MiFID II HFT Test

MiFID II Article 4(1)(40) and Article 19 in the supporting draft delegated act define three criteria that an investment firm must meet to be deemed to be using high frequency algorithmic trading techniques.

1. **Infrastructure to minimise latency**
   - Co-location OR
   - Proximity OR
   - High Speed Direct Electronic Access

2. **No human intervention**
   - in order initiation, generation and routing

3. **High message intraday rate test**
   - average number of messages per second, scope is prop flow in liquid instruments
   - 2 messages per instrument and trading venue OR
   - 4 messages per trading venue

Sources:
- MiFID II – Level 1 Text
- MiFID II – Draft delegated Acts with regard to organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive

*Last updated 6 May 2016*