

**DEUTSCHE BÖRSE
GROUP**

Focus call – Upcoming Regulatory Adaptations

Key Account Management Trading

05 October 2023

Agenda

- 1** Background
- 2** T7 Release 12.0 MiFID II / MiFIR Enhancements
- 3** Short Code & Algo ID Upload GUI
- 4** Further Readings
- 5** Q & A

Background

Transaction Reporting (RTS 22)

- Operators of trading venues are responsible for the transaction reporting for instruments traded on their platforms by members who are not subject to MiFIR (non-MiFIR members)
- Admitted Companies who are located within the EU* should report directly to their local regulators (e.g., BaFin for Germany)
- For non-MiFIR Members, the **Regulatory Reporting Solution (RRS)** is provided by Eurex Deutschland and Frankfurt Wertpapierboerse to fulfil its reporting requirements. RRS provides its members with a daily transactions file, and members are required to provide additional information, e.g., buyer and seller details and a Short Selling Indicator




* except special legal entities not subject to MIFIR

Audit Trail Reporting (RTS 24)

- REGULATION (EU) No 600/2014, also known as MiFIR, requires both investment firms (Art. 25(1)) and operators of a trading venue (Art. 25(2)) to keep records of orders available upon request from competent authorities **for at least five years**
- Under Art. 25(2), ESMA has drafted RTS 24 to specify the details of the relevant order and personal data required to be maintained

Background

Fields using short codes in orders/quotes ¹

| | |
|---|---|
|  <p>Client ID</p> | <ul style="list-style-type: none">▪ It must be populated when it is trading under AOTC / MTCH capacity, and it should be the long value of the trading participant's immediate client |
|  <p>Execution decision (execution within firm)</p> | <ul style="list-style-type: none">▪ It is mandatory in every order and quote, irrespective of the trading capacity / account▪ It must be populated with the short code of the trader/Algo ID that is executing the quote/order▪ In general, in case of AOTC capacity, where client ID is populated, this field can be filled with a short code for the ESMA value "NORE". Other scenarios can also occur (e.g., trader's short code being populated instead). |
|  <p>Investment decision (investment decision within the firm)</p> | <ul style="list-style-type: none">▪ It is mandatory in every order and quote when it is trading under DEAL capacity▪ This field should identify who within the firm is taking the decision for a quote / order (trader/Algo)▪ If the investment decision is done on behalf of a client, then it can also be populated for AOTC and MTCH transactions |

¹ For details of each individual field's meaning, please refer to the [Information Handbook](#)

