



Open Day 2018

T7 Release 7.0 and the extension of the ecosystem – Eurex' new service offerings Eurex EnLight and Eurex Improve

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Change Scope

Expansion of existing service offering is a key strategic focus for 2018 and 2019

Strategic dimensions

Expansion of product universe

Initiatives

- Explore new product combinations and asset classes
- Extension of Total return future (TRF) universe to other products and asset classes

Milestones

- Introduction of new products such as custom indices, new inflation and index products in 2018 and 2019
- Introduction of new TRFs (e.g. for equities) and basket TRFs in 2019

Extension of global distribution

- Trading Hours Extension
- Migration of FX Options to T7-FX

- Launch planned for 10 December 2018
- Launch done on 2 July 2018

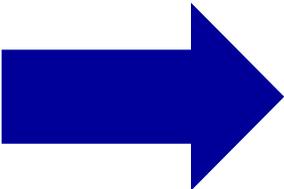
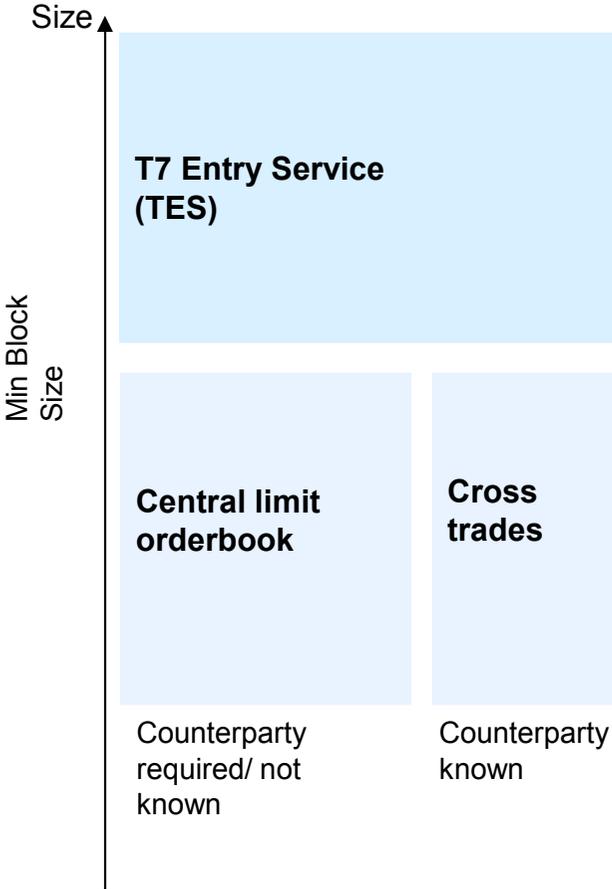
Expansion of service offering

- Extension of Eurex EnLight service into other asset classes, plus upgrade of functionality and workflows
- Introduction of Eurex Improve (new client flow facilitation mechanism)
- New pre trade risk management tools and New matching and market models to address market developments

- Launch Swiss equity & index in Q2 2018, plus introduce further functionality enhancements in 4 additional software deliveries. Further deliveries and rollout to other products planned for 2019
- Delivery of software in Q4 2018, launch in first asset class scheduled for 2019
- Launch of new and enhanced pre-trade risk functionality with T7 7.0 on 3rd of December 2018. Launch of Passive Liquidity protection (PLP) in first pilot segment in Q2 2019

