eurex bonds circular 51/17

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Recipients: All Trading Participants of Eurex Bonds and Vendors
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MiFID II / MIFIR: Further information on the technical and functional implementation of regulatory requirements

Contact: Your Key Account Manager Trading or regulatory.support@deutsche-boerse.com

Content may be most important for:	**Attachment:**
➲ All departments	Information handbook for audit trail, transaction and other regulatory reportings under the MiFID II/MiFIR regime

Summary:

With regards to the planned introduction of Xetra Release 17.0 on 20 November 2017, this circular provides you with information regarding the following topics:

1. General
2. Algo flagging
3. Admission as Market Maker
4. Order-to-Trade ratio (OTR)
5. Short Code solution
6. Reporting

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MiFID II / MIFIR: Further information on the technical and functional implementation of regulatory requirements

With regards to the planned introduction of Xetra Release 17.0 on 20 November 2017, this circular provides you the following information:

1. General

Eurex Bonds will already meet the requirements of MiFID II/MiFIR by 2 January 2018. With the introduction of the Release, the newly introduced fields “ClientID”, “Investment Decision” and “Execution Decision” should be filled out. Only from 3 January 2018 onwards, the information in the fields must be in accordance to the regulatory requirements. We would like to draw your attention to the fact that orders will be rejected if they are sent via A-account and if the field “ClientID” is not filled out.

2. Algo flagging

With the MiFID II/MiFIR entry into force on 3 January 2018, all Eurex Bonds Members are required to flag the applied algorithms according to the Commission Delegated Regulation (EU) 2017/590 (previously: RTS 22), Article 8 and 9. These regulations will replace the existing provisions for identification of applied algorithms as set out in the German Act on the Prevention of Risks and Abuse in High-Frequency Trading (High-Frequency Trading Act).

In the period between the introduction of Xetra Release 17.0 on 20 November 2017 and the coming into effect of MiFID II/MiFIR on 3 January 2018, Eurex Bonds Members can choose between the High-Frequency Trading Act and the Commission Delegated Regulation (EU) 2017/590 (previously RTS 22) in order to flag their algorithms. This interim shall ensure a smooth transition.

3. Admission as Market Maker

In Continuous Trading with intraday auctions, Trading Members need an admission as Market Makers for every security they use in their Market-Making strategies.

During Continuous Trading, the Market Maker is required to provide firm quotes in at least one instrument during 50 percent of daily trading hours on a monthly average. Firm quotes can also be two-way orders which are posted in the order book and which correspond to the quote parameters regarding their maximum spread and size.

The relevant quote parameters will be determined by the Management Board of Eurex Bonds. The quotation volume on the bid- and ask-side may not diverge by more than 50 percent from each other.

To distinguish quotes from other trading activities, a registered Market Maker is required to use the M-Account and to flag orders and quotes – that are entered in the context of their Market Making strategy – with the Liquidity Provision Flag.

Admitted Market Makers will receive daily reports to check their performance and to monitor their compliance with the minimum requirements.

Upon member request, Eurex Bonds will provide an application form for the admission as Market Maker.

4. Order-to-Trade ratio (OTR)

With the entry into force of MiFID II/MiFIR, Trading Members will be obliged to comply with the Commission Delegated Regulation (EU) 2017/566 (previously: RTS 9) regarding the Order-to-Trade ratio (OTR). The OTR describes the ratio between entry, modifications and deletions of orders and firm quotes (order entries) and executed transactions. According to the new legal provisions, a volume-based and a number-based OTR is required, which are calculated as follows:

1. based on the volume of order entries and execution (volume-based OTR)

$$OTR_{vol} = \frac{total\ volume\ of\ orders}{total\ volume\ transactions + floor} - 1$$

2. based on the number of order entries and executions (number-based OTR)

$$OTR_{no} = \frac{total\ number\ of\ orders}{total\ number\ transactions + floor} - 1$$

Both OTRs will be calculated for each traded security on a daily basis for each Trading Member and market place. An OTR breach in a security occurs if at least one of the two OTRs exceeds the maximum permitted value. The maximum permitted values will be announced in due time.

