

Regulatory Update

OpenDay
2023

Dominic Cole

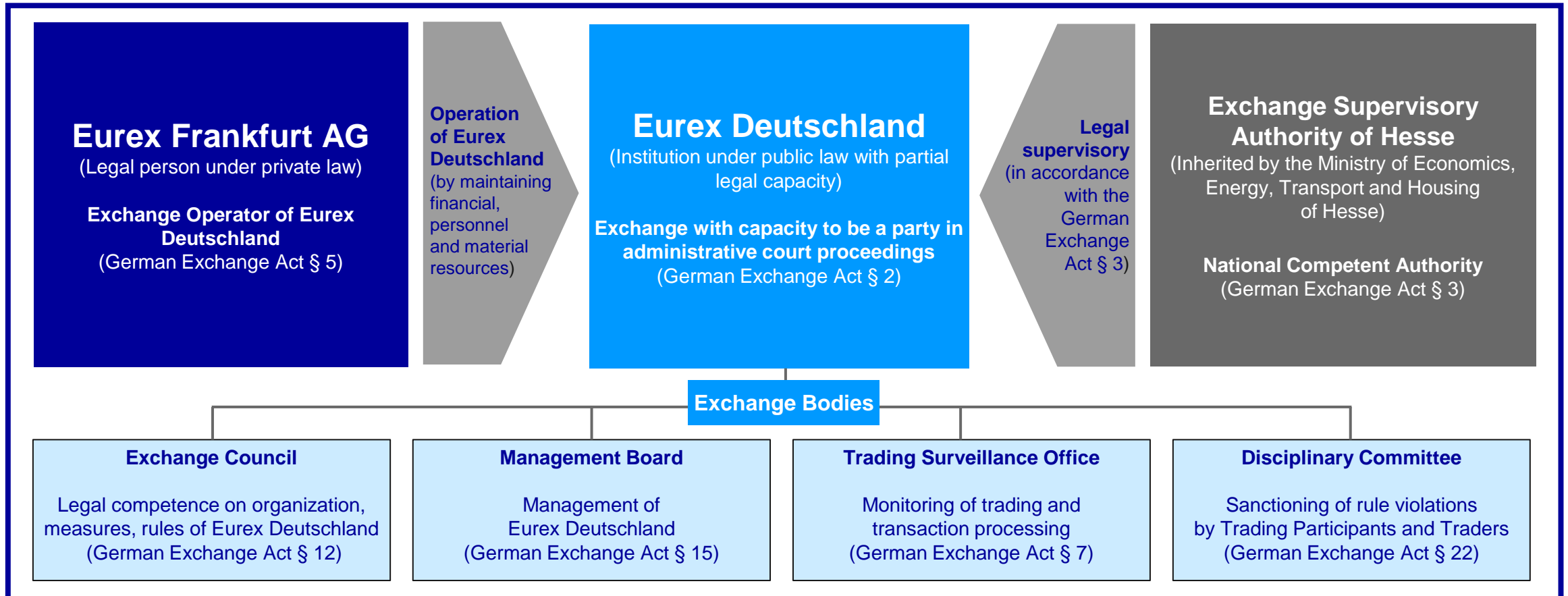
21 September 2023



Eurex Stakeholder Overview

Overview on the dual exchange framework in Germany: Distinction between Exchange and Exchange Operator

- The **German Exchange Act** provides the federal exchange framework for Germany, which can be supplemented or concretized by state laws
- State authorities, such as the **Exchange Supervisory Authority of Hesse**, are entrusted with supervision of the exchanges in their respective states



Trader Admission

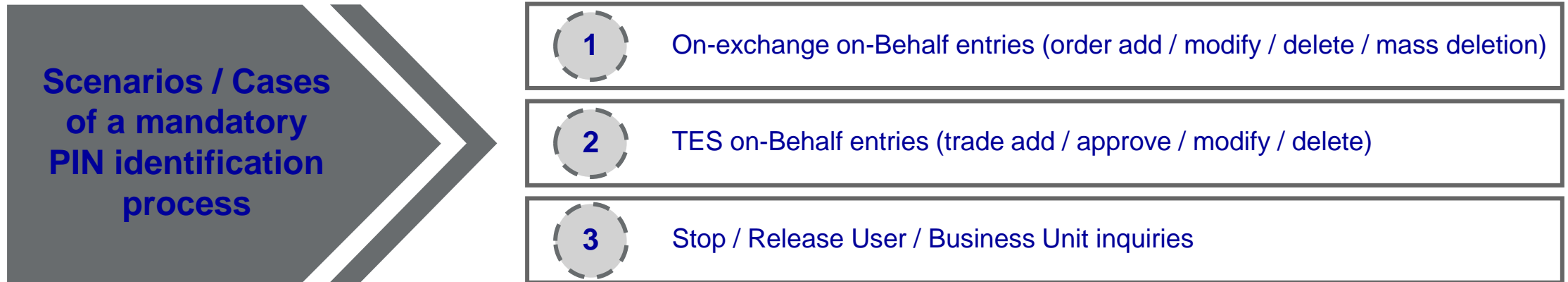
Order Routing System Disclosure Tag 2404 for admitted Exchange Traders

