

Equity & Basket Total Return Futures (E&BTRF)

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Functional description (1/3)

Overview

- BTRF is a customised package of one or more ETRFs with the same maturity
- BTRF are constructed by traders within certain parameters (e.g. bucket, number of stocks, notional amount, weight %, market side) in relation to eligible shares
- New TES functionality for customised baskets is envisaged in T7 for baskets with ETRF contracts
- BTRF have unique basket transaction ID generated by the T7 trading system (Basket IDBTRF ID)

Trade Handling

- ETRFs as stand alone can only be traded in the order book
- ETRFs as part of a basket (BTRF) can only be traded via TES
- ETRFs components of a basket are entered as a package via a new dedicated screen via T7 GUI or new dedicated requests via the ETI interface
- Upload file functionality is also envisaged via the T7 GUI
- Upon BTRF trade entry into the T7 trading system, the trader should first select the relevant “Bucket” and afterwards the eligible ETRFs which have been previously mapped to the respective bucket.
- Upon the initial execution, all ETRF components will have the same Market side (i.e. only Long or only Short) and Trade type (i.e. only TAC or only TAM)

BTRF Initial execution

- Third Party (Indirect) Negotiation: broker functionality allows third parties to allege the trade to both counterparties for approval (third parties acting only as facilitator); counterparties will see each other’s identity in contrast to other broker trades in TES
- Direct Negotiation: One bank directly submits directly the basket TRF to another bank for approval and each see the other’s identity



Functional description (2/3)

BTRF ID & Own Reference ID

- The T7 trading system will automatically generate a unique Basket ID for each basket
 - Envisaged format: 20 characters numerical (8 bytes binary format – more details in ETI documentation)
 - The BTRF ID will be unique across all members and throughout time
 - The BTRF ID will be kept for life (i.e. not deleted or reused) and will not change due to subsequent trades
- Traders will be able to enter in T7 their own optional reference ID in a new field *Own Reference ID*
 - Envisaged format: 20 characters alphanumeric (more details in the ETI documentation)
 - This own reference ID is envisaged to be used for search purposes/internal reconciliation for an existing BTRF. The Bank's Own Reference ID will only be kept at the trade level

BTRF Amendment

- Changing composition of an already executed basket is supported, the trader can
 - Enter a basket amendment with the basket operation type “Substitution”, if it is supposed to be a substitution
 - Enter a basket amendment with the basket operation type “Amendment” in all other cases
- Technically a basket amendment operation is an entry of another basket with a reference to original basket
 - New basket contains additional trades or counter trades (workflow identical with basket entry/execution)
- The counterparties of a basket amendment operation must be the same as for the original basket operation
 - For counter trades, the two counterparties change sides (same rules as for the entry of a new BTRF apply, but price and TES type do not need not to be the same as in the original BTRF)
- Amendment possible as long as the instruments in a basket have not expired
 - T7 has no information about any clearing transactions on basket positions, does not store a list of actual basket components and does not perform any validations



Functional description (3/3)

BTRF Implementation

- Basket execution will result in TES trades in individual ETRF components of the basket (no technical concept of basket trade existent)
- Individual trades of a basket are forwarded to clearing and reported in T7's private (ETI, FIX) and public (MDI) interfaces
- In ETI, FIX and GUI, T7 will enrich TES trades that belong to a basket with the basket ID
- The reference data interface will publish BTRF Buckets that determine which ETRF products can be combined in a BTRF

Impact on interfaces (1/2)

ETI

- New ETI requests will be introduced covering the TES basket trading workflow
- New requests will support entry, modification, deletion and approval of the entire basket operations
- On initial entry of new basket, T7 will return a unique basket ID which must be referred to in all further requests regarding a basket
- The basket ID will be used to identify the basket in basket amendment operations
- Execution of a basket will result in trades in basket component instruments, which will be reported individually with the help of the existing TES Trade Broadcast messages
- The layout of the TES Trade Broadcast messages will be enriched with a new Basket ID field which will help to identify that a trade was part of a basket and of which basket
- The BTRF must belong to a BTRF Bucket
- The BTRF buckets available will be published via RDI
- The ID of the applicable BTRF Bucket must be stated in all ETI requests used for trading a BTRF

FIX

- BTRF trading will not be supported via the T7 FIX interface
- TES trades are reported via trade notification messages
- Messages already include the BasketTradMatchID and the BasetSideTradeReportID to identify that the trade was part of a basket and of which one

Impact on interfaces (2/2)

Market and Reference Data

- The trade prices of TES trades that have been executed as part of a basket will be flagged as such
- The reference Data Interface (RDI) will publish the BTRF Buckets available
- BTRF Buckets determine which products can be grouped together in a specific BTRF
- The ID of a BTRF bucket must be stated in all ETI requests regarding a BTRF that refers to that BTRF Bucket

GUI

- The T7 Trader GUI will support the BTRF trading workflow in TES Trade Entry

Reports

- TES trades resulting from the execution of a basket will be shown in the existing TE545 Daily TES Maintenance report
- The corresponding basket ID will also be provided in the existing TE545
- A new report TE546 Daily TES Basket Maintenance will document the trading activity on a basket level

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