



## Open Day 2017

Xetra Release 17.0 Becoming MiFID II compliant

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05. October 2017



# Xetra Release 17.0 – Becoming MiFID II Compliant

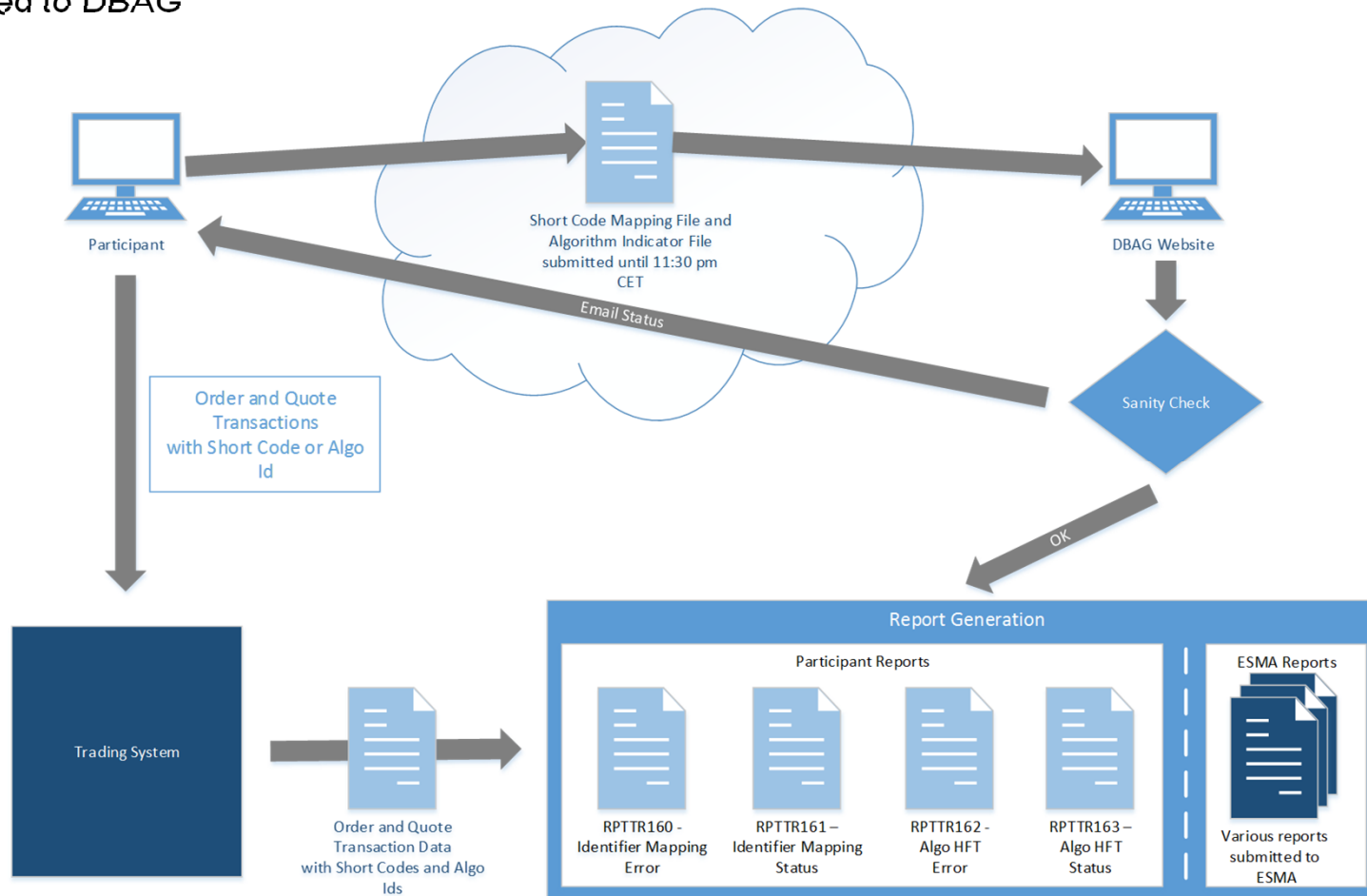


## Audit Trail – Definition of Fields

New Fields in Xetra for Reporting Requirement	
<b>1</b> Executing Trader	This field replaces the field “ComplianceID” in all trading interfaces. This field is to be used to identify the person or algorithm within the Xetra member who is responsible for the execution of the transaction resulting from the order or quote.
<b>2</b> Executing Trader Indicator	This field specifies whether the content of the field <i>Executing Trader</i> is a human or algorithm
<b>3</b> Investment Decision Maker	This field identifies the person or the algorithm within the member of the trading venue who is responsible for the investment decision
<b>4</b> Investment Indicator	This field specifies whether the content of the field <i>Investment Decision Maker</i> is a human, algorithm, or not applicable
<b>5</b> Client Id	This field identifies the client of the Xetra member. Mandatory for A account orders

# Audit Trail - Short Code Solution

In case a human took the execution or investment decision, or the actual client has to be declared to ESMA, customers need to provide a *Short Code Mapping* file to DBAG that decrypts the short codes to actual NationalIDs, LEIs, etc as required by ESMA. In case of algorithms used, the algorithm identifier also has to be submitted to DBAG



# Audit Trail – Executing Trader

## ETS and VALUES Implementation in Order and Quote Requests

Executing Trader	Executing Trader Indicator	Audit Trail
<b>1</b> 8-byte Algorithmic Identifier	1 (Algo)	Algorithmic identifier
<b>2</b> 8-byte Short Code	0 (Human)	NationalID of the person specified in the mapping table.
<b>3</b> Not Submitted (0)	0 (Human)	NationalID of the trader from SAP member portal.
<b>4</b> 8-byte Short Code „3“	0 (Human)	NORE The decision was not taken within the member firm, but by the client

Initial conversion will copy *Compliance Id* content to *Executing Trader* field and set the *Executing Trader Indicator* to 1 (Algo) in case the *Compliance Id* was previously filled.