- § 19 of the BoersG requires that any person trading on behalf of an admitted Admitted Company must be admitted as Exchange Trader
- § 56 of the Exchange Rules of Eurex Deutschland requires an Exchange Trader who uses an Order Routing System to submit its own personal user ID to the Eurex Trading System.
- Exchange Traders who use an Order-Routing-System are responsible themselves for compliance with the exchange-related provisions.
- If the ORS User is an admitted Exchange Trader, their own Member ID-Trader ID combination (e.g., ABCFRTRD001) must be submitted to the trading system of Eurex Deutschland via tag 2404 'ComplianceText'.

Potential Use Cases:

- ORS user is an Exchange Trader acting for the ORS provider
- ORS user is an Exchange Trader acting for another Admitted Company

Mandatory PIN Procedure for Trading on Behalf



- Admitted Company can request Trading on Behalf service from Eurex Deutschland in the event of technical issue
- When calling Eurex Trading Operations to perform any Trading on Behalf service, all traders must authorize themselves by providing the **Member ID**, **their user ID**, and **their PIN**
- The setup of PINs is done by the User Administrator via the T7 Admin GUI for all Eurex Trader IDs
- User Administrators must communicate the PINs to the responsible Exchange Traders (in case traders do not have direct Eurex Trader GUI access) or otherwise the respective PIN is visible in the T7 Trader GUI

MiFID fields validation logic change in Order / Quote / TES / Eurex EnLight (1/2)

T7 enhancements

Introducing mandatory field flagging for MiFID II fields in all T7 interfaces and trader GUI

- For proprietary trading in general and for agent trading if applicable, for the identification of natural persons, a short code will be mandatory in the Execution Decision ID (qualifier set to human, i.e., natural person) and Investment Decision ID (qualifier set to human, i.e., natural person)
- Trader GUI introduces fields Execution Decision ID and qualifier
- TES Approval Process Extension will follow the same field logic. Trading participants need to check whether their existing auto approval rules adhere to the new field logic

Exclusion of the numerical “0” in the three MiFID II short code / AlgoID fields

- The submission of a zero in the Execution Decision ID, Investment Decision ID, and Client ID will lead to a rejection of the entry, modification, or deletion request as “0” is not a permitted short code / Algo ID value

Check list

- Short codes and Algo IDs must have a value equal to or greater than 1
- For proprietary trading it is not allowed to use the ClientID as free text field
- Short codes of the natural person primarily responsible for the Execution Decision and Investment Decision (if applicable) must be available for submission in the MiFID fields and registered with the trading venues. Esp. trader short code registrations to be checked
- TES auto approval rules to be checked

*Riskless Principal = ESMA trading capacity MTCH Agency, Retail Agency = ESMA trading capacity AOTC

Proprietary, Market Making, Issuer- and Retail Liquidity Provider = ESMA trading capacity DEAL

MiFID Fields validation logic change in Order / Quote / TES / Enlight (2/2)

	Execution Decision ID		Investment Decision ID*		Client ID
Trading Capacity	Qualifier Algo / Human	Execution ID	Qualifier Algo / Human	Investment Decision ID	Client ID
AGENCY	mandatory	mandatory	optional	optional	mandatory
RISKLESS_PRINCIPAL	mandatory	mandatory	optional	optional	mandatory
RETAIL_AGENCY	mandatory	mandatory	optional	optional	mandatory
PROPRIETARY	mandatory	mandatory	mandatory	mandatory	empty
MARKET_MAKING	mandatory	mandatory	mandatory	mandatory	empty
ISSUER_LIQUIDITY_PROV	mandatory	mandatory	mandatory	mandatory	empty
RETAIL_LIQUIDITY_PROV	mandatory	mandatory	mandatory	mandatory	empty

**Investment decision ID and qualifier are optional in Agency, Retail-Agency and Riskless Principal trading capacity, if qualifier set then the field investment decision ID is mandatory*

Please find more information on MiFID flagging in our “[Factsheet: MiFID II / MiFIR Flagging Requirements - Execution decision, investment decision, client ID and DMA](#)” under

