

**Explanatory statement under Article 28a(9) Markets in Financial Instruments Regulation (600/2014) (UK MiFIR) relating to the Financial Conduct Authority (FCA) Direction on the Derivatives Trading Obligation (DTO)**

**17 July 2025**

**Background**

On 31 December 2024, we issued a direction under Article 28a of UK MiFIR to modify the UK derivatives trading obligation (DTO), replacing the expiring transitional direction. We also issued a statement alongside the direction as required by Article 28a(6).

The direction allows firms subject to the UK DTO, trading with or on behalf of EU clients subject to the EU DTO, to execute those trades on EU trading venues – provided certain conditions are met.

This includes that firms must take reasonable steps to be satisfied the client does not have arrangements in place to execute the trade on a trading venue to which both the UK and EU have granted equivalence.

**Legal basis for this statement**

Under Article 28a(9), where a direction remains in effect for longer than 6 months, we must publish “as soon as reasonably practicable” after each 6-month period, a statement explaining why the conditions under Article 28a(1)(a) and (b) continue to be met to extend it for a further 6 months.

This statement covers the 6-month period to 31 December 2025.

**Article 28a(1)(a) - Ongoing need to prevent or mitigate market disruption**

In absence of mutual equivalence between the UK and EU, maintaining the direction is necessary to prevent or mitigate disruption for market participants caught by a conflict of law between the EU and UK DTOs – in particular branches of EU firms in UK.

**Article 28a(1)(b): Advancement of FCA’s operational objectives**

We are of the view that the direction continues to advance our operational objectives under section 1B(3) of FSMA by preventing or mitigating disruption for market participants caught by a conflict of law between the EU and UK DTOs in the absence of mutual equivalence between the UK and EU. We therefore remain of the view that maintaining the direction directly supports our operational objectives.

**Conclusion and next review**

We confirm that the direction remains in effect because both conditions in Article 28a(1)(a) and (b) continue to be satisfied. A further review will be conducted at the conclusion of the next 6-month period, after which, if the direction is still in force we will issue a new statement.