Background

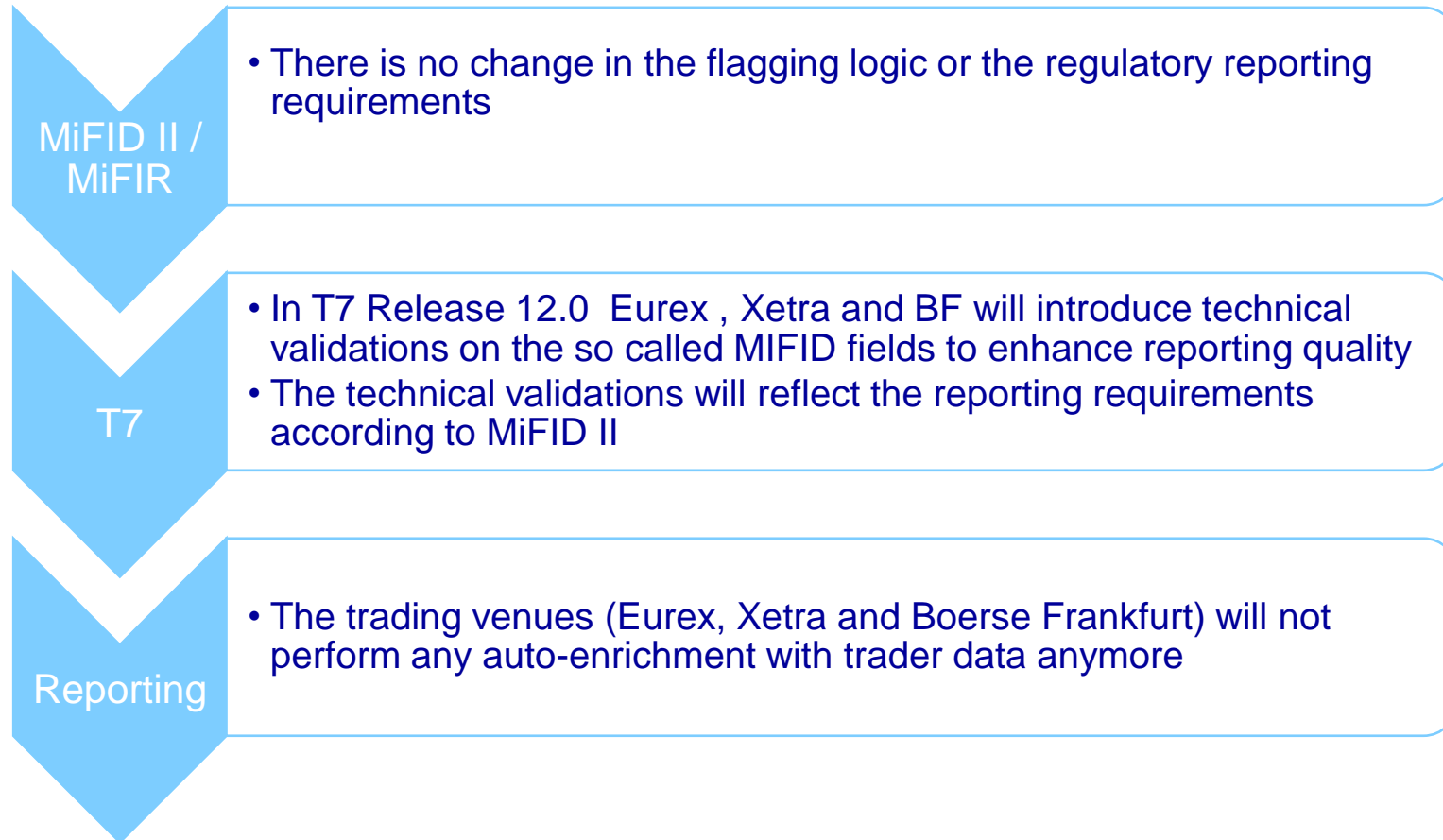
- Admitted Companies shall insert
 - Client ID
 - execution decision (when execution qualifier = 24 Human)
 - investment decision (when investment qualifier = 24 Human)
- Unique and over time unchangeable Short/Long Code combinations are required to be used
- Short codes have to be decrypted into long codes (i.e., National ID/LEI) in a separate file in due time (t+1)
- Depending on the nationality of the natural person, the acceptable national ID can be differed according to the ESMA requirements, e.g., Germany only accept CONCAT
- For institutional clients, valid Legal Entity Identifier (“LEI”), which is checked in GLEIF.org for valid registration status, is used instead
- Each usage of short code needed to be registered ideally before it is used for the first time or, in case a pre-registration is not possible, on the (business) day after the short code was used for the first time (t+1)

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- 2 **T7 Release 12.0 MiFID II / MiFIR Enhancements**
- 3 Short Code & Algo ID Upload GUI
- 4 Further Readings
- 5 Q & A

T7 Release 12.0 MiFID II / MiFIR Enhancements

Changes in a nutshell:



T7 Release 12.0 changes

- Enhanced technical field validations in T7 to reflect MiFID II / MiFIR flagging requirements
- No change in field logic, no new or additional fields in the interfaces – only exemption is the T7 GUI where the execution decision maker will be visible with T7 Release 12.0
- With T7 Release 12.0, Eurex will introduce a dedicated validation scheme for the fields Execution Decision ID, Investment Decision ID, and Client ID in all trading interfaces. The validation scheme relates to the submission requirements of the Short Code and Algo ID information in orders, quotes and TES trades. For easier readability, the term Short Code shall include the Algo ID as well in the following

T7 Release 12.0 MiFID II / MiFIR Enhancements

Enhanced field validations

| | Execution Decision ID | | Investment Decision ID* | | Client ID |
|-----------------------|------------------------|--------------|-------------------------|------------------------|-----------|
| Trading Capacity | Qualifier Algo / Human | Execution ID | Qualifier Algo / Human | Investment Decision ID | Client ID |
| AGENCY | mandatory | mandatory | optional | optional | mandatory |
| RISKLESS_PRINCIPAL | mandatory | mandatory | optional | optional | mandatory |
| RETAIL_AGENCY | mandatory | mandatory | optional | optional | mandatory |
| PROPRIETARY | mandatory | mandatory | mandatory | mandatory | empty |
| MARKET_MAKING | mandatory | mandatory | mandatory | mandatory | empty |
| ISSUER_LIQUIDITY_PROV | mandatory | mandatory | mandatory | mandatory | empty |
| RETAIL_LIQUIDITY_PROV | mandatory | mandatory | mandatory | mandatory | empty |

