X-pand into the Future

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Recipients: All Trading Participants of Eurex Deutschland and Eurex Zürich and Vendors
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⚠ **High priority**

MiFID II/MiFIR: Changes to Eurex T7 configuration and introduction of additional reports

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Content may be most important for:

- Front Office/Trading
- Middle + Backoffice
- IT/System Administration

Attachments:
none

Summary:

The regulatory changes of the revised Markets in Financial Instruments Directive (MiFID II) and the associated Markets in Financial Instruments Regulation (MiFIR) will come into effect on **3 January 2018**.

Apart from the introduction of new functionalities in T7 Release 6.0, Eurex Deutschland and Eurex Zürich AG (collectively: the Eurex Exchanges) will change the configuration of several existing trading system parameters and functionalities to ensure regulatory compliance. Furthermore, this circular announces additional reports that will be introduced.

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MiFID II/MiFIR: Changes to Eurex T7 configuration and introduction of additional reports

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1. Conversion of orders and new fields

With the introduction of T7 Release 6.0 on 4 December 2017, new fields (order attributes) are added to the layout of orders and quotes to fulfil regulatory requirements of MiFID II/MiFIR. With the overnight conversion the following mandatory fields will be filled with valid standard values by the Eurex Exchanges for all existing orders that have been entered prior to 4 December 2017 and that still remain in the order book during the launch weekend:

- Executing Trader Qualifier (tag 25124): filled with “24” (human)
- Order Attribute Liquidity Provision (tag 23002): filled with FALSE (no liquidity provision activity)

The remaining new order attributes (see section 2.1.7 of the T7 6.0 Release Final Release Notes) are not filled out by the Eurex Exchanges in the conversion.

In case these orders are still available in the order book for matching on 3 January 2018 and later, the responsible trader needs to populate the new fields in accordance with MiFID II/ MiFIR requirements (valid and correct entries). This can be done via the ETI order modify request or via the order modify function of the T7 trader GUI.

For new orders and quotes that are entered during the interim period from 4 December 2017 until 3 January 2018, it is permissible to fill mandatory fields with dummy values. To avoid misunderstanding, such dummy values need to be converted to the actual values if these orders and quotes presumably shall still exist on 3 January 2018 or later.

2. Activation of Volatility Interruption Mechanism for all futures

In order to comply with MiFID II Art. 48.5, related Level 2 regulations (RTS 7, Art. 18.1(b) and Art. 19) and the ESMA Guidelines on calibration of circuit breakers and publication of trading halts, the Eurex Exchanges will introduce the Volatility Interruption mechanism for all futures traded on the Eurex Exchanges. For options, Volatility Interruptions will not be introduced.

A detailed functional description is provided in the T7 Functional Reference Manual, Chapter 7.6 “Volatility Interruptions”, which can be found on the Eurex website www.eurexchange.com under the following path:

Technology > T7 Trading architecture > System documentation > Release 6.0 > Overview and Functionality

Please note that the Eurex Exchanges do not publish the trigger parameters for volatility interruptions. In the simulation environment, the changes are already effective. In the production environment, the changes will be activated in calendar week 51 of 2017.

3. Activation of Extended Price Range Validation for all products

In order to comply with MiFID II Art. 48.4 and related Level 2 regulations (RTS 7, Art. 20.1(a) and Art. 20.2), the Extended Price Range Validation will be introduced as a subsidiary check for all derivatives products. The Eurex Exchanges have a two-tier structure for pre-trade price checks: the "Price Reasonability Check" (using the Standard Price Range) and the "Extended Price Range Validation" (using the Extended Price Range). For all incoming orders where the Price Reasonability Check was not performed or where the Price Reasonability Check leads to a rejection and subsequent authorisation of the order by the trader, the Extended Price Range Validation is performed.