# Audit Trail – Executing Trader GUI Implementation

Any addition, modification, or deletion of orders and quotes in J-Trader GUI will set the *Executing Trader* and *Executing Trader Indicator* to 0 regardless of the origin of the order.

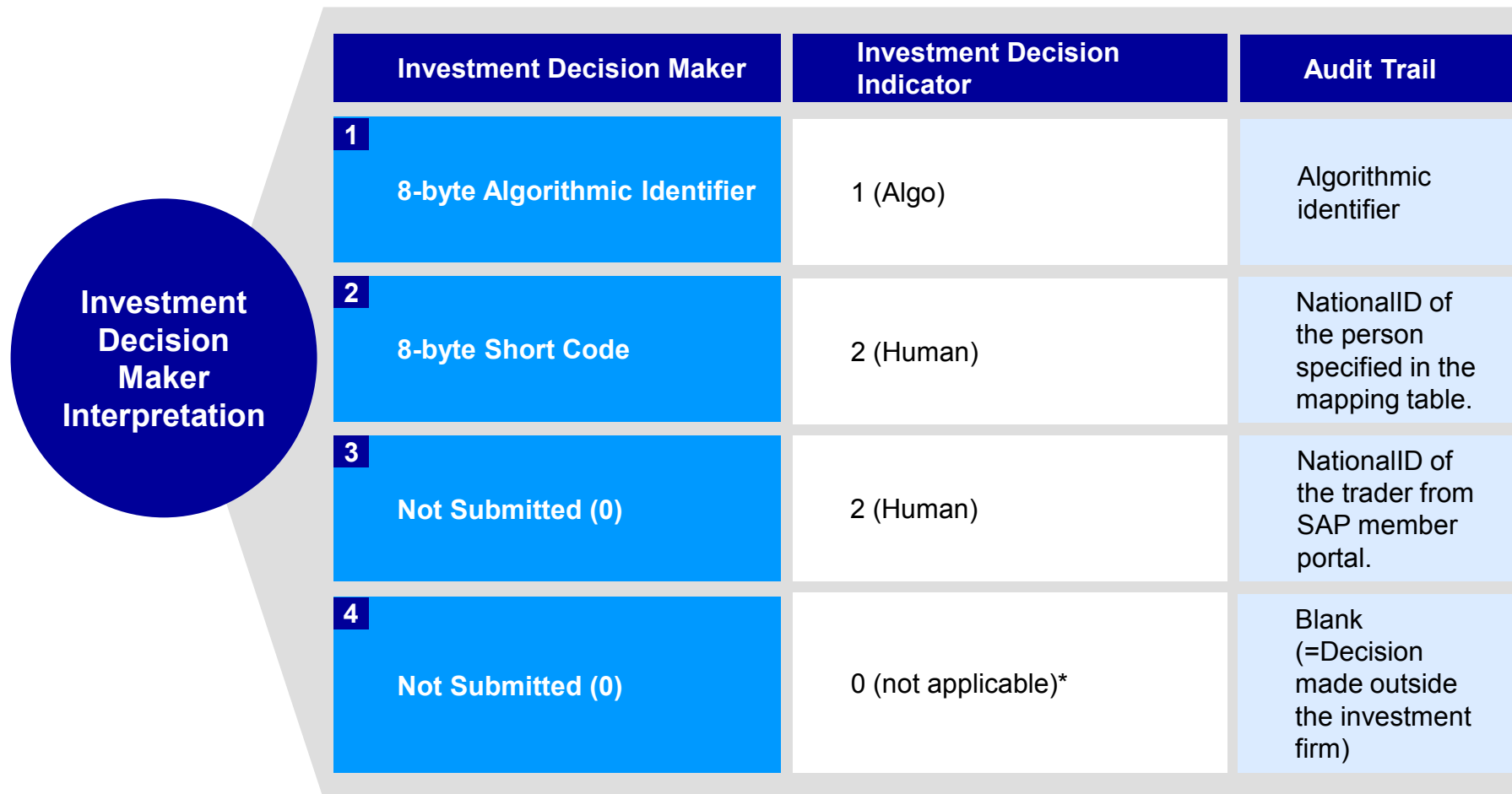
	Executing Trader	Executing Trader Indicator	Audit Trail
<b>1</b>	8-byte Algorithmic Identifier	1 (Algo)	Algorithmic identifier
<b>2</b>	8-byte Short Code	0 (Human)	NationalID of the person specified in the mapping table.
<b>3</b>	not submitted (0)	0 (Human)	NationalID of the trader from SAP member portal.
	8-byte Short Code „3“	0 (Human)	NORE

