance with Article 49 of Directive 2014/65/EU. In accordance with Article 66(1)(3)(a) of IFR, the date of application of Article 17a of MiFIR (and therefore, the date of the application of the tick-size regime for SIs) is 26 March 2020.

ESMA understands that the compliance with the new tick size requirements as of 26 March 2020 could create unintended operational risks for EU market participants in the current market situation in the context of the increasing spread of the COVID-19 pandemic.

As a response to the pandemic, legislative measures and constraints have been imposed by EU and third-country authorities. In addition, individual firms are taking actions to protect their business and employees' health and to ensure core business continuity in extremely stressed market conditions.

ESMA hence acknowledges that in the current environment, market participants' human and technological resources are stretched and have to focus on ensuring business continuity. Changes to critical trading technology infrastructures at a moment when the business

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<sup>1</sup> Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).



operations are handled from different geographical locations can create additional operational risks for certain EU markets participants at a time of heightened volatility in markets.

ESMA acknowledges the importance of a timely implementation of Article 17a of MiFIR in order to ensure a level-playing field in EU markets. ESMA also wishes to emphasise that upon its own initiative the relevant implementing measure has been amended in the past ensuring that SIs adhere to the tick size regime up to standard market size.

Taking all these factors into consideration and on account of the current extraordinary circumstances, ESMA expects competent authorities not to prioritise their supervisory actions in relation to the new tick-size regime introduced in MiFIR towards SIs, as of 26 March 2020 and until 26 June 2020, and to generally apply their risk-based supervisory powers in their day-to-day enforcement of applicable legislation in this area in a proportionate manner.