[eurex.com > Rules & Regs > MiFID II and MiFIR > Client & member reference data](#)

Changes on Interfaces

Information	Default setting removed with T7 12.0
Investment Qualifier	Human
Investment Qualifier	Human
Liquidity Provision Indicator	Non_liquidity_providing
Commodity Hedging	False

FIX LF

- Default settings will be removed as follows

T7 Trader GUI

- T7 Trader GUI will automatically fill Execution Decision ID & Execution Qualifier (only if user sets default value in application preferences)
- When logging in, pop-up window will prompt user to set default value for Execution Decision ID (Execution Qualifier will be “Human” (default at login)) & can be changed to “Algo” manually at the time of transaction submission

Reports

- TR100 Order to Trade Ratio Report & TR102 Excessive System Usage Report will be enhanced by additional fields
- TR103 Eurex Daily OTR Parameter & TR104 Eurex Daily ESU Parameter will be correspondingly changed
- New reports TR106 Order to Trade Ratio Detailed Transaction Report & TR107 Excessive System Usage Detailed Transaction Report will be introduced
- Further details in dedicated Eurex Circular & Report Reference Manual

MiFID II and MiFIR Requirements

Trading Capacity related AlgoID and Short Code Validations

Orders

No order deletion will take place for non-compliant 11.1 orders remaining in the order book at the time of the release conversion



Customer ToDo

- Update all orders not GFD to be compliant with the correct MiFID II information (already possible in 11.1) to enable full maintenance
- Adapt software to comply to the aforementioned validations

TES Auto Approval Rules

No deletions of non-compliant Auto Approval Rules will take place at the time of the release conversion



Customer ToDo

- Update all TES Auto Approval Rules to be compliant with the correct MiFID II information (already possible in 11.1 in the T7 Admin GUI)
- In case of non-compliant Auto Approval Rules, no Auto Approval will take place.

New Crossing Procedure and Pre-Arranged Trade Entry

Motivation

Trading Participants will be enabled

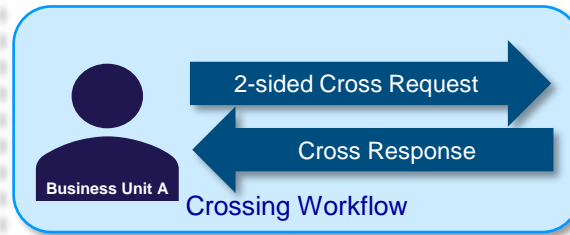
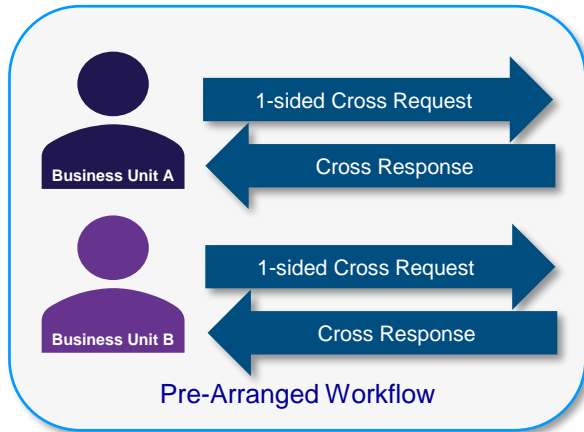
- to provide **all required information** of the Cross/Pre-Arranged Trade
- at the **appropriate time**
- while ensuring the **time management and compliance of announcements** as required by the Eurex Rules and Regulations

Eurex will streamline the announcement of a cross or pre-arranged trade as well as the respective order entry sequence into **an automated workflow** like the Eurex Improve functionality.