**Executing  
Trader  
Interpretation**

**Implicit GUI Usage**

# Audit Trail – Investment Decision Maker

## Implemented in All Trading Interfaces

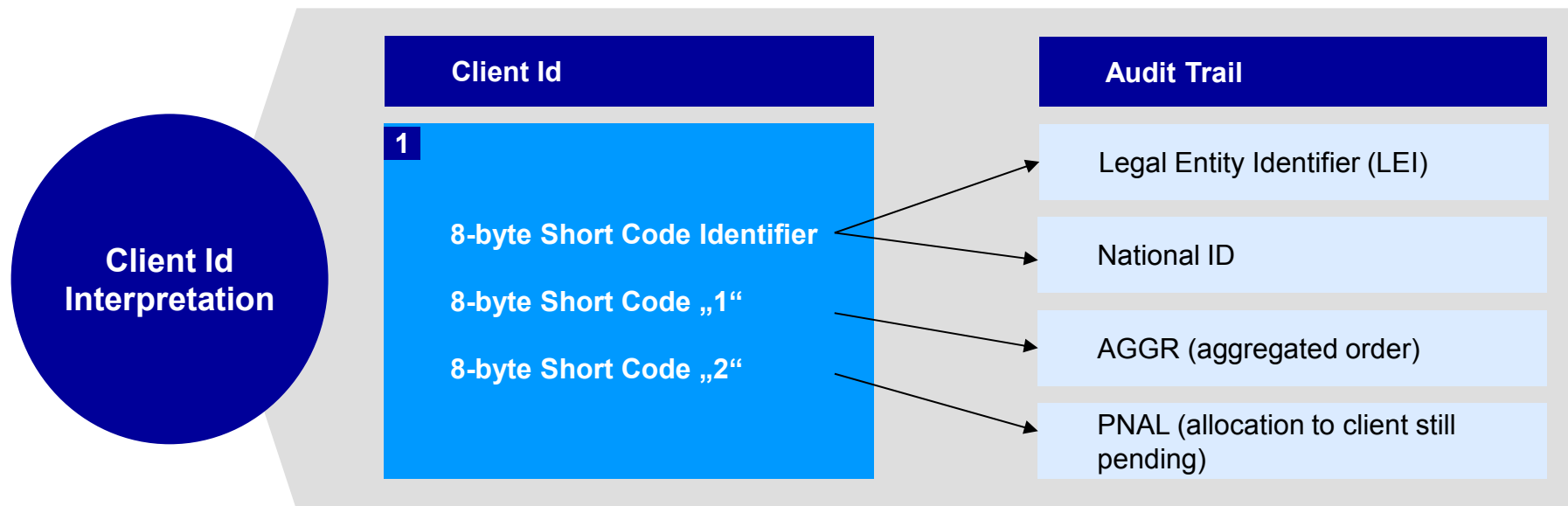


	Investment Decision Maker	Investment Decision Indicator	Audit Trail
<b>1</b>	8-byte Algorithmic Identifier	1 (Algo)	Algorithmic identifier
<b>2</b>	8-byte Short Code	2 (Human)	NationalID of the person specified in the mapping table.
<b>3</b>	Not Submitted (0)	2 (Human)	NationalID of the trader from SAP member portal.
<b>4</b>	Not Submitted (0)	0 (not applicable)*	Blank (=Decision made outside the investment firm)

\* A modification in ETS from a filled investment decision indicator to not applicable is not supported

## Audit Trail – Client Id

Implemented in All Trading Interfaces



- The *Client ID* is mandatory for A account orders from release introduction onwards. Until January 2<sup>nd</sup>, the content of the field is not officially validated.
- It can be left empty for orders/quotes of all other account types



# Audit Trail – Algorithmic Trade Indicator


Executions are Marked Involving an Algorithmic Order/Quote in Market Data

Trading Phase		Logic
1	Continuous Trading	In case one order or quote participating in the direct execution has an <i>Executing Trader Indicator</i> „Algo“, the transaction is marked as algorithmic
2	Auctions	In case one order or quote being executed in an auction has an <i>Executing Trader Indicator</i> „Algo“, the transaction is marked as algorithmic
Interface		Field
1	<u>EnBS</u> Snapshot Message Delta / Incremental Message All Trade Price Message	Algorithmic Trade Indicator Type
2	<u>VALUES</u> Xetra Inquire All Trades Xetra Subscribe All Trade Prices	algoTrdInd

Algorithmic  
Trade  
Indicator  
Interpretation

## Pre-Trade Controls

ESMA requires pre-trade controls upon order or quote entry and modification of orders as well as trader specific safeguards.

 <p><b>Pre-Trade Controls</b></p>	<b>1</b> <b>Price Collar Check (aka Price Reasonability Check in Xetra)</b>	Block orders and executable quotes that do not meet pre-set price parameters on an order-by-order basis. Can be skipped	TM 2: Exists TM 8: New
	<b>2</b> <b>Maximum Order Value</b>	Prevents orders and executable quotes with uncommonly large order value (in EUR) from entering the order book	Existing Functionality
	<b>3</b> <b>Maximum Order Quantity</b>	Prevents orders and executable quotes with uncommonly large order quantity from entering the order book	New Functionality

- *Maximum Order Quantity* needs to be set for new traders so that they can trade
- Initial conversion for Xetra 17.0 will set the *Maximum Order Quantity* of each existing trader to the maximum value. Security Admins can change this, if desired.