A detailed functional description is provided in the T7 Functional Reference Manual in Chapter 6, in particular sections 6.1 "Price Range Table Basics", 6.2 "Price Reasonability Check" and 6.3 "Extended Price Range Validation", which can be found on the Eurex website under the following path:

Technology > T7 Trading architecture > System documentation > Release 6.0 > Overview and Functionality

Please note that the general design of the price checks will not change in Release 6.0. However, primarily for options products, the Eurex Exchanges will calculate the applicable price collars for the Extended Price Range Validation by multiplying the Standard Price Range with a factor of 3.

For further details, please refer to section 6.1.3 "Availability of Price Range Tables" in the T7 Functional Reference Manual. If for a product the Extended Price Range Table is available, it is used for the Extended Price Range Validation. If the table is not available, the multiplier applies.

In the simulation environment, the changes are already effective. In the production environment, the changes are effective from 4 December 2017.

4. Order book depth for all products

The order book depth for all instruments tradable on the Eurex Exchanges will be increased to at least five price levels (bid and ask). For all instruments where the order book depth is above five already as of today, no changes will be made.

5. New field for price notation information

The price notation information will be distributed via a new field in the post-trade CEF Core Feed and in the T7 Reference Data Interface as field #423 "Price Type" with the following values:

1: PERC [percentage]
2: MONE [monetary]
22: BAPO [basis points]

For the Eurex Exchanges, value YIEL [yield] is currently not applicable.

6. New High Frequency Trading (HFT) reports

The Eurex Exchanges will introduce a new High Frequency Trading (HFT) report (TR902) which will be available in the Common Report Engine. The report will contain all transactions which are deemed to qualify as High Frequency Trading under the MiFID II criteria. This includes all messages, which refer to proprietary trading, and Market-Making in instruments for which there is a liquid market, if the used trading session to provide order information is connected via a latency-minimising infrastructure (currently a 10 Gbit colocation connection in T7). There is no exception granted for Market-Making or liquidity provision strategies. The detailed description of the report is available in the Eurex XML Report Reference Manual for T7 Release 6.0. The latest version is available on the Eurex website under the following path:

Technology > T7 Trading architecture > System documentation > Release 6.0 > Eurex Reports

Please note that the current HFT report (TR900) will contain all relevant messages under the German HFT law and that it will continue to exist in 2018 until further notice.

7. New Algo Certification Reports

The Eurex Exchanges will introduce two new reports (TR162, TR163) on certification of trading algorithms that will be available in the Common Report Engine. Trading algorithms have to be certified by the client as sufficiently tested until the end of the trading day on which the algorithm has been used for the first time. The new report TR162 will contain mapping errors for all cases where an order or quote was entered using an AlgoID which has not been certified. TR163 will give an overview of all certified and stored AlgoIDs by a Trading Participant until the End of Day of the actual trading day.

8. New trader sub-group for Direct Market Access

The Eurex Exchanges will only allow Trading Participants to offer Direct Market Access (DMA) for clients. Sponsored Access (SA) will be still out of scope for the time being. To benefit from this new possibility, Trading Participants should either register a separate DMA trader key for their respective DMA System or, after amending their existing ORS trader key registration accordingly, send DMA orders using the DMA trader key to allow Eurex to distinguish and report to regulators adequately.
For more information on the topic please refer to to the Eurex website under the following path:

Resources > EU regulations > MiFIDII/MiFIR > DEA/DMA

9. ISINs for Eurex products

ISIN codes of tradeable instrument for all Eurex product are available in T7 Reference Data (Reference Data Interface RDI and Reference Data File RDF) in field 455 “SecurityAltID”. A detailed description of the T7 Reference Data is available on the Eurex website under the following path:

Technology > T7 Trading architecture > System documentation > Release 6.0 > Market and Reference Data Interfaces > T7 Market and Reference Data Interfaces – Manual

The field is part of the Instrument Snapshot Message, please see section 11.2.2 in the manual.

If you have any questions or require further information, please do not hesitate to contact us via e-mail at customer.readiness@eurexchange.com.

4 December 2017