New Crossing Procedure and Pre-Arranged Trade Entry

Trading Participant



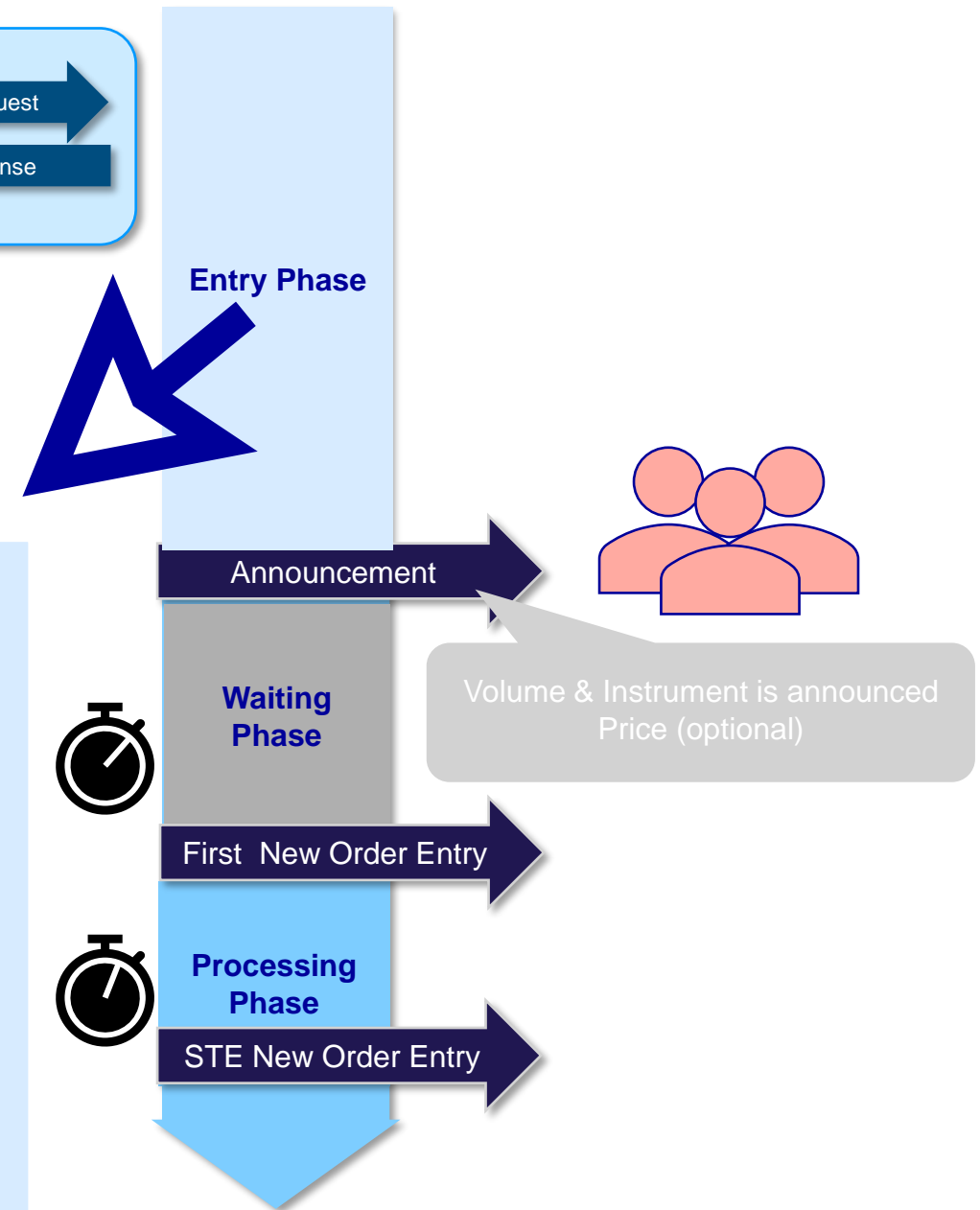
T7

Market Information

The Entry Phase

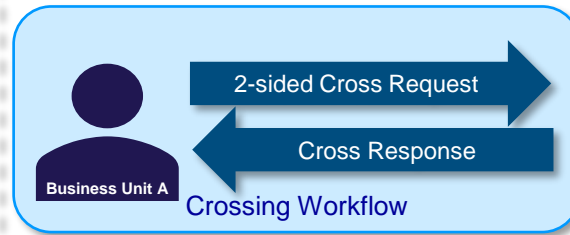
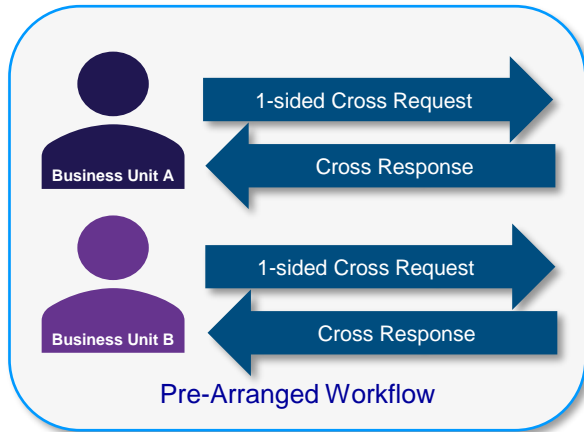
Trading Participants may

- Enter a new two-sided Cross Request in which both trade sides are included
- Enter a new one-sided Cross Request while another Trading Participant enters the opposite side – both being identified by a linkage ID defined by the Trading Participants
- Priority of trade sides will be set here
 - FTE – First to Enter Order
 - STE – Second to Enter Order