# Tick Size Regime

## Harmonization of Tick Sizes in Europe

### General Principles of Tick Size Regime Application

- Tick Size Regime applies to all equities, certain ETFs, and depository receipts defined by ESMA
- New tick sizes will be defined for ETFs, ETCs and ETNs, which do not fall within the scope of the tick size regime under MiFID II by Deutsche Börse
- For all other instruments such as bonds or structured products, the tick size regime does not apply. The existing tick sizes will continue to apply after 2 January 2018
- In case of an IPO, ESMA will publish the estimated average daily number of transactions for a new IPO at least one day before the first trading date

### Timeline

Xetra 17.0: November 20 <sup>th</sup>	December 29 <sup>th</sup> 2017	2018 onwards	2019ff March/April
<ul style="list-style-type: none"> <li>▪ New Tick Size Bands introduced in Software</li> <li>▪ Initially not assigned to instruments</li> <li>▪ No change to orders due to tick size regime.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Initial assignment of Tick Bands to instruments in batch</li> <li>▪ Order deletions with deletion reason "Change of Tick Rule" - CTR - for all affected instruments</li> </ul>	<ul style="list-style-type: none"> <li>▪ Incorporation into Xetra Reference Data</li> <li>▪ After an IPO, tick size might be adjusted again no later than six weeks after the IPO.</li> <li>▪ Order Deletion with „CTR“ for affected instrument</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reevaluation of „Average Transaction Volume“ by ESMA</li> <li>▪ In case of changes , incorporation into Xetra Reference Data</li> <li>▪ Order Deletion with “CTR“ for changed instruments</li> </ul>

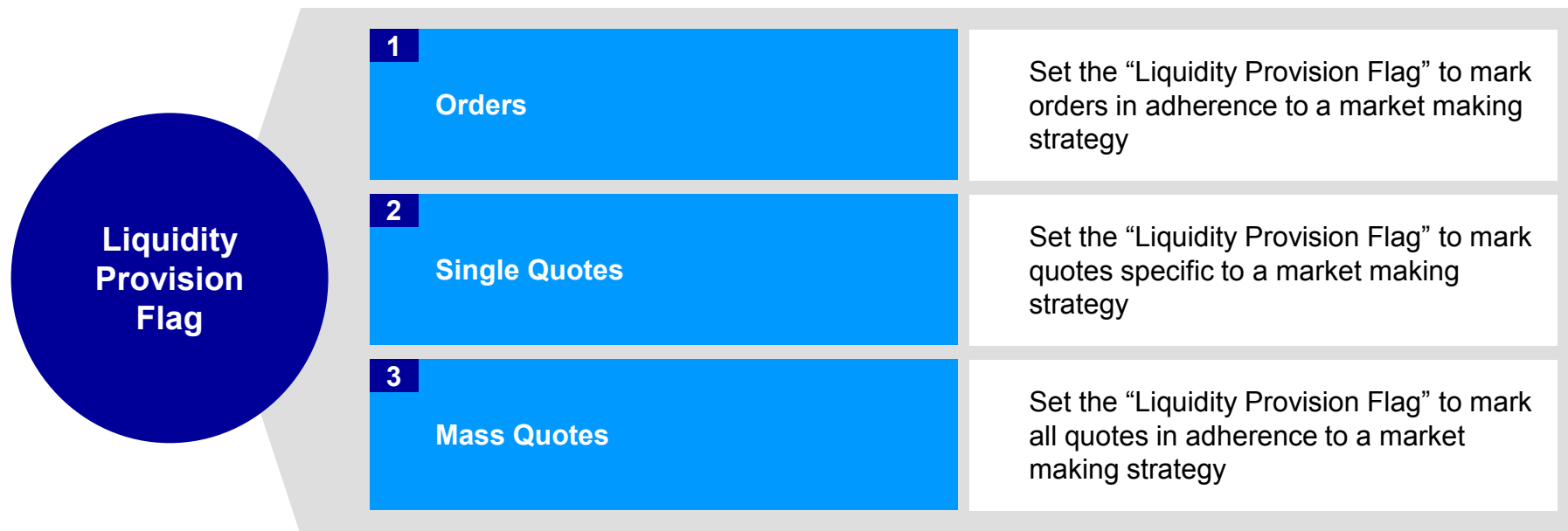
### Impact for customers

- New order deletion reason “CTR”
- Possibly the need to resubmit orders after a tick size adaption by ESMA
- Tick sizes will be published in reference data like today

# Liquidity Provision

## Implemented in All Trading Interfaces

When this flag is set, it is used to mark the order or the quote as being entered as part of the new market making strategy.



In case customer participates in a market making strategy, the liquidity provision flag needs to be set for orders and quotes relevant to any of his market making strategies.