**Investment decision ID and qualifier are optional in Agency, Retail-Agency and Riskless Principal trading capacity, if qualifier set then the field investment decision ID is mandatory*

- The validations apply for all interfaces, FIX, ETI and T7 Trader GUI
- These are technical validations and hence a technically optional field may be mandatory according to reporting obligations in certain scenarios

T7 Release 12.0 MiFID II / MiFIR Enhancements

Agent account (ESMA trading capacity AOTC) and riskless principal account (ESMA trading capacity MTCH); client ID mandatory

| Flagging options | Execution Decision | Execution Qualifier | Investment Decision | Investment Qualifier | Client ID |
|---|---|----------------------------------|---|----------------------------------|---|
| Execution and investment decision taken by an algo. | Algo ID | T7: 22 (for an algo) | Algo ID | T7: 22 (for an algo) | Short code for LEI or National ID, PNAL or AGGR |
| Execution decision taken by an algo. Investment decision taken by the trader or another person within the member firm. | Algo ID | T7: 22 (for an algo) | Short code for the National ID of the trader/person | T7: 24 (for a natural person) | Short code for LEI or National ID, PNAL or AGGR |
| Execution decision not taken within the member firm. Investment decision taken by an algo. | Short code for NORE | T7: 24 (for a natural person) | Algo ID | T7: 22 (for an algo) | Short code for LEI or National ID, PNAL or AGGR |
| Execution decision not taken within the member firm. Investment decision taken by the trader or another person within the member firm. | Short code for NORE | T7: 24 (for a natural person) | Short code for the National ID of the trader/person | T7: 24 (for a natural person) | Short code for LEI or National ID, PNAL or AGGR |
| Execution decision and investment decision not taken within the investment firm. | Short code for NORE | T7: 24 (for a natural person) | Empty | Empty | Short code for LEI or National ID, PNAL or AGGR |
| Execution decision taken by the trader or another person within the member firm. Investment decision taken by an algo. | Short code for the National ID of the trader/person | T7: 24 (for a natural person) | Algo ID | T7: 22 (for an algo) | Short code for LEI or National ID, PNAL or AGGR |
| Execution and investment decision are both taken by the trader or another person within the member firm. | Short code for the National ID of the trader/person | T7: 24 (for a natural person) | Short code for the National ID of the trader/person | T7: 24 (for a natural person) | Short code for LEI or National ID, PNAL or AGGR |
| Execution decision taken by a person of the member firm other than the trader or the trader and the investment decision not taken within the investment firm. | Short code for the National ID of the trader/person | T7: 24 (for a natural person) | Empty | Empty | Short code for LEI or National ID, PNAL or AGGR |

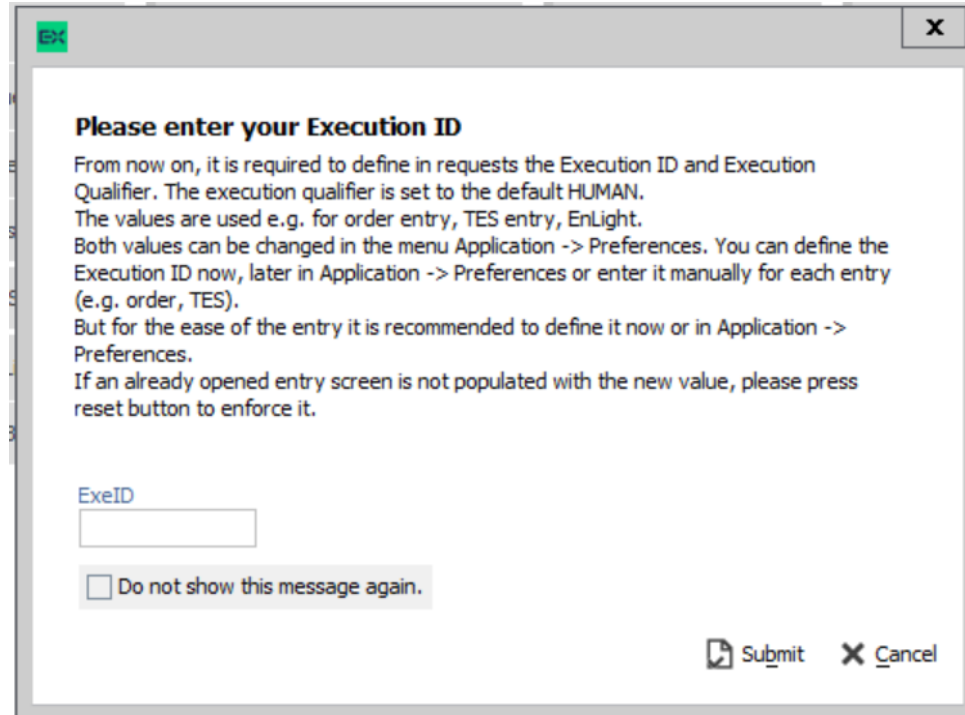
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This is just an partial extract from the flagging requirements a full overview is available in the document linked in the section «Further Readings».