Until the entry into force of MiFID II/MiFIR, the OTR regime of the German High-Frequency Trading Act will continue to apply.

5. Short Code solution

With reference to the information already published in Eurex Bonds circular 037/17, Eurex Bonds Members must comply with the specifications for the assignment of short codes. The assigned short codes should be unique over time, however at least on an intraday basis.

Furthermore, the upload functionality for the files containing the short/long code mappings will be available in the Member Section for testing starting on 18 September 2017, as announced. Participants are requested to create the “technical user” provided for this purpose and to test the file upload.

Please refer to the Xetra Reporting Manual for further details about the short code solution (see attachment), which applies to Eurex Bonds.

6. Reporting

Registration of National ID

As announced in Xetra circular 037/17, Members should enter the National IDs of their Eurex Bonds traders in the Member Section starting 18 September 2017. They can enter them manually or by uploading a CSV file. Transmission of the National IDs of admitted traders should be completed by 1 December 2017.

Traders who are admitted after this date must specify their “National ID“ in order to complete the admission process successfully.

A process description for registration of National IDs is available on the Xetra website www.xetra.com under the following link:

Newsroom > Current regulatory topics > MiFID II and MiFIR

Reporting Manual
On the Xetra website, under the above-mentioned link, Frankfurt Stock Exchanges provides a Reporting Manual to its Members. The document is also attached to this circular and applies to Eurex Bonds.

The manual contains an overview of the reporting requirements stipulated in the Commission Delegated Regulation (EU) 2017/590 (previously: RTS 22) and the Commission Delegated Regulation (EU) 2017/580 (previously: RTS 24) and lists the mandatory data to be provided by participants and data provided by the trading venue which are disclosed to the Members for reporting purposes.

The Reporting Manual also lists further Member reports which will be adjusted due to MiFID requirements.

Transaction reporting
According to Article 26 Section 1 MiFIR, reporting of transactions to the competent authority must be performed by the end of the following working day latest. Data which must be contained in the report also includes the time stamp in the corresponding granularity. The granularity for exchange transactions is set to 1 millisecond.

Members, who are connected via FIX interface or ETS interface of the Xetra system to the trading venue Börse Frankfurt, may use the time stamp which is distributed in the trade notification. For Members who are connected via VALUES API interface, we will offer a time stamp with a granularity of one millisecond as an additional field in the trade confirmation.

We will roll out the additional field in an update kit which is scheduled to be distributed in mid-October 2017. In addition, you will receive the time stamp with the required granularity via report TC810. For this purpose, we will expand report TC810 by this time stamp.

As part of the transaction reporting, also the TVTIC must be reported. This information can be retrieved in the Xetra system from field “matchID”. In ETS, FIX and in report TC810, this field is already available. Via VALUES API interface, we will incorporate the field together with the new time stamp field in mid-October 2017.

You will receive the documentation about the adjustments for Eurex Bonds on the Xetra system with the final versions of the technical documentation, which will be published on 2 October 2017.

If you have any questions or require further information, please contact your Client Services Cash & Derivatives Key Account Manager or send an e-mail to: regulatory.support@deutsche-boerse.com.

18 September 2017

Enclosure:

Directives and regulations referred to in this circular:

MiFID II:
DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU

MiFIR:
REGULATION (EU) No 600/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012

RTS 9:
COMMISSION DELEGATED REGULATION (EU) 2017/566 of 18 May 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards for the ratio of unexecuted orders to transactions in order to prevent disorderly trading conditions

RTS 11:
COMMISSION DELEGATED REGULATION (EU) 2017/588 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on the tick size regime for shares, depositary receipts and exchange-traded funds

RTS 22:
COMMISSION DELEGATED REGULATION (EU) 2017/590 of 28 July 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the reporting of transactions to competent authorities

RTS 24:
COMMISSION DELEGATED REGULATION (EU) 2017/580 of 24 June 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the maintenance of relevant data relating to orders in financial instrument.