EUREX



Questions & Answers clarifying the rules around the usage of Order Routing Systems (ORS) at Eurex Deutschland.

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1) What is Order Routing System?

According §60 of Exchange Rules of Eurex Deutschland ("**Exchange Rules**") coming into effect on 22nd November 2021, an Order Routing System is a software used by an Exchange Participant ("ORS Provider") that enables the users ("ORS Users") of this software to transmit orders to the trading system of Eurex Deutschland under the user ID of an approved Exchange Trader admitted for the ORS Provider ("Filter Trader") <u>The tenth Amendment Ordinance to the Exchange Rules</u> shows all changes to §§60, 61 of the Exchange Rules that become effective on 22nd November 2021

2) Who are Trading Participants and Indirect Trading Participants?

According to the §2 (8) sentence 1 of the <u>German Exchange Act</u> ("**Exchange Act**" *Börsengesetz*), Trading Participants are companies, Exchange Traders and lead brokers admitted to trading according to §19 of the Exchange Act.

According to the §2 (8) sentence 2 of the Exchange Act, Indirect Trading Participants are persons who electronically transmit orders to a Trading Participant, which are forwarded to the exchange by the Trading Participant with limited or no human involvement, or who use a Direct Electronic Access.

Indirect Trading Participants are therefore non-members of the exchange.

3) Who is authorized to trade at the Exchange?

According to the §19 (1) of the Exchange Act and §56 (3) of Eurex Exchange Rules, only admitted Exchange Traders of a company admitted for trading at Eurex Deutschland ("Exchange Participant") can have access to the exchange while using their personal user ID and code which has been assigned to them.

Indirect Trading participants (non-members) on the other hand can access the exchange through a Trading Participant or by using a Direct Electronic Access (see §2 (8) sentence 2 of the Exchange Act).

Accordingly, §60 (1a) of the Exchange Rules coming into effect on 22nd November 2021 defines ORS Users as Exchange Traders and Indirect Trading Participants according to §2 (8) sentence 2 1. alternative of the Exchange Act whereas §61 (1) of the Exchange Rules defines Direct Market Access (DMA) Users as Indirect Trading Participants according to §2 (8) sentence 2 2. Alternative of the Exchange Act.

An Exchange Trader who uses an ORS shall in addition to the personal user ID of the Filter Trader submit its own personal user ID to the trading system of Eurex Deutschland (see §60 (1a) of the Exchange Rules coming into effect on 22nd November 2021).

4) Who is responsible for the ORS order flow?

According to the §19 (a) of the Exchange Act, in the case of orders from Indirect Trading Participants within the meaning of Section 2, Paragraph 8, Clause 2, to whom it grants access to the exchange, the Trading Participant is responsible for compliance of the Indirect Trading Participant with exchange-related provisions (*börsenrechtliche Vorschriften*) (see also § 60 (1) Nr. 6 of the Exchange Rules).

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In addition, according to §60 (1a) of the Exchange Rules an Exchange Trader who uses an ORS is responsible for the compliance with the exchange-related provisions (börsenrechtliche Vorschriften).

5) Is an internal employee of an ORS provider considered to be an Indirect Trading Participant?

No, only customers of an ORS provider can be considered as Indirect Trading Participants.

- 6) Does the new ORS rule classification impact DMA flow, will there be any change?

 DMA is not affected by the rule change. According to §2 (9) of the Exchange Act and §61 of the Exchange Rules only customers of the DMA provider, i.e. Indirect Trading Participants, are allowed to use DMA.
- 7) When does the rule clarification become applicable? 22 November 2021.

8) Is the usage of ORS allowed by internal non-traders of the ORS Provider?

According to §§ 2(8), 19(a) of the Exchange Act as well as § 60 (1a) of the Exchange Rules non-traders cannot be considered as Indirect Trading Participants or Exchange Traders. Therefore, the usage of ORS by internal non-traders is not allowed unless they act on behalf of a customer (Indirect Trading Participant) of the ORS Provider.

9) How shall "ComplianceText" field (tag 2404) be populated?

- left blank in case the ORS user is not an admitted Exchange Trader but an Indirect Trading Participant, i.e., customer of the ORS Provider,
- e.g. "ABCFRTRD002" in case the ORS user is an Exchange Trader (e.g. Trader ID 'TRD002') inside the ORS provider (e.g. Exchange Participant 'ABCFR') using the ORS,
- e.g. "BCDFRTRD001" in case the ORS user is an Exchange Trader outside the ORS provider (e.g. Exchange Participant 'ABCFR') using the ORS, i.e. an Exchange Trader (e.g. Trader ID 'TRD001') is acting for another Exchange Participant (e.g. Exchange Participant 'BCDFR').