Flagging logic details

- The flagging requirements according to the regulation have not changed. They are now reflected in the technical validations as presented on the previous slide
- The flagging according to the requirements can and should be implemented before the go-live of T7 Release 12.0

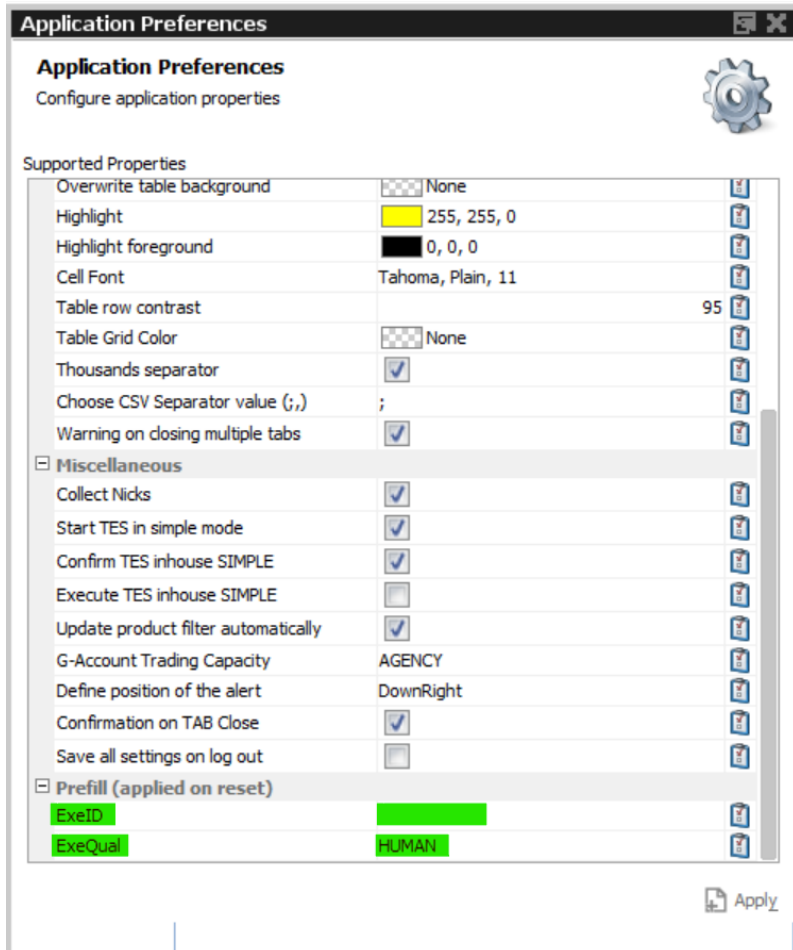
T7 Release 12.0 MiFID II / MiFIR Enhancements



T7 Trader GUI login & setup

- During the first login every trader will receive the prompt to insert the execution ID (short code) to be used as default value in all order / TES / Enlight entry screens.

T7 Release 12.0 MiFID II / MiFIR Enhancements



T7 Trader GUI preferences

- Every trader can configure the preferences in the T7 Trader GUI individually
- New: The default Execution Qualifier and Execution ID can be configured as well.
- With this configuration the trader will not need to enter the Execution Qualifier and Execution ID manually, unless the trader wants to use a different qualifier or ID than the default.