New Crossing Procedure and Pre-Arranged Trade Entry

Trading Participant

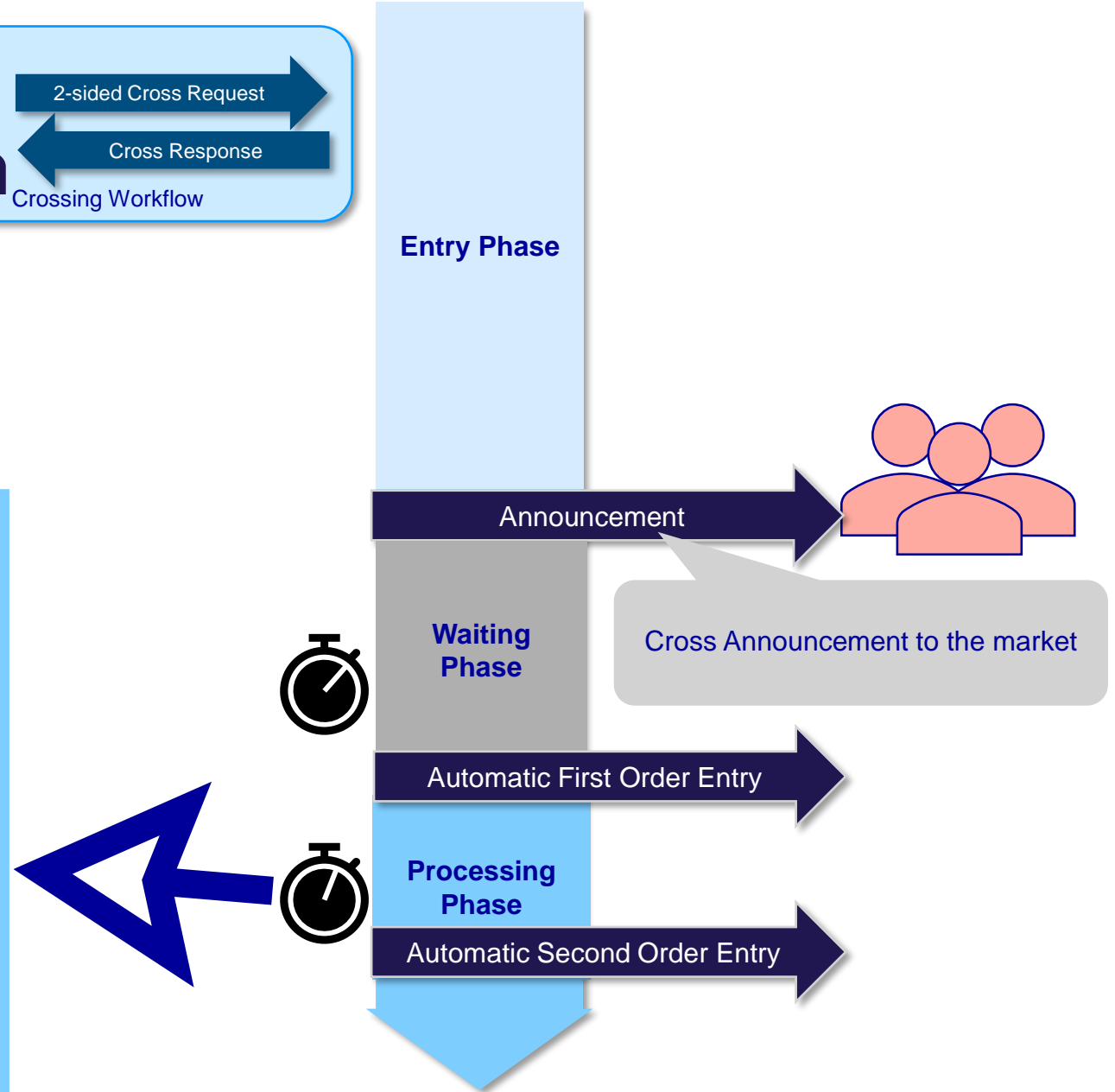


The Processing Phase

- Starts after the first order entry
- An optional second waiting period starts
- Second Order is entered
- Executions take place according to the order book situation
- Order maintenance will be possible

T7

Market Information



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Thank you!

Dominic Cole

Head of Global Key Account Management

Deutsche Börse AG
Mergenthalerallee 61
65760 Eschborn

Phone +44 207 862-75 28

E-mail dominic.cole@eurex.com

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#OpenDay2023

@DeutscheBoerse

firstname.lastname@deutscheboerse.com

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