

Eurex EnLight – the new electronic price discovery platform

For the past two years Eurex has been actively engaged with understanding how MiFID II will impact our industry. Eurex investigated the impact of the new regulatory regime on our members so that we may provide them with innovative solutions. One of the outcomes of this process is the introduction of Eurex EnLight, a selective RFQ platform, as a service that member firms can use for the price formation and arranging of off-book orders.

MiFID II has become a catalyst for change, presenting not only challenges around compliance but opportunities as well. Eurex EnLight has been designed to assist our members in not only meeting Best Execution requirements, the most onerous of these new regulatory challenges, but also to increase efficiencies around the existing voice and chat work processes.

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Any new solution should not just be about assisting in the BestEx compliance proof, but rather to improve the process as a whole for industry participants. Ultimately, the goal should be to further improve liquidity, to benefit all market participants.

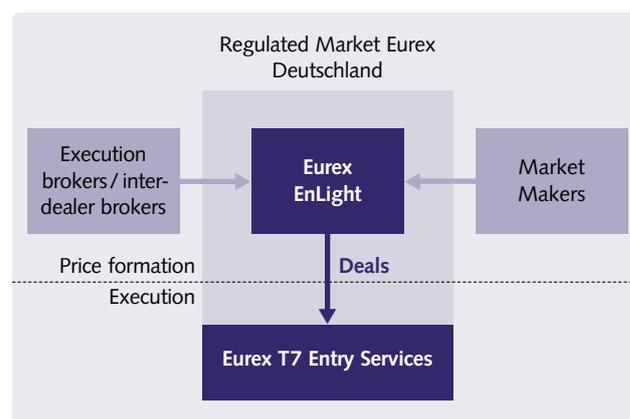
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Randolf Roth, Member of the Eurex Executive Board.

In addition to solving some core problems for our members, Eurex believes the increased electronification of the off-book business will ultimately improve overall market liquidity and increase structural diversity.

Solving the four key aspects of BestEx (graph below) within the existing voice and chat workflows is no small task and can prove to be quite costly. Eurex EnLight accurately replicates the voice business, while affording its users all the advantages of electronic data collection, quote collation, synchronisation, and of course the efficient, timely retrieval of all this information should it be required in the future.

A new way to source liquidity



This new RFQ platform brings together Brokers and Market Makers to negotiate safely off-book and sends struck deals STP into the T7 Entry Service.

Eurex EnLight does not impose its own interpretation of BestEx. Instead, Eurex makes available all the data to enable investment firms to support their own internal best execution policy.

A solution to meet the best execution challenge for your ETD off-book business



Requirement to take all sufficient steps to achieve the best result for clients*



Take into account price, cost, speed, likelihood of execution, size, nature or any other considerations*



All communication intended to lead to a trade needs to be collected, collated and synchronized**



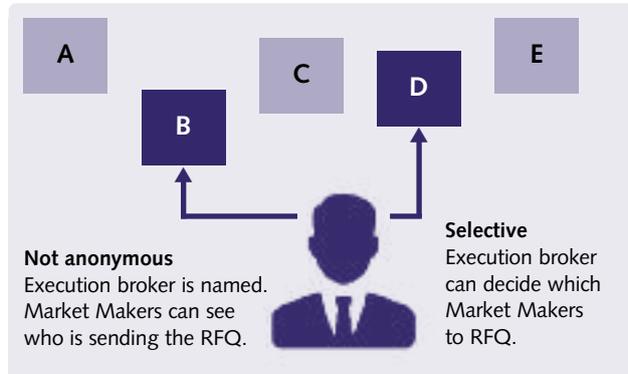
Synchronized data must be retrievable in a timely manner, for use in proof of BestEx from clients for up to five years***

MiFID II references: *Article 27 (1) **Article 16 (7) par 2 ***Article 16 (7) par 9

Highlights

A selective RFQ platform to negotiate safely

Increased information on flow quality (not anonymous), and reduced leakage (not all-to-all) plus limited time exposure on quotes (RFQ session). Affords Market Makers the confidence to meet off-book liquidity needs.



Effective technology to assist in regulatory compliance

Assists members to comply with MiFIDII/MiFIR associated increased obligations, specifically BestEx. Does not impose BestEx interpretation but offers the tools to monitor and enforce the firm's policy.

Increases speed of price formation

Addresses existing member limitations around the price discovery process. The platform displays a collated view of all received quotes as well as implied orderbook prices, giving all relevant information at a glance. STP processes increase efficiency and reduce errors.

Improved compliance controls

Rules to reduce probability of non-adherence to execution policy. Configurable parameters to decrease or prevent undesired behavior.

Built on proven technology

Built on Eurex Exchange's T7 trading architecture. Can be accessed via existing Eurex GUI or via the T7 API.

Automatic availability with T7 Release 6.0

No separate agreements or special setup required. All Eurex members can use the service through the T7 GUI. Availability of default lists with dedicated Market Makers.

Improving liquidity, reducing slippage and leakage

Voice/chat price formation is primarily a series of bilateral conversations, making it difficult to efficiently retrieve and collate quotes from more than a few participants at a time.

With Eurex EnLight it is equally easy to receive quotes and strike deals with multiple participants as it is with just one, increasing the diversity and depth of liquidity. The platform displays a collated view of all received quotes as well as implied orderbook prices.

Selective disclosure of information ensures safe negotiations and controls leakage.

Full liquidity information available at a glance, increasing speed of price formation and reducing slippage.

Eurex developed the platform to make the work at the desk easier and more efficient. All struck deals are sent via STP into T7 Entry.

Product focus

Initial products will include:

- Fixed income Options (OGBL, OGBM, OGBS, OOAT, OBTP)
- Money Market Options (OEU3, OEM1-4)

Additional products will be added shortly thereafter.

Market insights and intelligence

Collection and analysis of price formation data to gather important market intelligence on counterparties is difficult with existing voice/chat processes. Eurex EnLight allows users to generate reports to gain valuable insights.

The platform is fully electronic and has a comprehensive audit trail functionality. Analysis of available data helps members to make more informed decisions around quoting or selection of counterparties.

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