



FIA Template Questionnaire

DUE DILIGENCE ASSESSMENT OF PROSPECTIVE DEA CLIENTS

Overview

MIFID II requires investment firms that provide direct electronic access ('DEA') to a trading venue to have in place effective systems and controls which ensure a proper assessment and review of the suitability of clients using the service, that clients using the service are prevented from exceeding appropriate pre-set trading and credit thresholds, that trading by clients using the service is properly monitored and that appropriate risk controls prevent trading that may create risks to the investment firm itself or that could create or contribute to a disorderly market or could be contrary to Regulation (EU) No 596/2014 or the rules of the trading venue. Direct electronic access without such controls is prohibited. An investment firm that provides direct electronic access is responsible for ensuring that clients using that service comply with the requirements of MiFID II and the rules of the trading venue.¹

Commission Delegated Regulation (EU) 2017/589 of 19 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the organisational requirements of investment firms engaged in algorithmic trading² ('RTS 6') further specifies DEA requirements, including the due diligence assessment requirements of prospective DEA Clients.³ An investment firm offering DEA is required to carry out a due diligence assessment of its prospective DEA Clients to ensure that they meet the requirements set out in RTS 6 and the rules of the trading venue to which it offers access. 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 that the DEA provider is subject to under RTS 6.⁴ A DEA provider (and a DEA Client which provides sub-delegation) shall review its due diligence assessment processes annually.⁵

The purpose of this template DEA Client Due Diligence Questionnaire (DEA Client DDQ), is to allow both the DEA Provider and Client to utilise a standardised set of relevant/necessary checks. Whilst this template may allow DEA Providers to use a common set of questions for their DEA Clients, it is not intended to be uniform across all firms, and DEA Providers may omit or add questions appropriate to the services that they provide to DEA Clients, as well as any additional questions pertinent to local regulations under the jurisdiction of the DEA Provider.

Notes:

¹ See MiFID II, Article 17(5).

² Published in the Official Journal of the EU, OJ L 87, 31 March 2017. Available at: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2017.087.01.0417.01.ENG&toc=OJ:L:2017:087:TOC

³ See Article 22 of RTS 6 for details.

⁴ See Article 22(3) of RTS 6.

⁵ See Article 23 of RTS 6 for details.



A DEA Provider may require a DEA Client answering in the affirmative to questions A.6, A.7 or A.8 to provide additional information above what is specifically required under Article 22 of RTS 6.

This DEA Client DDQ has been provided solely for the purposes of assisting DEA Providers to meet their obligations under Article 22 of RTS 6. For the avoidance of doubt, the DEA Client DDQ template does not achieve or guarantee compliance of DEA Providers with the RTS 6 DEA requirements. It is merely a framework/platform which DEA Providers may choose to utilise in order to conduct the DEA Client due diligence assessment. The DEA Client DDQ does not cover and is not intended to be used as a template for any other due diligence requirements in RTS 6 or any other regulation that the DEA Provider may be subject to. However, where a DEA Provider wishes to add additional questions pertaining to topics such as *inter alia* algorithmic trading controls or Market Abuse Regulation requirements, it may add such additional questions to this document as appropriate.

All capitalised terms used in this document have the meaning as defined under MiFID II (including Level 2), unless indicated otherwise.

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DUE DILIGENCE ASSESSMENT OF PROSPECTIVE DEA CLIENTS

A. DEA Due Diligence Questions for DEA Clients [please complete]

	Question / Description		Response
DEA Client Name	A.1	Full legal name of the DEA Client.	
DEA Client LEI	A.2	Legal Entity Identifier (<i>or equivalent</i>) of the DEA Client.	
DEA Client Jurisdiction	A.3	Location of the DEA Client.	
DEA Client Authorisation Status	A.4	Describe the legal status of the DEA Client regarding access to European trading venues under MiFID II. For example, is the DEA Client authorized as an investment firm under MiFID II, exempt under MiFID II, etc.	
DEA Client Governance	A.5	Please describe the governance and ownership structure of the DEA Client.	
	A.6	Please describe the ability of the DEA Client to meet its financial obligations to the DEA Provider.	
	A.7	Please disclose any disciplinary actions brought by EU regulators or by trading venues against the DEA Client, which: <ul style="list-style-type: none"> • Relate to the relevant trading activity; and • Were brought within the preceding five year period. 	
	A.8	Describe the DEA Client's historical trading pattern and behaviour during the normal course of business on Relevant	

DEA Client Activity		Markets ⁶ that will be accessed via the prospective DEA arrangement? <i>(Please answer with reference to asset classes traded during the last 2 years, in what capacities and, trading frequency).</i>	
	A.9	Where the DEA Client intends to undertake Relevant Markets to be accessed via the DEA arrangement, please give a general description of: <ul style="list-style-type: none"> • The types of trading strategies; • Any automated investment or execution strategies; • The level of expected trading; and • The level of expected order volume. 	
	A.10	Will the DEA Client be classified as a “market maker” <i>(as defined in Article 4(1) (7) of MiFID II)</i> ?	
	A.11	Will the DEA Client have a direct relationship with the trading venue to which the DEA arrangement relates?	
	A.12	Will the DEA Client be classified as a clearing member in relation to any relevant CCP involved in a clearing process linked to the DEA Services?	
	A.13	Please describe the operational setup and systems that the DEA Client uses - or plans to use.	
	A.14	Please describe all pre- and post-trade risk controls that the DEA Client applies or will apply to its trading strategies on the Relevant Markets to be accessed via the DEA arrangement.	
	A.15	If the DEA Client is using - or plans to use - third party trading software, please describe the pre-trade controls provided.	

⁶ “Relevant Markets” are defined in this template as any regulated market or multilateral trading facility authorised under Title III of Directive 2014/65/EU to which the prospective DEA Client wishes to access through the DEA Provider.

	A.16	Please describe the real-time monitoring systems the DEA Client applies or will apply to its trading strategies on the Relevant Markets to be accessed via the DEA arrangement have in place?	
	A.17	Please describe the responsibilities within the DEA Client for dealing with actions and errors.	

B. Clients Providing DEA service to their clients through Sub-Delegation⁷ [please complete]

		Question / Description	Response
Sub-Delegation	B.1	Are you providing Sub-Delegation? (Yes / No)	(If yes, then please complete the following questions)
	B.2	Do you comply with the requirements set out in Article 22(3) of RTS 6?	
	B.3	Do you carry out an annual due diligence assessment (as per Article 23 of RTS 6)?	
	B.4	Are you using a due diligence framework which covers substantively the same topics as this questionnaire?	

⁷ This section is only relevant where a DEA Provider allows its DEA Clients to offer sub-delegation.



C. Submission and Contacts [please complete]

DEA Provider	[DEA Provider]
DEA Client Name	
DEA Client Compliance Contact	
DEA Client DDQ Submitted by	
Date of DEA Client DDQ Submission	