## Passive-Aggressive Indicator

Executed orders are marked as passive, aggressive or none by Xetra

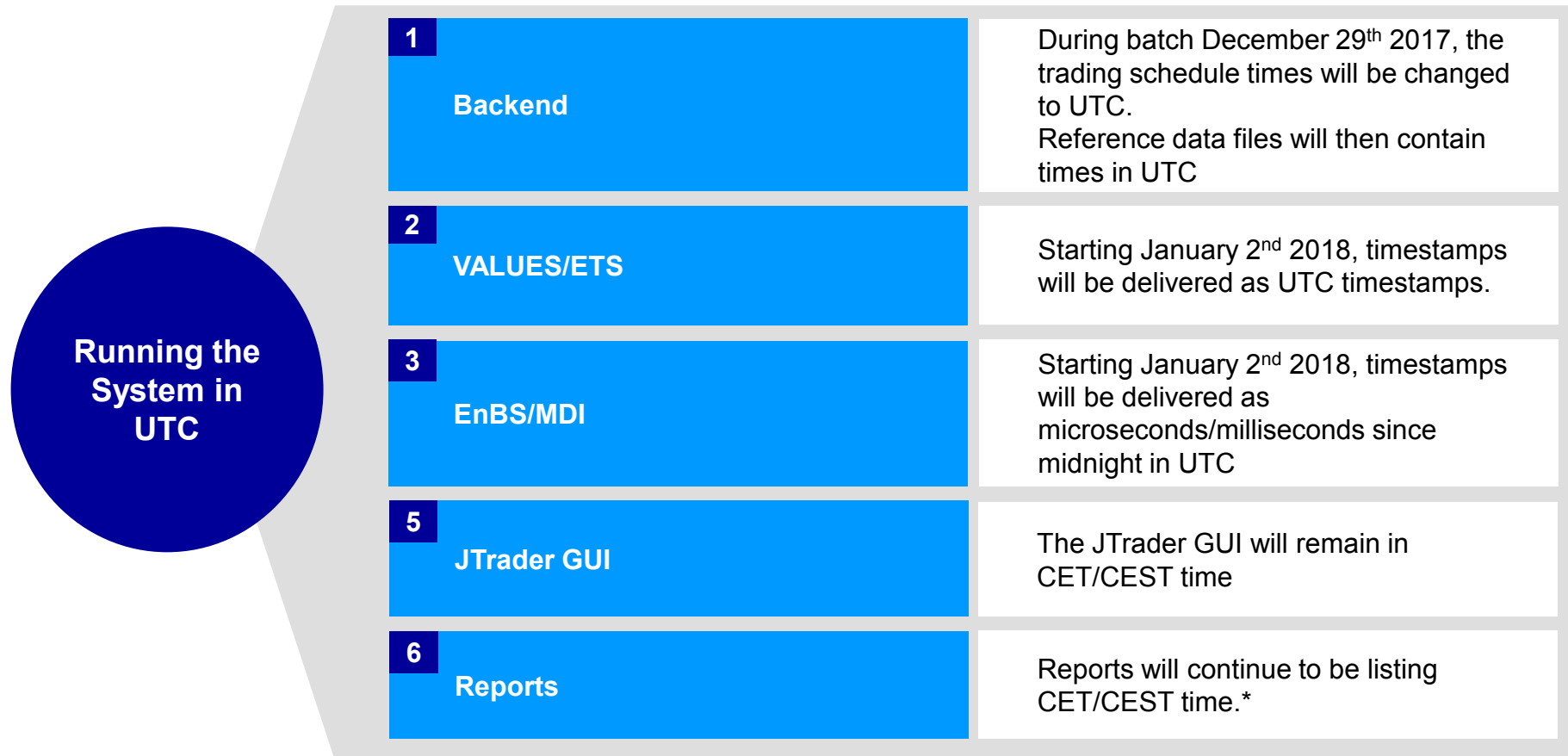
Continuous Trading		Programmable Interfaces	GUI
1	Resting Order	Passive (1)	P
2	Incoming order that is directly executed	Aggressive (2)	A
3	Executions in Auctions	None (3)	Space
Continuous Auction with Specialist		AggressorInd	GUI
1	All Orders	None (3)	Space

**Aggressor Indicator**

The Passive/Aggressive Indicator is distributed in Trade Confirmations/Notifications, and displayed in the Back Office Information Window

