X-pand into the Future

e u r e x *circular 099/13*

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Recipients: All Trading Participants of Eurex Deutschland and Eurex Zürich and Vendors
Authorized by: Michael Peters

High priority

German High Frequency Trading Act has become effective

Related Eurex Circular: 073/13

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Content may be most important for:	**Attachments:**
Ü All departments	none

Summary:

On 15 May 2013, the German High Frequency Trading Act ("Hochfrequenzhandelsgesetz") that addresses measures and procedures to regulate algorithmic trading and high frequency trading (HFT), has entered into force.

This circular contains a synopsis of the major aspects of the Act, which we have provided to you in previous announcements.

German High Frequency Trading Act has become effective

On 15 May 2013, the German High Frequency Trading Act ("Hochfrequenzhandelsgesetz") that addresses measures and procedures to regulate algorithmic trading and high frequency trading (HFT) has become effective. The High Frequency Trading Act can be retrieved from the website of the Federal Publication ("Bundesgesetzblatt") under the following link:

German High Frequency Trading Act on Bundesgesetzblatt

Eurex has already provided information on various aspects of the Act. The relevant material can be retrieved from previous circulars:

No. 077/2013	HFT Bill: Information on order/trade ratio, excessive system usage fees and flagging of trade algorithms
No. 073/2013	Information on the German High Frequency Trading Bill
No. 070/2013	Eurex Exchange's new trading architecture: Introduction of Release 2.0 on 25 November 2013
No. 052/2013	German High Frequency Trading Bill passed
No. 045/2013	Eurex Exchange's new trading architecture: Introduction of extended transaction limits for standard orders

Please be reminded that participants who have not been granted a licence for dealing on own account by BaFin (German Federal Financial Supervisory Authority) and who engage in HFT will be required to obtain a license from BaFin. Alternatively, they can passport their license to BaFin via their competent authority. A transitional period of six, respectively nine months applies. During this period, admitted trading participants are allowed to continue trading and act compliant with the HFT if they do have the intention to apply for the licence in case they need to fulfil BaFin's licence requirement. We would like to point out that the High Frequency Trading also envisages a HFT licensing requirement for indirect trading participants. Therefore, this is also relevant for our participants' clients who perform HFT.

Also, the German High Frequency Trading will require exchanges to determine appropriate order-to-trade ratios/ transaction limits and a fee for excessive system usage. Moreover, rules for flagging orders that were generated through algorithmic trading are to be included in the exchange regulations. These requirements are not only relevant for high frequency traders, but for all participants who generate orders algorithmically. As announced in previous circulars, it is planned to implement the deliverables of the technical prerequisites of all three requirements of the High Frequency Trading in the fourth quarter of 2013. The required adjustments of the exchange's rules and regulations will be made at the same time.

Any new information relating to the German High Frequency Trading will be published on our website www.eurexchange.com under the link:

Technology > High-frequency trading

BaFin will also continuously update their FAQ list which can be found under the link:

http://www.bafin.de/EN/DataDocuments/FAQ/HFT-Gesetz/hft-gesetz_node.html

We will further provide regular updates via webinars or workshops on the implementation as soon as more details on the different aspects have been made available to us.

Participants who are not yet receiving any information and/or updates from Eurex should inform us via e-mail to HFT_LAW@eurexchange.com and include details of the main point of contact (e.g. Legal Counsel, Compliance Officer) within their firm or group on this topic.

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