EURONEXT MIFID II TECHNICAL NOTE – DERIVATIVES

INTRODUCTION TO THE MIFID II TECHNICAL CHANGES: NEW ORDER FIELDS FOR UTP DERIVATIVES

Scope and audience: the purpose of this technical note is to provide general information about the MiFID II technical changes on **UTP Derivatives**. More specifically, this document aims to describe the MiFID II technical changes with regards to new fields in order entry messages and familiarise developers with how to implement these changes for the respective order entry interfaces. For additional information regarding the Euronext's MiFID II programme, please consult the dedicated web page here.

SUMMARY

Euronext will introduce new order fields in the order entry messages. This meets, amongst others, the requirements under the delegated act "supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the maintenance of relevant data relating to orders in financial instruments" issued by ESMA which requires trading venues to be able to supply regulators with a wide range of order-related data.

These new fields will be mandatory or conditional based upon client type, method of investment decision making and type of instrument and will be introduced in private order entry messages in UTP CCG for Derivatives Markets.

This document provides an overview of the implementation guidelines and should be read in conjunction with the following documents, i.e. the complete guidelines, rules and conditions for populating the new fields in private order entry messages, as well as the types of checks that would be done on this data and conformance testing:

■ IT documentation > Order Entry > Technical Documentation > Derivatives

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www.euronext.com/connectivity/it-documentation/order-entry
- – CCG Binary Client Specifications – v3.1.2 – MiFID II
- – CCG FIX 5.0 Client Specifications – v3.1.2 – MiFID II
- ■ IT documentation > Order Entry > Conformance Test > Derivatives
www.euronext.com/connectivity/it-documentation/order-entry
- – Conformance Script- CCG-Light MIFID-II (FIX and Binary)-v1.2
- – Conformance Guidelines – CCG- Light- MIFID-II (FIX and Binary)
- ■ Trading & Products > Equity Derivatives > AtomX
https://www.euronext.com/atomx
- – AtomX User Guide version Rev 6.2-DA 1

PROCESS DESCRIPTION

A range of new short code fields is being added in all incoming application order entry messages, including the Liquidity Provider (LP) related quote and command messages. The new fields will be mandatory or conditional based upon (i) client type, (ii) method of investment decision making and (iii) type of instrument. Euronext will conduct checks for the new fields upon order entry to validate that mandatory and conditional fields are provided, in the format specified. Euronext will reject an order with an error message if mandatory and conditional fields have not been filled as required. As of **3 January 2018**, Euronext will apply technical controls on all **MiFID II fields** and will reject an order with an error message if mandatory and conditional fields have not been filled as required. However, Euronext will not reject synthetic generic data.

Euronext will not validate short codes upon order entry or reject orders if short codes have not been declared ahead of trading. Members will be required to supply short and long code mapping via **SLC Manager** as of **3 January 2018**. SLC Manager will, however, be available for short and long code declarations as of **early December 2017** for Members who wish to supply this information ahead of MiFID II entry into force. More information on the timing for providing the short long code mapping will be provided in due time. Please refer to the specifications of the Euronext SLC Manager for more information on the Graphical User Interface (GUI) and Application Programming Interface (API) as well as data requirements for the submission of a mapping between the short codes and long codes.

To provide flexibility in the use of short codes, **clients are required to generate their own short codes**.[1]

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[1] In case of an ISV Algo, the member may rely on the ISV to generate a short code, provided that negative short code ranges are applied.

MIFID II NEW ORDER FIELD DEFINITIONS AND RULES

The following table summarises the new fields to be added to the order entry interfaces and the respective rules for MiFID II requirements:

Field name	FIX tag	Type	Length (BIN)	Length (FIX)	Description	Possible values in BIN	Possible values in FIX	Required with MiFID II
ClientIdentificationShortCode	20051	Signed integer	4	11	Short Code used to identify the client of the member or participant of the trading venue. In case there is DEA, the code of the DEA user shall be used	Numerical between $-2^{31}+1$ and $2^{31}-1$.	Numerical between $-2^{31}+1$ and $2^{31}-1$, left-aligned.	Conditional field. Mandatory if AccountCode is Client or in case DEA is flagged as 'Yes'
ExecutionWithinFirmShortCode	20128	Signed integer	4	11	MiFID II short code, Execution within firm, identifier of the trader or algorithm responsible for the execution making	Numerical between $-2^{31}+1$ and $2^{31}-1$.	Numerical between $-2^{31}+1$ and $2^{31}-1$, left-aligned.	Mandatory
InvestmentDecisionWFirmShortCode	20053	Signed integer	4	11	MiFID II short code, Investment decision within firm, identifier of the trader or algorithm responsible for the investment decision	Numerical between $-2^{31}+1$ and $2^{31}-1$.	Numerical between $-2^{31}+1$ and $2^{31}-1$, left-aligned.	Conditional field. Mandatory if AccountCode is Liquidity Provider, Related Party or House. Optional otherwise or if DEA is flagged as 'Yes'
NonExecutingBrokerShortCode	20054	Signed integer	4	11	MiFID II short code, Non-executing broker, identifier of the non-executing broker	Numerical between $-2^{31}+1$ and $2^{31}-1$.	Numerical between $-2^{31}+1$ and $2^{31}-1$, left-aligned.	Optional
DEAIndicator	21017	Char	1	1	Indicates whether the order was submitted via a Direct Electronic Access (DEA) connection or not. It must be set to 1 for DEA access	'1' Yes '0' No	'1' Yes '0' No	Mandatory if AccountCode is Client or House Optional otherwise