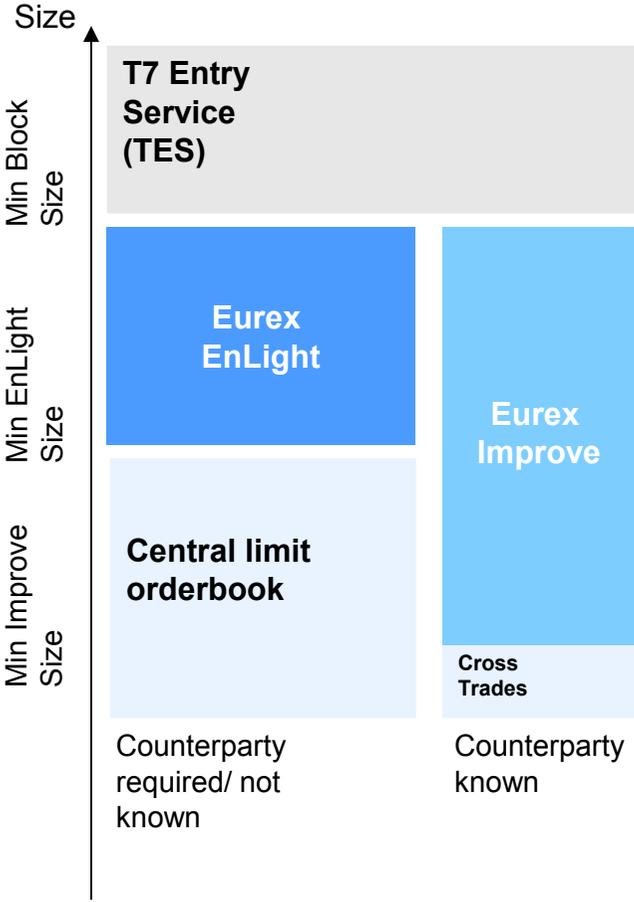
Extension of the Eurex ecosystem

Exchange execution 2017

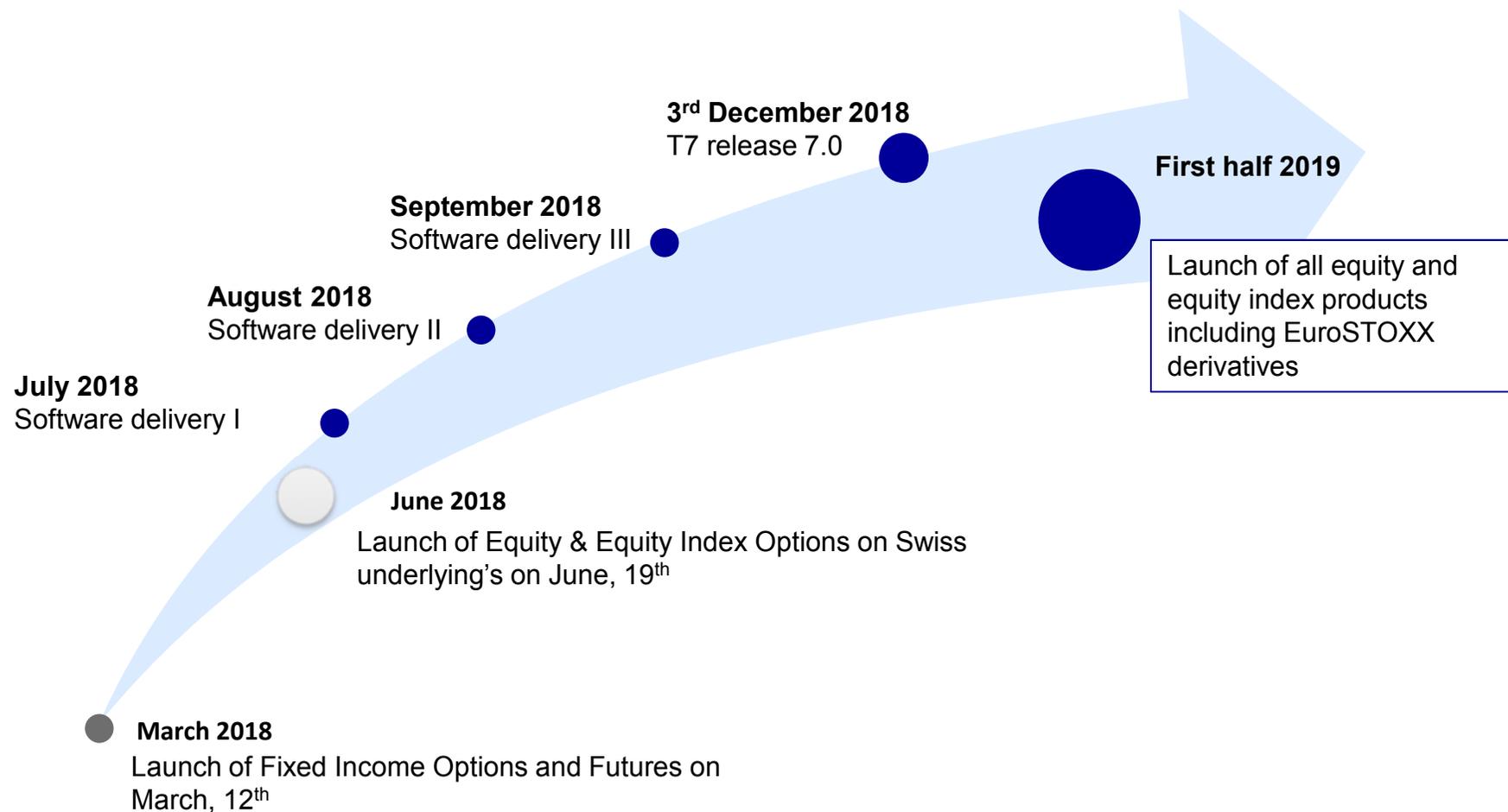


Differentiate service offering and execution models to cater more specifically to market demand