T7 Release 12.0 MiFID II / MiFIR Enhancements

Add Order - EURO STOXX 50 EOD OPTIONS

BUY OEXP Sep23-EoM Type Ratio O **Act: A1** TotQty Limit Res StopPrc Validity Date TUMbr OCC Text1

Benefic RateID RegInfo LiPrv InvID InvQual ExeID ExeQual CrossID Susp MaxTSL

Block Trade Entry - EURO STOXX 50 EOD OPTIONS

Block Trade Entry Basket Trade Entry Flexible Contracts Trade Entry EFP-Fin Trade Entry EFP-Idx Trade Entry EFS Trade Entry Vola Trade Entry

Symbol TesTrdID Delete

Contract OEXP Sep23-EoM Type Ratio Prc ClgPrc Eff B/S Eff Volume TesState TrdUnit MinQty AggMinQty MaxTSL NonDisclosureLimit Publish

Susp Prc TheoPrc CommTime Description CompressionID EntryTime ElapsedTime ExecTime Initiator (Broker)

ABCFRFABIAN BUY Qty EnrichmentRuleID **Act: P1** Text1 Text2 Text3 Status (Initiator)

Approver EnrichmentRuleID ClientID LiPrv InvID InvQual ExeID ExeQual RateID

Order & TES entry view

- In the order entry view the A1 account is selected what makes the client ID a mandatory field and the IDM fields optional
- The TES entry example shows a scenario where a P1 account is used what does not allow a client ID to be entered and makes the IDM mandatory
- The EDM fields is always mandatory

T7 Release 12.0 MiFID II / MiFIR Enhancements

01

Analyze internal TES/order/quote flow

- Analyze the internal order flow initiated through vendor applications or in-house developed systems
- Align closely with vendors on the upcoming changes and make sure the flagging logic is known and understood by all parties
- Verify T7 Trader GUI setups
- The new validations are applicable for orders, quotes, Enlight trades, TES trades and auto approval rules for TES trades

02

Verify results using the T7 reports

- Daily order maintenance reports (TE540 for XEUR and TC540 for XFRA and XETR)
- Daily TES maintenance reports (TE545 for XEUR and TC545 for XFRA and XETR)
- Short Code Status reports TR161 and Short Code error reports TR160 (available for all markets: XEUR, XFRA and XETR)

03

Adapt the systems and train traders

- Prepare and implement changes according to the new validations and existing flagging requirements
- Test all changes in the T7 simulation environment, there the same validations apply as in T7 production
- Upload missing Short Codes to the respective databases so they can be used once your production systems are ready, latest with T7 Release 12.0
- Implement the flagging in the T7 interfaces (ETI, FIX, GUI and vendor applications) – we recommend to do so prior to the T7 release 12.0! The early implementation will allow all participants to identify missing flags that would in future lead to order rejects in production prior to the T7 Release 12.0 go-live

Readiness activities for T7 Release 12.0?

- Closely align with vendors on the implementation
- Make sure traders are aware of the new T7 GUI fields
- Upload missing Short Codes before the first usage
- Implement the flagging according to the new validations ideally already in T7 Release 11.1 (i. e. prior to the T7 Release 12.0 go-live)

T7 Release 12.0 MiFID II / MiFIR Enhancements

Resting orders

- No order deletion with T7 12.0 introduction
- Resting orders that get execution in T7 12.0 but were entered under the previous release will be enriched as foreseen with T7 11.1

Order modification

- Order modifications must follow the new flagging requirements
- The new technical validations will be applied, incorrect flagging leads to order rejects

New order entry

- New orders must follow the flagging requirements according to MiFID
- The new technical validations will be applied, incorrect flagging leads to order rejects

Order handling

- With the introduction of T7 Release 12.0 orders will remain, there will be no order deletion
- Any modification of resting or new orders must follow the new validation logic

T7 Release 12.0 MiFID II / MiFIR Enhancements

Impact on Short Code registration

- Every trader needs a short code for identification (e.g. as execution ID)
- Every short code must be uploaded into the database before first usage
- Verify the current list of registered Short Codes (report TR161) to ensure all involved persons / clients are registered with a short code prior to their first interaction with T7.

