

X-pand into the Future



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Recipients: All Trading Participants of Eurex Deutschland and Eurex Zürich and Vendors
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Action required

Flagging of algorithmically generated orders according to the German HFT Act: Securing the uniqueness of flagging when using multiple Software Vendors (ISVs)

Related Eurex circulars: 052/13, 073/13, 077/13, 106/13, 216/13

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Content may be most important for:

➔ All departments

Attachments:

none

Summary:

This circular provides further information on the flagging of algorithmically generated orders when using multiple Software Vendors (ISVs). The following possibilities for flagging are suggested:

1. Insertion of the ISV ID in front of the "Compliance ID"
2. Flexible flagging by Trading Participants
3. A combination of 1. and 2.



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**Flagging of algorithmically generated orders according to the German HFT Act:
Securing the uniqueness of flagging when using multiple Software Vendors (ISVs)**

We would like to point out to all Trading Participants upcoming changes related to the flagging of algorithmically generated orders. In a scenario, where a Trading Participant uses multiple Independent Software Vendors (ISVs), a conflict with the requirement of the uniqueness of flagging according to the German HFT Act may arise. This might happen, if a diversity of algorithms from several ISVs of one Trading Participant accidentally flag orders with the same ID.

Since the introduction of the algo-flagging requirement on 1 April 2014, unique flagging has been ensured by the interim usage of the field "Application Identifier". Due to organisational and technical reasons, this interim solution cannot exist permanently. Therefore, and with the introduction of Eurex Exchange's T7 Release 2.5 at the end of 2014, the solution via the field "Application Identifier" cannot be used any longer. Instead, a comprehensive solution using the "Regulatory ID" field exclusively needs to be ensured.

To ensure uniqueness whenever a Trading Participant uses applications of multiple ISVs, the flagging field for algorithms will be extended with Eurex Exchange's T7 Release 2.5 at the end of 2014. The existing 4-byte "Regulatory ID" field will be enhanced to 8 bytes. Additionally, the field will be renamed to "Compliance ID", reflecting the corresponding FIX naming convention.

From the Exchange's point of view, there are several possibilities to ensure the above-mentioned uniqueness. These possibilities are provided exemplarily and not concluding:

1. The first possibility foresees that ISVs have to insert a unique ISV ID in the first four bytes of the field "Compliance ID". This would be called a domain. Identification of the ISV can then take place by translating the already existing ISV ID into a number. This can be done by
 - a) converting the first three letters of the ISV ID to a hexadecimal value. As the letter "A" corresponds to the hexadecimal number 41, the ISV with the ID "AAAXV", would insert the value "41 41 41" in front of the identification of the trading algorithm.
 - b) converting the first three letters of the ISV ID to numbers, i.e. "A" = "01"; "B" = "02"; "C" = "03" etc. to "Z" = "26". As "A" in this case reflects "01", the ISV would insert the value "01 01 01" in front of the identification of the trading algorithm equalling "AAAXV".

Given these possibilities, the first four bytes can remain unused. For users of own applications, this means that the field can be populated with the default value binary 0 (zero).

2. The second possibility foresees that Trading Participants will be given a flexible possibility for the definition of their unique domains from their ISVs. In this case, the Trading Participant itself ensures that the flags of its ISV cannot collide throughout own assignment and maintenance of domains.
3. The third possibility foresees a combination of 1. and 2.

These solutions facilitate a selection of the best possibility of each respective case and to adjust the IT architecture of the Trading Participant respectively. Please note that Trading Participants alone are obliged to ensure the uniqueness of the flagging of their trading algorithms. Also, the way this is done is solely in the responsibility of the Trading Participant. Therefore, the measures suggested above are non-binding proposals of how uniqueness can be achieved through exclusive usage of the "Compliance ID" field. Alternative approaches are possible as well.