Exchange execution 2019



Eurex EnLight will be continuously rolled-out in terms of implementation of enhancements as well as product scope



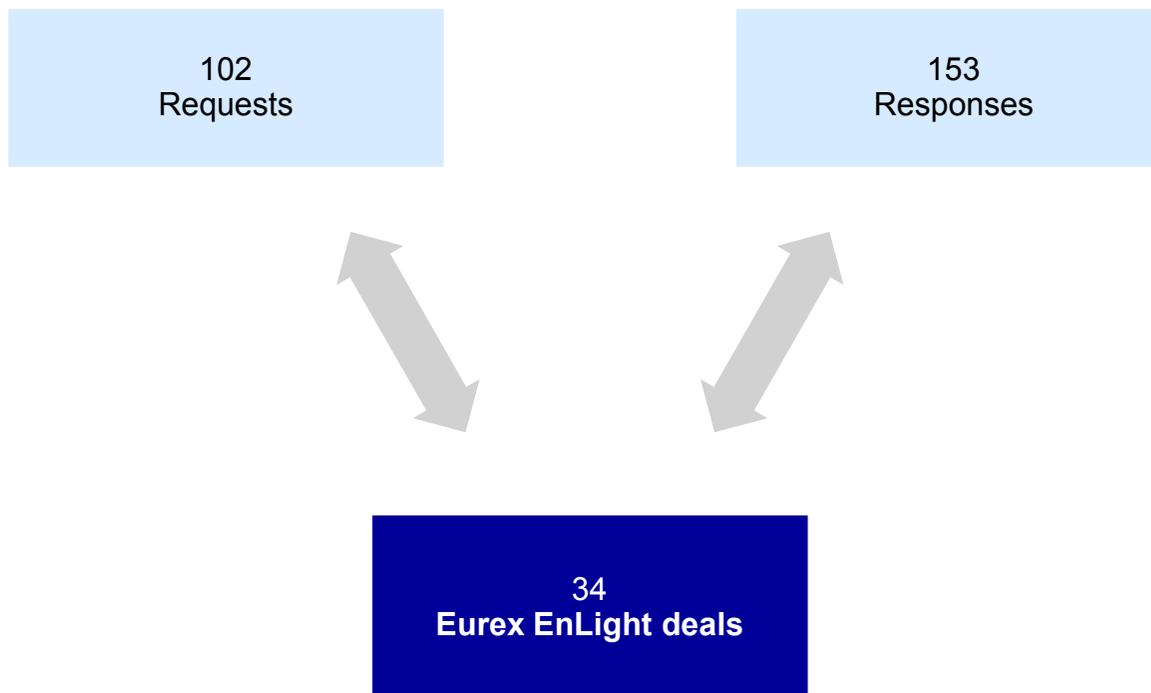
Agile IT approach ensures release independent delivery of several enhancements throughout the year (without member impact)

	Enhancements	Delivery date in prod
Software Delivery I	<ul style="list-style-type: none"> ▪ Possibility to show side and / or size with the initial request ▪ Possibility to define only reference price and not the delta when requesting a volatility strategy ▪ Enable the price time allocation algorithm 	16 July
Software Delivery II	<ul style="list-style-type: none"> ▪ Definition of reference price for single stock options ▪ Smart strategy chooser to indicate ATM strikes for selected strategies 	20 August
Software Delivery III	<ul style="list-style-type: none"> ▪ Improvements to the chat functionality ▪ Enable negotiation of underlying price and delta without underlying Exchange at Eurex (e.g. for single stock options) ▪ More granular (product specific) market maker list available ▪ Further improvements to show size and side (to all) 	24 September
T7 R 7.0	<p>* Scope to be confirmed and subject to re-priorization*</p> <ul style="list-style-type: none"> ▪ Enable the working delta workflow (not confirmed yet, would have interface impact) ▪ Other enhancements based on customer feedback 	03 December