Short Code action items

- Verify Short Code database
- Upload missing Short Codes to identify IDM, EDM or clients

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Short Code & Algo ID Upload GUI

NEW GUI

- Available in the Member Section
- Current logins and access rights will remain
- Upload functionality with immediate feedback on pre-validations
- Will be streamlined with Common Upload Engine (CUE) for which members must have a CUE user

Common Upload Engine (CUE)

- Direct upload possible
- Nothing will change with regards to CUE SFTP upload functionality
- CUE will perform the pre-validations for GUI uploads as well
- The CUE validation results will be immediately fed back to the New GUI

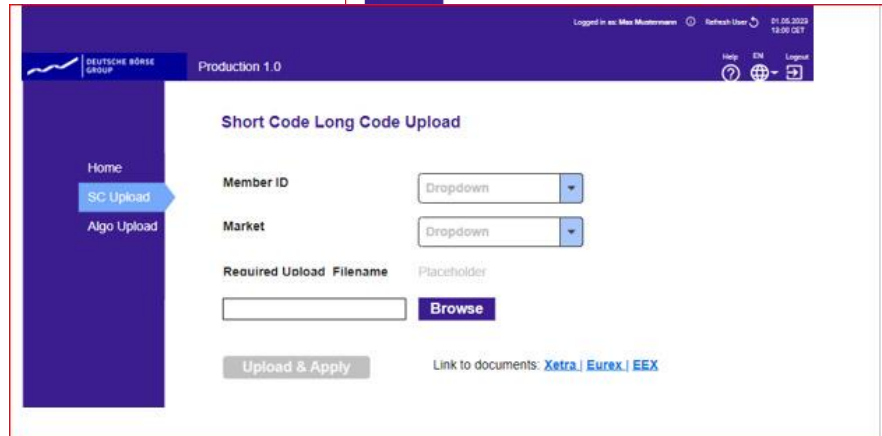
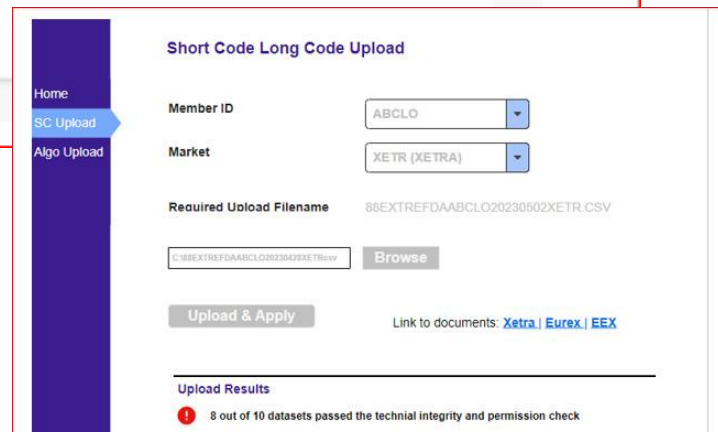
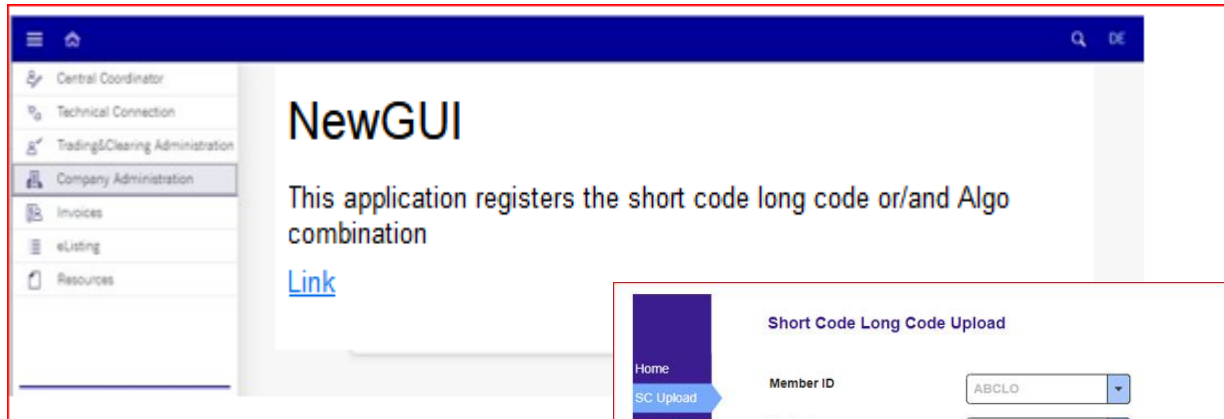
Short Code & Algo ID database