## Business Clocks

### Usage of UTC in Xetra

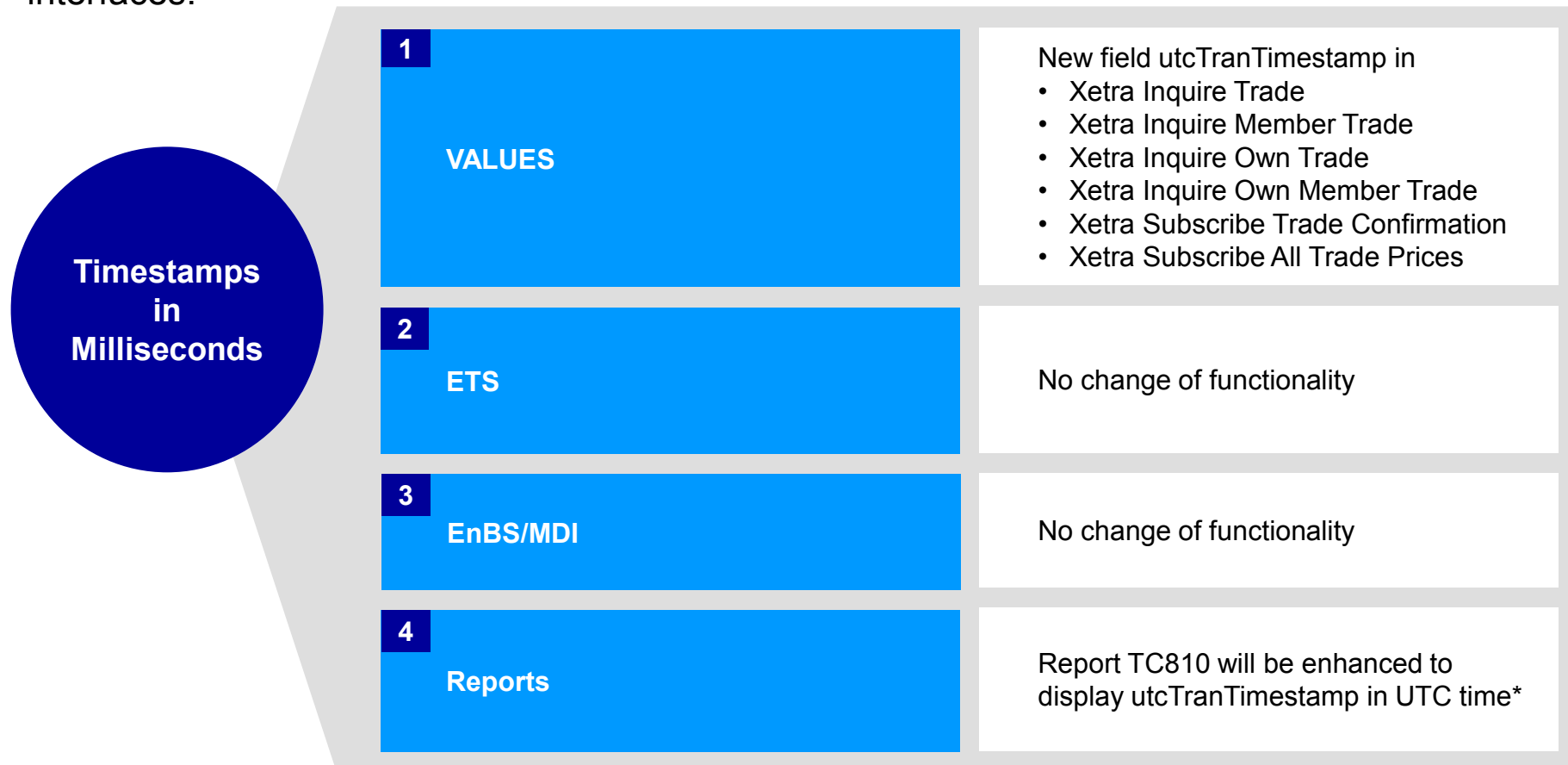


Customers need to be ready to receive UTC timestamps in ETS, VALUES, EnBS, and MDI

\* For historical reports, the offset will be calculated based on the UTC offset of the request date

## Timestamps in Milliseconds

Currently, timestamps in milliseconds are distributed via ETS, EnBS, and MDI.  
After introduction of Xetra 17.0, timestamps in milliseconds will be distributed in the following interfaces:



\* since reporting to ESMA is required in UTC time.

## Other Changes Required by MiFID II

### Direct Market Access

Orders entered in the below way will be reported as DMA trading:

1. Using DMA as Trader Subgroup (e.g. "DMA001").
2. Using ORS as Trader Subgroup (e.g. "ORS001"), plus
  - short code 'NORE' in Executing Trader field,
  - Investment Decision Maker and Indicator fields set to 0 (e.g. empty),
  - Account Type 'A', and
  - filled Client Id.

### Report TR101 - MiFID II OTR Report

This report will provide each member with

- his daily values of the volume based OTR and the number based OTR per ISIN,
- the values of binding orders and quotes which had been added, modified, deleted, and executed in the order book with respect to volumes and numbers for the respective OTR, and
- the floor component

Those values are split up by trader. The OTR values are provided per OTR instrument group and ISIN for one trading day.

### Report TR901 - MiFID II Message Rate Report

The report will contain

- daily, month-to-date and yearly message rates per ISIN
- daily, month-to-date and yearly message rates on a total of all traded ISINs
- the seconds each single ISIN was available for trading
- "financial instruments for which there is a liquid market" and market making and proprietary messages only.