Eurex continuously tests Eurex EnLight and collects user feedback in order to extent and improve the functionality; release independent IT deliveries increase time-to-market

Since launch of equity & equity index options on Swiss underlying's on 19 June, continuous activity is shown on EnLight in this segment

As of 24th of August we saw in the Swiss segment on Eurex EnLight:



Facts for Swiss segment:

- The platform performed very stable with no issues in the STP process
- List of 11 registered responders
- Average number of responders contacted was 4.2
- Average response rate was 36.6%
- Out of the 34 deals the average deal quantity was 1062 contracts

EnLight hands on – Eurex EnLight demo sessions

Eurex EnLight Request Details

EnID: [] Strategy: [] Detected: Single Instrument Status: OPEN Requester: [] ReportID: []

BER BUL BRT CNV BLT []

MaxTSL: []

Leg 1: Product [] Leg 2: Product []

OESX [] OGBL [] OGBM [] OGBS [] ODAX []

Expiry [] Expiry []

Strike [] Strike []

- [] +

Firm/Indic: [] Side: B/S TotQty: [] OpenQty: [] DealQty: [] Bid: [] Ask: [] DealPrc: [] DealQty: [] DealTime: [] Show RespondentsCount: []

BidQty	Bid	Ask	AskQty	ShownSide	ShownDealPrc	ShownDealQty	Text	Respondent	EnteringRespondent
[]	[]	[]	[]	[]	[]	[]	[]	[]	[]

ToB []

Submit End Session Add Deal Add Best Deal Add Respondent Remove Respondent Save Respondents Duplicate Reset

Demo Sessions will be performed in the Exchange Lab

With Eurex Improve we provide banks/ brokers with a new functionality to attract additional customer flow

Business rationale for Eurex Improve

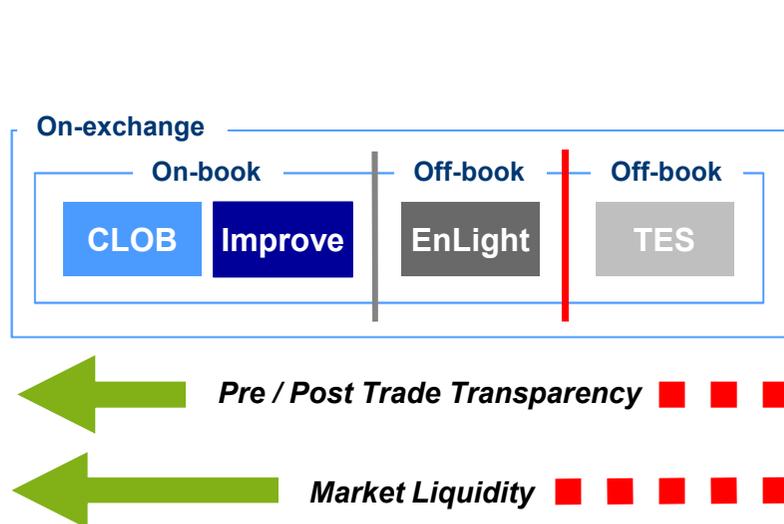
- Eurex Improve aims to attract additional customer flow to the exchange.
- The primary target group is international institutional customer flow.
- With Improve, Eurex acknowledges that there are situations in which banks/ brokers should be rewarded for bringing additional customer flow to the exchange in terms of participating in the execution of such flow.

Example

- Overall, Eurex Improve is similar to client flow facilitation services offered by the US equity option exchanges.
- US institutional clients are very familiar with these mechanisms and have a good understanding of Eurex products, but may be unfamiliar or even uncomfortable with the European market structure, where often large sizes are executed in the call around market.
- With Eurex Improve at their fingertips, banks/ brokers can approach these clients and offer:
 - ✓ The customer to be filled at a pre-negotiated price or better
 - ✓ An execution in a market structure element known to the client
 - ✓ Fulfilment of best execution requirements, as the order is exposed in the order book
 - ✓ No need for the client to contact additional banks/ brokers in parallel anymore
- In return for the bank's/ broker's efforts, the bank/ broker gets rewarded with:
 - ✓ Preferred treatment in terms of participation rights in the execution of the client's order

Eurex Improve balances end clients' benefits and banks'/ brokers' incentives to use the order book

- Eurex understands the order book to be the most relevant and best suited execution mechanism to ensure fair and orderly markets.
- Eurex Improve fosters end clients' benefits from order book execution, by incentivising banks/ brokers to invest into channelling client flow to the exchange's order book.