10) Who is responsible for the "ComplianceText" field population?

In any case the Exchange Traders using ORS are responsible for the order flow and the correct field population according to §60 (1a).

11) Is the "ComplianceText" required for orders only or for quotes as well?

An Order Routing System may only be fed with orders for exchange transactions, their modification and deletion. It is not permitted to enter, change and erase quotes as well as to enter Cross Trades and Pre-Arranged Trades and corresponding Trade Requests pursuant to Number 2.6 of the Conditions for Trading at Eurex Deutschland.

12) What would happen if the "ComplianceText" field is populated in the cases when the population is not required?

The field usage is required for monitoring and surveillance purposes. Incorrect population of the field or overpopulation of the field will cause issues on the monitoring side. Therefore, in case of ORS, we require to use the field only when the Exchange Trader identification is necessary according to §60 (1a) of the Exchange Rules.

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13) Is the "ComplianceText" field available in both CLOB and TES and is the field population required for both?

The requirement applies for both on- and off-book. The field is available in CLOB and TES already.

- 14) Is the "ComplianceText" field available on the Eurex GUI and Block API?
 - ORS via GUI is not permitted in general, as personal user IDs and codes may only be used for entries into to the trading system by the persons they have been assigned to, and codes may not be disclosed to third persons (see §56 (3) of the Exchange Rules). The tag is available for Block API, it can be found in the approval request.
- 15) Are there any validations for the tag 2404 "from the T7 side? Are orders going to be rejected if the field is not filled when not required or not filled correctly?

 There will be no validation of the field or order rejection from the T7 side in case the field is not populated or populated incorrectly.
- 16) Is the "Compliance text" field used for any other purpose currently?

 No, the field exists in T7 system for years but there is no requirement from Eurex to populate this field for any case other than the new Exchange Trader identification requirement.
- 17) Does the rule amendment affect agency business?

Agency business is only affected when it concerns an Exchange Trader acting for an Exchange Participant using an ORS provided by another Exchange Participant. In this case Exchange Traders need to identify themselves in the T7 system.

18) Shall the Trader ID be provided in case a trader is employed with an affiliated company of an Exchange Participant?

If those traders are acting on behalf of an affiliated company of an Exchange Participant, this company may be considered as an Indirect Trading Participant, when not being an Exchange Participant.

In case an affiliated company is also an Exchange Participant and has its own Member ID, in that case a trader using ORS needs to be an Exchange Trader as well as an identification is required.

19) Where the affiliate (Firm B) is also a Member of Eurex but the trader order-routes via Firm A's membership, is it permissible for the order to be tagged with the trader's ID registered under Firm A? Or would the trader need to de-register from Firm A and re-register under Firm B's membership and tag all orders with the trader ID registered under Firm B (the affiliate)?

A trader who is registered with firm B can actually trade on behalf of the Firm B. Thus, the Exchange Trader has to provide identification in tag 2404. No re-registration is required.

20) An internal trading desk trades on Eurex but the traders themselves are not individually registered with Eurex as they trade over an ORS key that is in the name of another registered trader. Can they carry on trading as they are with no impact or do these traders need to be individually registered as Eurex exchange tradersmeaning they need to have passed the Eurex trading exam etc.?

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Every internal trader trading at Eurex for the Exchange Participant needs to be an admitted Exchange Trader.

- 21) Shall the ORS still be used by an admitted Exchange Trader if a set-up includes an algorithm and this algorithm is triggered by an internal employee of a member firm? There is a responsible person for the algorithm that Exchange Participants are obliged to provide to us before using an algorithm, however, legally the responsibility for the order lies with the one who is placing the order or in that case triggering the algo.
- 22) If an ORS member's Algo is used for a given client order, does that change anything? Client flow is considered out of scope of the new amendment unless a client (ORS user) is also an Exchange Participant.
- 23) Should a "ComplianceText" be populated if an algorithm slices orders which are managed by an ISV/service but only after having had the original order placed by an ORS user?

If an ORS user is an Exchange Trader who is acting for the ORS Provider or for another Exchange Participant a "ComplianceText" (Tag 2404) must be populated.