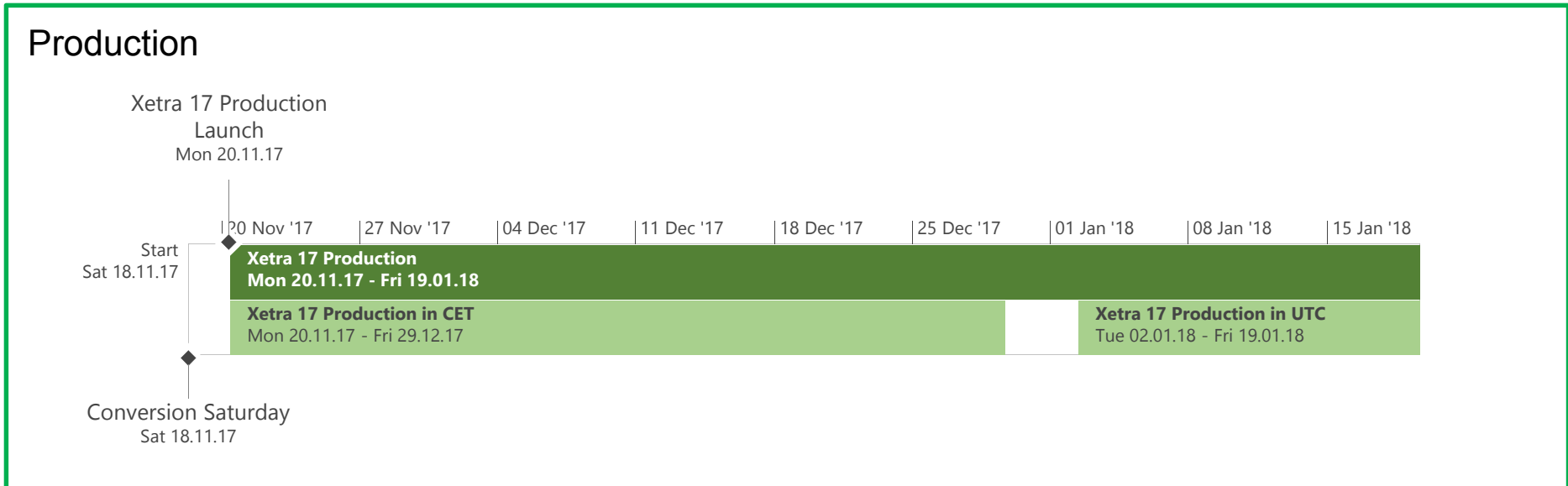
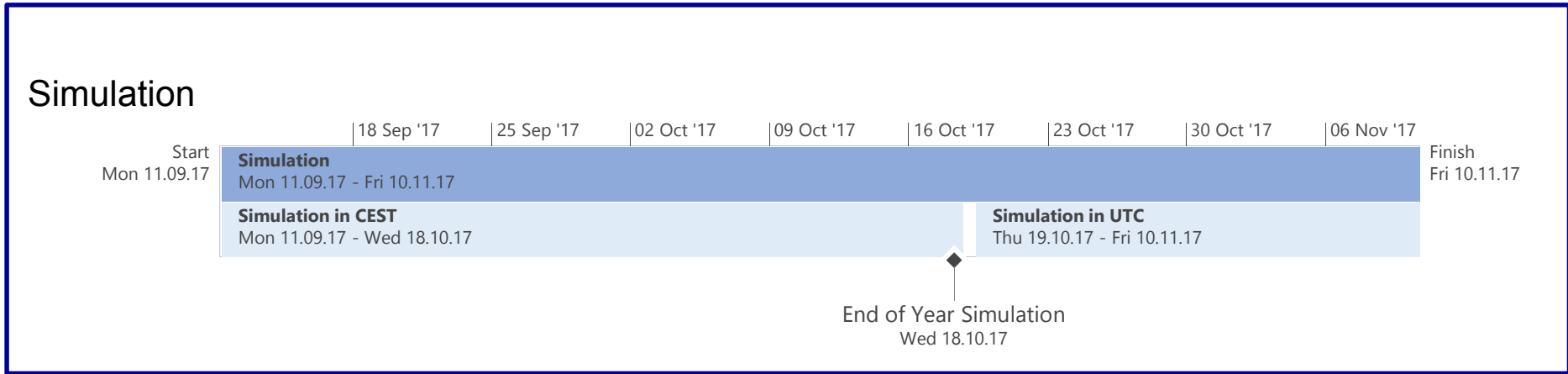


# Special Events

## 29.12.2017 and 02.01.2018

Event 29.12.2017	Impact
<b>1</b> Deletion of remaining orders with Deletion Reason "SPE" for Special Events	In order to ensure MiFID II compliance of submitted orders, DBAG will do a mass deletion of remaining orders
<b>2</b> Change of trading times to UTC	The trading times will be provided in UTC in the instrument reference data provided on the website, CRE, or in EnBS instrument reference data stream
Event 02.01.2017	Impact
<b>1</b> Removal of Trade Reporting RALs eob	MiFID II Trade Reporting will be done via the Reporting Hub starting January 3rd. RAL 97 "Xetra Enter Trade Report" and RAL 98 "Xetra Delete Trade Report" to be removed for all members in XFRA