- Final upload validation will be performed overnight
- TR reports will be produced and made available to members via Common Report Engine
- Nothing changes in the report handling and provision

New GUI

- The New GUI will replace the current upload interface in the Member Section
- It will offer improved and streamlined validations for uploaded data
- Members must have a CUE user, if none is in place yet the CUE user must be set up

Short Code & Algo ID Upload GUI



New GUI

- Impressions on how the New GUI could look like. Currently, the development is still ongoing and the design is subject to change

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Further Readings

- MiFID II / MiFIR Flagging Requirements: https://www.eurex.com/resource/blob/3510934/f9ba2f4b3f94633b225b085b2d57e9fb/data/MiFID%20II_MiFIR-Flagging%20Requirements.pdf
- Information handbook for audit trail and other regulatory reporting under the MiFID II/ MiFIR regime: <https://www.eurex.com/resource/blob/33050/ef815e28a31d878ad069f130f12ca265/data/Reporting%20Manual%20-%20MiFID%20II.pdf>
- Eurex Circular 073/23 MiFID II/MiFIR: Enhancement of the upload functionality for Short Codes and Algo IDs in the Member Section: <https://www.eurex.com/ex-en/find/circulars/circular-3665290>
- Eurex Circular 063/23 MiFID II/MiFIR order flagging requirements: Short code solution enhancement: <https://www.eurex.com/ex-en/find/circulars/circular-3626368>
- Xetra Circular 038/2023 MiFID II/MiFIR: Enhancement of the upload functionality for Short Codes and Algo IDs in the Member Section: <https://www.deutsche-boerse-cash-market.com/dbcm-en/newsroom/circulars/Xetra-circulars-mailings/MiFID-II-MiFIR-Enhancement-of-the-upload-functionality-for-Short-Codes-and-Algo-IDs-in-the-Member-Section-3665442>
- Xetra Circular 036/2023 MiFID II/MiFIR order flagging requirements: Short code solution enhancement: <https://www.deutsche-boerse-cash-market.com/dbcm-en/newsroom/circulars/Xetra-circulars-mailings/MiFID-II-MiFIR-order-flagging-requirements-Short-code-solution-enhancement-3645386>

- T7 12.0 Release Notes: https://www.eurex.com/resource/blob/3694228/5fb1efa98817cc749e80f042d4396a76/data/T7_Release_12.0_-_Final_Release_Notes_Eurex_Version_2.pdf
- T7 ETI Manual: https://www.eurex.com/resource/blob/3661644/bc5b3f42473393ef120992fc3f07ceea/data/T7_R.12.0_Enhanced_Trading_Interface_-_Manual_Version_2.pdf
- T7 Derivatives ETI message reference: https://www.eurex.com/resource/blob/3661642/5ff30e0fee572241ab235e1720dac370/data/T7_R.12.0_Enhanced_Trading_Interface_-_Derivatives_Message_Reference_Version_2.pdf
- T7 Cash ETI message reference: https://www.eurex.com/resource/blob/3661640/b559b69432dbb228d09560f6efa42548/data/T7_R.12.0_Enhanced_Trading_Interface_-_Cash_Message_Reference_Version%202.pdf
- T7 FIX LF Manual: https://www.eurex.com/resource/blob/3661652/1d3eccf0a6723ad46b29bb1b3342c34a/data/T7_R.12.0_FIX_LF_Manual_Version_2.pdf
- T7 Derivatives FIX LF message reference: https://www.eurex.com/resource/blob/3661650/fbd6a662fdd25ac2558f1d24d8986d53/data/T7_R.12.0_FIX_LF_Derivatives_Message_Reference_Version_2.pdf
- T7 Cash FIX LF message reference: https://www.eurex.com/resource/blob/3661648/a04049450f6af62444c99146396ebb82/data/T7_R.12.0_FIX_LF_Cash_Message_Reference_Version_2.pdf
- Eurex - T7 Release 12.0 system documentation: <https://www.eurex.com/ex-en/support/initiatives/t7-release-12-0>
- Xetra – T7 Release 12.0 system documentation: <https://www.xetra.com/xetra-en/technology/t7/system-documentation/release12-0>

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