Key design principles for Eurex Improve

- In line with the above stated goal, Eurex Improve will be fully integrated into Eurex' order book.
- As they are order book trades, complete audit trails are available for Improve trades ensuring that best execution requirements are fulfilled.
- While Eurex Improve will be embedded in the order book, careful consideration is given to prevent a design which might divert current flow from the 'ordinary' order book and thereby jeopardize market transparency.

Eurex Improve offers a superior solution compared to Eurex' current "cross trade" offering

- Eurex Improve is planned to be launched for all single equity options beginning of Q2 2019, software delivery will be with T7 release 7.0 on 3rd of December 2018.
- Initially, available rules for "cross trades" and "pre-arranged trades" will remain unchanged, with the services co-existing in parallel.
- Eurex Improve is providing the following advantages:



Once Improve Request is submitted, exact moment of execution is known to all market participants



When using Improve, full customer order is guaranteed execution at a pre-negotiated price or better

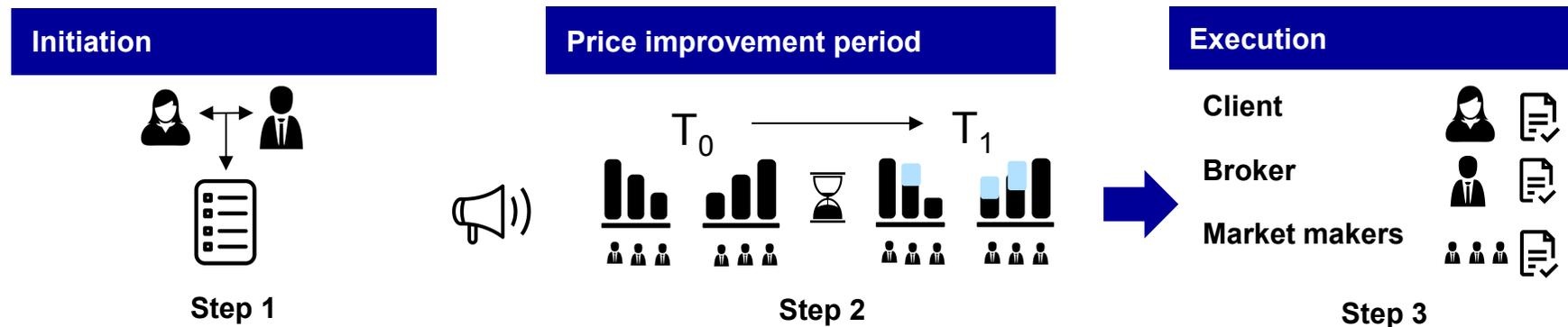


Initiating member is guaranteed to participate in execution, unless price improvements are provided for full trade quantity, outside price range defined by the initiator

Eurex Improve provides an addition to Eurex' market model toolbox.

Eurex Improve introduces cutting-edge client flow facilitation mechanism

Eurex Improve creates matching events in the central order book, which are executed in a 3 step process:



- Each exchange participant (“member”) can enter an Improve Request comprising a client side and an opposing broker side, an agreed quantity and an agreed price.
- Execution of client side at agreed price level is ensured.
- Broker can commit upfront to also trade at less favourable prices to him depending on market development.

- After successful validation of a submitted Improve Request, all members are informed about an imminent execution; subsequent to the announcement the price improvement period starts.
- All members (except the exchange trader who submitted the Improve request) can participate in the execution event by submitting orders or quotes to the order book (which is expected to be done electronically).

- Opposing client and broker orders are derived from the Improve Request and matched in a way that ensures the execution of the client order at the agreed price level or even better. In any case, the broker order is ensuring the pre-discussed price.
- Partial executions of client or broker side at different price levels are possible.

Eurex Improve market model configuration

- ❑ Eurex Improve is designed to allow for balanced incentives across the bank/ broker and the rest of the market.
- ❑ This is steered via various parameters:

General parameters

- ❑ Information content of Eurex' announcement of Improve Request to all market participants
- ❑ Minimum and maximum quantity thresholds for which Improve Requests can be submitted
- ❑ Duration of Price Improvement Period

Parameters for tolerable price

- ❑ Allowable difference between maximum tolerable price and pre-discussed price (as part of Improve Request)
- ❑ Tolerable quantity share, i.e. if there are price improvements by other market participants, within the range matched by the broker, how is the volume allocation between the bank/ broker and the rest of the market



Thank you for your attention.

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