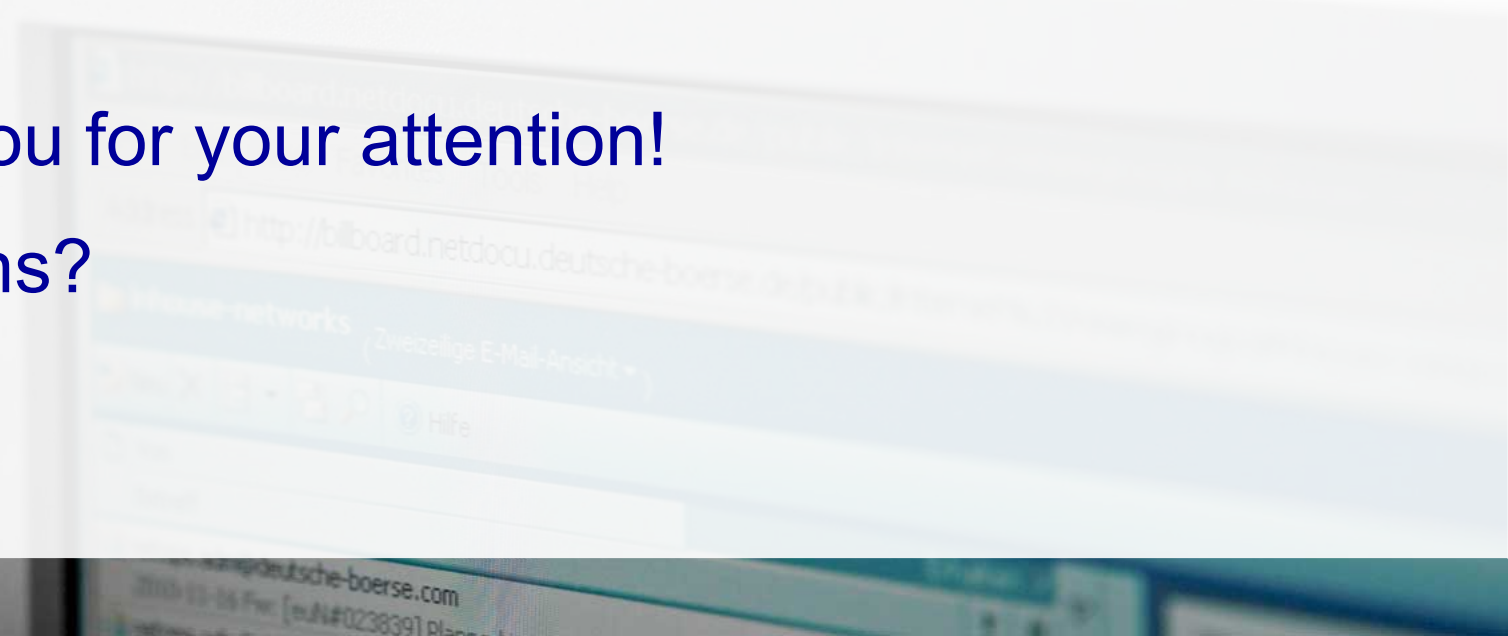
# Timeline of Release

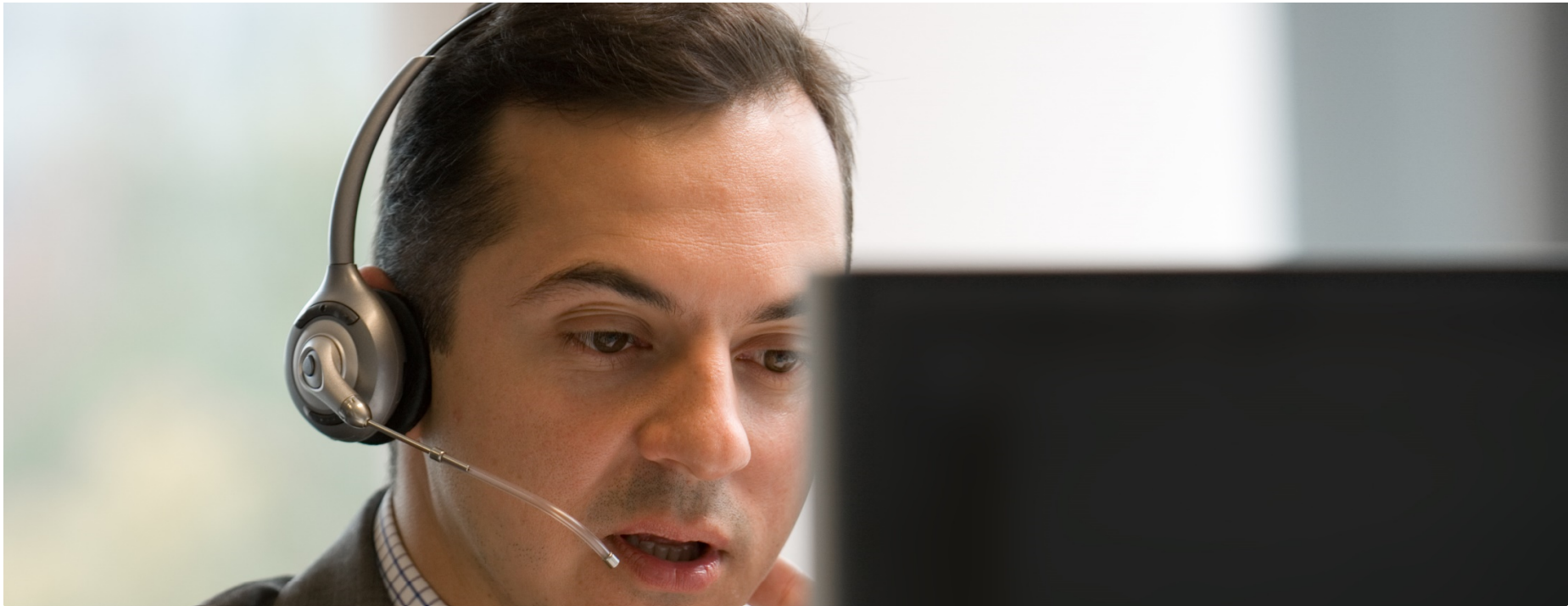




Thank you for your attention!

Questions?





For further questions, please contact your Technical Key Account Manager via your VIP number or via [cts@deutsche-boerse.com](mailto:cts@deutsche-boerse.com)

Regarding functional MiFID II questions, please contact the customer readiness team via [customer.readiness@deutsche-boerse.com](mailto:customer.readiness@deutsche-boerse.com)



DEUTSCHE BÖRSE  
GROUP

Open Day 2017 – Xetra 17

Backup

## Xetra Release 17.0 – Becoming MiFID II compliant

### Useful documentation



#### Documentation

- Xetra J-Trader User Manual - Final Version
- Xetra Market Data Interface – Final Version
- Enhanced Broadcast Solution – Interface Specification Final Version
- Member FE Development Guide (Values API) - Final Version
- Enhanced Transaction Solution - Interface Specification Final Version
- XML Report Reference Manual - Final Version
- Reporting Handbook

# Xetra Classic Clock Sync

- For Xetra Classic the time synchronisation is performed with NTP (Network Time Protocol) for the hosts and gateways. This protocol fulfils the required precision of 1 millisecond with regards to the maximum divergence based on the 99th percentile of all order transactions.

