Changes to legislation: *There are outstanding changes not yet made to Commission Delegated Regulation (EU) 2017/569. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details)EUR 2017 No. 569 may be subject to amendment by EU Exit Instruments made by the Financial Conduct Authority under powers set out in The Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 (S.I. 2018/1115), regs. 2, 3, Sch. Pt. 1. These amendments are not currently available on legislation.gov.uk. Details of relevant amending instruments can be found on their website/s. (See end of Document for details) View outstanding changes*

Commission Delegated Regulation (EU) 2017/569 of 24 May 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the suspension and removal of financial instruments from trading (Text with EEA relevance)

COMMISSION DELEGATED REGULATION (EU) 2017/569

of 24 May 2016

supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the suspension and removal of financial instruments from trading

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU[(1)], and in particular the 10th subparagraph of Article 32(2) and the 10th subparagraph of Article 52(2) thereof,

Whereas:

(1) The objective of a suspension or removal from trading of a financial instrument will in some cases not be achieved unless a derivative of a type referred to in points 4 to 10 of Section C of Annex I to Directive 2014/65/EU relating or referenced to that financial instrument is also suspended or removed from trading.

(2) In determining cases where the connection is such that it is necessary to suspend or remove related derivatives, the strength of the connection between the derivative and the financial instrument that is suspended or removed from trading should be considered. In this respect, a distinction should be made between a derivative for which the formation of its price or value is dependent on the price or value of a sole underlying financial instrument, and derivatives for which the price or value is dependent on multiple price inputs, for instance, derivatives related to an index or a basket of financial instruments.

(3) The inability to correctly price related derivatives, leading to a disorderly market, should be considered the strongest for the cases where the derivative is related or referenced to only one financial instrument. When the derivative is related or referenced to a basket of financial instruments or an index of which the suspended financial instrument is only one part, the ability of market participants to determine the correct price would be less affected. Thus the characteristics of the connection between the derivative and the underlying should be taken into account in considering the overall objective of the suspension or removal.

Changes to legislation: *There are outstanding changes not yet made to Commission Delegated Regulation (EU) 2017/569. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details)EUR 2017 No. 569 may be subject to amendment by EU Exit Instruments made by the Financial Conduct Authority under powers set out in The Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 (S.I. 2018/1115), regs. 2, 3, Sch. Pt. 1. These amendments are not currently available on legislation.gov.uk. Details of relevant amending instruments can be found on their website/s. (See end of Document for details) View outstanding changes*

(4) It should be taken into account that a market operator has to ensure fair, orderly and efficient trading in its market. Outside the scope of this Regulation, a market operator will need to make an assessment of whether the suspension or removal from trading of the underlying financial instrument endangers the fair and orderly trading of the derivative in its trading venue, including taking appropriate action such as the suspension or removal of related derivatives on its own initiative.

(5) Article 32(2) and Article 52(2) of Directive 2014/65/EU should be applied consistently to different types of trading venues. They are closely linked, since they deal with specifying the suspensions and removals on different types of trading venues. To ensure consistent application of these provisions which should enter into force at the same time, and to facilitate a comprehensive view for stakeholders and, in particular, those subject to the obligations, it is necessary to consolidate the regulatory technical standards developed under Article 32(2) and Article 52(2) of Directive 2014/65/EU in a single Regulation.

(6) For reasons of consistency and in order to ensure the smooth functioning of the financial markets, it is necessary that the provisions laid down in this Regulation and the related national provisions transposing Directive 2014/65/EU apply from the same date.

(7) This Regulation is based on the draft regulatory technical standards submitted by the European Securities and Markets Authority (ESMA) to the Commission.

(8) ESMA has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Securities and Markets Stakeholder Group established by Article 37 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council[(2)],

HAS ADOPTED THIS REGULATION:

Article 1

Connection between a derivative related or referenced to a financial instrument suspended or removed from trading and the original financial instrument

A market operator of a regulated market and an investment firm or market operator operating a multilateral trading facility (MTF) or an organised trading facility (OTF shall suspend or remove a derivative referred to in points 4 to 10 of Section C of Annex I to Directive 2014/65/EU from trading where that derivative is related or referenced to only one financial instrument, and that financial instrument has been suspended or removed from trading.

Article 2

Entry into force and application

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.