

Xetra® Circular 45/2017

Action required! High priority!

Please note: This circular is only available in English language

Date: 11.12.2017

Group of Recipients: **MiFID II Project Managers, Compliance Staff**, Xetra® Project Co-ordinators,
Please forward the following letter to all other responsible persons

Pre Trade Controls in MiFID II Trading Capacity “Riskless Principal”

Dear Sir or Madam, dear Members,

With regard to the implementation of MiFID II / MiFIR as of January 3, 2018, Wiener Boerse provides with this circular information on “Pre-Trade Controls” and the trading capacity “Riskless Principal”.

■ Pre-Trade Controls

Legal Basis – MiFID II/MiFIR - Based on Delegated Act (EU) 2017/584 (RTS 7) Article 20 pre-trade and post-trade controls have to be set:

(1) Trading venues shall carry out the following pre-trade controls adapted for each financial instrument traded on them:

- Price Collars
- Maximum Order Value
- Maximum Order Volume

The respective pre-trade controls are implemented in Xetra® Classic and Xetra® T7 as follows:

- Price Collars (Price Reasonability Check)
 - Prevents orders/quotes with a too large price difference to a reference price from entering the order book.
 - The price collar check requirement is covered by the already existing “price reasonability check” functionality (Xetra® Classic and Xetra® T7)
 - The Price Reasonability Check is linked to the corridors for the volatility interruptions on the level for each security.
 - No further action from Member Service Administrator (MBRSPV) required.

- Maximum Order Value

- Prevents orders/quotes with a too large order values from entering the order book.
- Maximum Order Value requirement exists in Xetra® Classic and Xetra® T7.
- Participants have to maintain the Maximum Order Value limits for their users:
 - a) For new users: No default value set; this has to be done by the Member Service Administrator (MBRSPV).
 - b) For existing users: Please check the Maximum Order Value; pre-defined dummy values (Xetra® Classic: 999.999.999.999,999; Xetra® T7: 9.999.999.999,99999999) are set and have to be changed.
- Member Service Administrator (MBRSPV) will be able to maintain the Maximum Order Value limits for their users intraday and the changes will be effective immediately.

- Maximum Order Volume (Maximum Order Quantity)

- Prevents orders/quotes with a too large order sizes from entering the order book.
- Maximum Order Quantity requirement exists in Xetra® Classic and Xetra® T7.
- Participants have to maintain the Maximum Order Quantity limits for their users:
 - c) For new users: No default value set; this has to be done by the Member Service Administrator.
 - d) For existing users: Please check the Maximum Order Quantity; pre-defined dummy values (Xetra® Classic: 999.999.999,999; Xetra® T7: 9.999.999) are set and have to be changed.
- Member Service Administrator (MBRSPV) will be able to maintain the Maximum Order Quantity limits for their users intraday and the changes will be effective immediately.

- **Trading Capacity “Riskless Principal”**

Legal Basis – MiFID II/MiFIR – Based on the Directive 2014/65/EU of the European Parliament and of the council trading participants are not allowed to act on their own for a foreign account, covering transactions on the basis of matched principal trading.

- For Regulated Markets (Article 47 - Organisational requirements (2)):

Member States shall not allow market operators to execute client orders against prop. capital, or to engage in matched principal trading on any markets they operate.

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- For Unregulated Markets: (Article 19 - Specific requirements for MTFs (5)):

Member States shall not allow investment firms or market operators operating an MTF to execute client orders against prop. capital, or to engage in matched principal trading.

- The trading capacity “Riskless Principal” (“R1”) is provided within Xetra® T7.
- The trading capacity “Riskless Principal” is **NOT** provided within Xetra® Classic.
- A “Riskless Principal Trade” is defined as a trade in which a member who has received a customer order immediately executes an identical order in the marketplace, while taking on the role of principal, in order to fill the customer order.
- If agent orders need to be booked on a principal account due to reasons of internal infrastructure (e.g.: VWAP-guaranteed business) the new trading capacity “R1” can be used.
- Orders placed on the account „R1“ have to include the „Client_ID“
- The riskless principal transaction flow (orders and trades) booked on account “R1” will be mapped to the agent account (“A1”)
- No changes in billing as trades on account “R1” will be booked as agent trades.
- For the usage of the trading capacity “Riskless Principal” the account type “R1” needs to be assigned to the respective trader by the Member Service Administrator. The assignment will be effective immediately and can already be done.

Further information can be found on our website (www.wienerborse.at | MiFID II).

Please do not hesitate to contact us for any further questions you may have:

- **Xetra® Trading Helpdesk** (phone +43.1.53165.500 | mail trading@wienerborse.at)
- **MiFID II Project Office** (phone +43-1-53165-218 or 184 | mail mifidproject@wienerborse.at)

Kind regards
Wiener Boerse AG
MiFID II & Xetra® - Project Team