ExecWFirmAlgoTrading Indicator	20074	Char	1	1	Indicates whether the order execution was submitted by an trading algorithm or not	'1' Yes '0' No	'1' Yes '0' No	Mandatory
InvDecWFirmAlgoTradingIndicator	20077	Char	1	1	Indicates whether the investment decision was submitted by an trading algorithm or not	'1' Yes '0' No	'1' Yes '0' No	Mandatory if the InvestmentDecisionWFirmShortCode is provided. Optional otherwise
DeferralIndicator	20075	Char	1	1	For future use	Any (the field is for a future use)	Any (the field is for a future use)	Optional
CommodityDerivativeIndicator	20126	Char	1	1	Indication as to whether the transaction reduces risk (i.e. for hedging purposes)	'1' Yes '0' No	'1' Yes '0' No	Mandatory if the instrument is a commodity derivative or holds a commodity underlying
TradingCapacity	21051	Char	1	1	MiFID II field that indicates whether the order submission results from trading as matched principal, on own account or as any other capacity	'1' Dealing on own account '2' Matched principal '3' Any other capacity	'1' Dealing on own account '2' Matched principal '3' Any other capacity	Mandatory
SSTISystem	21052	Char	14	14	Field that indicates the voice / RFQ platform name	Free text	Free text	Optional
ESCBMembership	21053	Char	1	1	Field that indicates if the trade is submitted by a member of the European System of Central Bank (ESCB) in performance of monetary, foreign exchange and financial stability policy	'1' Yes '0' No	'1' Yes '0' No	Optional

PackageIndicator	21054	Char	1	1	Field where members indicate if the trade is part of a package as it is defined by ESMA	'1' Yes '0' No	'1' Yes '0' No	Optional
PassiveOrder	21055	Char	1	1	In case of matching, indicates if the order was passive or not	'1' Yes '0' No	'1' Yes '0' No	N/A (as only in "Execution Report (8)" message)
WaiverIndicator	20124	Int	1	1	Waiver Indicator, indication as to whether the transaction was executed under a pre-trade waiver	'1' SIZE '2' ILQD	'1' SIZE '2' ILQD	N/A (as only in "Execution Report (8)" message)

The below table provides the correlation of Waiver indicator values, and the applicable rules in wholesale. The value in the field are restricted to those identified in Ofs 313 Binary and Tag 20124 Fix 5.0 protocol 61 "Waiver Indicator"

Waiver indicator	Description	Applicable for
SIZE	Negotiated transactions in liquid financial instruments above a specific size	Basis, Large-in-Scale (Block), Large-in-Scale Package (Prof) and Atom-X trades in non-equity instruments where the following conditions are valid: • The instrument is flagged by ESMA as being a *liquid* financial instrument; • The volume is greater than or equal to the SSTI minimum volume threshold; • The SSTI System flag has been set to 'yes' (on both sides in case of Large-in-Scale Package). Pending regulatory approval for SSTI waiver.
ILQD	Negotiated transactions in illiquid financial instruments	Wholesale trades in non-equity instruments where the following conditions are valid: • The instrument is flagged by ESMA as being an *illiquid* financial instrument. • The volume is great than or equal to the LIS minimum volume.
(blank)	No Waiver assigned	Cases when rules above are not met

MESSAGE IMPACTS

The following table summarises the Binary and FIX protocol message implementation of the new fields for Common Customer Gateway (CCG) on UTP Derivatives:

Binary Messages / fields	Message routing Client ↔ CCG-D	Message usage	ClientIdentificationShortCode	ExecutionWithinFirmShortCode	InvestmentDecisionWFirmShortCode	NonExecutingBrokerShortCode	DEAIndicator	ExecutionWithinFirmAlgoTradingIndicator	InvestmentDecisionWFirmAlgoTradingIndicator	DeferralIndicator	CommodityDerivativeIndicator	TradingCapacity	SSTISystem	ESCBMembership	PackageIndicator	PassiveOrder	WaiverIndicator
New Order Single (D)	→	Requests the creation of a new order	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No
Order cancel request (F)	→	Requests the cancellation of all the remaining quantity of an existing order.	Yes	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No	No
Order Mass Cancel Request (q)	→	Used to cancel multiple orders.	Yes	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No	No
Order Cancel List (UB)	→	Used to cancel previously submitted orders which are in the central order book	Yes	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No	No
Order Revision Request (G)	→	Used to amend an order's original volume, price and GTD expiry date.	Yes	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No	No
New Order Cross (S)	→	Used to submit orders for wholesale business that has been pre-negotiated outside the market, for designated products.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Quote Request (R)	→	Used to request quotes in a specified AMR and at an optionally specified volume.	Yes	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No	No
New Order List (E)"	→	Used to submit up to 16 outright orders within a single message	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No
Order Revision List (UA)	→	Used to revise up to 32 outright orders within a single message	Yes	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No	No
Execution Report (8) *	←	Used in response to order and fill related client messages.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
User Notification (CB)	←	Used by the Exchange to send a message to an ITM. It is also used to change a user's connectivity.	Yes	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No	No
Mass Quote (I) **	→	Allows Market Makers to submit up to 65 double-sided quotes within a single message.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No

FIX Messages / fields	Message routing Client ↔ CCG-D	Message usage	ClientIdentificationShortCode	ExecutionWithinFirmShortCode	InvestmentDecisionWFirmShortCode	NonExecutingBrokerShortCode	DEAIndicator	ExecutionWithinFirmAlgoTradingIndicator	InvestmentDecisionWFirmAlgoTradingIndicator	DeferralIndicator	CommodityDerivativeIndicator	TradingCapacity	SSTISystem	ESCBMembership	PackageIndicator	PassiveOrder	WaiverIndicator
New Order Single (D)	→	Requests the creation of a new order.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No
Order cancel request (F)	→	Requests the cancellation of all the remaining quantity of an existing order.	Yes	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No	No
Order Mass Cancel Request (q)	→	Used to cancel multiple orders.	Yes	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No	No
Order Cancel Replace Request (G)	→	Used to amend an order's original volume, price and GTD expiry date.	Yes	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No	No
New Order Cross (S)	→	Used to submit orders for wholesale business that has been pre-negotiated outside the market, for designated	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Quote Request (R)	→	Used to request quotes in a specified AMR and at an optionally specified volume.	Yes	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No	No
Execution Report (8) *	←	Used in response to order and fill related client messages.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
User Notification (CB)	←	Used by the Exchange to send a message to an ITM. It is also used to change a user's connectivity.	Yes	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No	No

*: in these messages, the new fields will be included only in the case where the Execution Report (8) is sent back as a reply to message Order Mass Status Request (AF) or as a reply to the New Order Cross (s)

**: in these messages, the new fields will not be included in a repeating section (but in the body of the message, not repeated).

SHORT CODE MANAGEMENT BEFORE JANUARY 2018

To reduce the technical and operational impact for clients in the implementation of MiFID II, Euronext will consider all the new MiFID II fields as optional between the production go-live of MiFID II changes on UTP Derivatives on 27 November 2017 and MiFID II entry into force on 3 January 2018. However, should one of the MiFID II fields be populated, Euronext will apply technical controls on all MiFID II fields.

As of **3 January 2018**, Euronext will apply technical controls on all **MiFID II fields** and will reject an order with an error message if mandatory and conditional fields have not been filled as required. However, Euronext will not reject synthetic generic data.

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Euronext will not validate short codes upon order entry or reject orders if short codes have not been declared ahead of trading. Members will be required to supply short and long code mapping via **SLC Manager** as of **3 January 2018**. SLC Manager will, however, be available for short and long code declarations as of early December 2017 for Members who wish to supply this information ahead of MiFID II entry into force.

TREATMENT OF CONFIDENTIAL INFORMATION

To avoid sensitive information circulating in the non-encrypted order entry interface, Euronext will deploy only short codes in the order entry interface. Members are required to provide a dedicated file with mapping between short codes used at the order entry and long codes via SLC Manager, allowing for reconciliation between the orders and the private information safely post order injection.

Personal data management and treatment of confidential information are governed by the Terms and Conditions of SLC Manager and the Euronext Rules.

DISCLAIMER