

Order Routing Systems (ORS) and Direct Market Access (DMA) at Eurex under the new regulatory regime

The commencement of MiFID II/ MiFIR and its transposition into the German legal environment with the Finanzmarktgesetz II, coming into effect on January 3rd 2018, means that German trading venues will get the possibility to allow DMA, as an additional option to allow access to their order books by non-participants, for the first time. Historically, trading venues were only allowed to grant direct access to their order books for their trading participants and their respective traders, acting for the trading participants.

Under the Finanzmarktgesetz II trading venues are now in a position to allow trading participants to grant their clients more control over the order flow using DMA and thereby granting control over the fraction of a second of the lifetime of an order. This means that there can be two different access possibilities for clients electronically sending orders through the trading participants of Eurex.

Additionally, in order to implement the new opportunity, the Rules & Regulations of Eurex will need to be amended. The changes will be public as soon as the respective regulatory authorities have approved the necessary changes that will also cover the full integration of MiFID II/MiFIR.

According to the definition of electronic access under MiFID II / MiFIR DEA is only one possible way to access venues electronically. It comprises Direct Market Access (DMA) and Sponsored Access (SA).

Eurex will only allow trading participants to offer DMA for clients. SA will be continue to be out of scope for the time being.

Electronic access definition under MiFID II / MiFIR

DEA is only one possible way to electronically access venues and comprises Direct Market Access (DMA) and Sponsored Access (SA).

Commission Delegated Regulation (EU) No 2017/565 Recital (25)

“Therefore, arrangements where client orders are intermediated through electronic means by members or participants of a trading venue such as online brokerage and arrangements where clients have direct electronic access to a trading venue should be distinguished.”

Order Routing System (ORS)

- Arrangements that allow clients to transmit orders to an investment firm in an electronic format, such as online brokerage
- Do not have the ability to determine the fraction of a second of order entry and the life time of orders

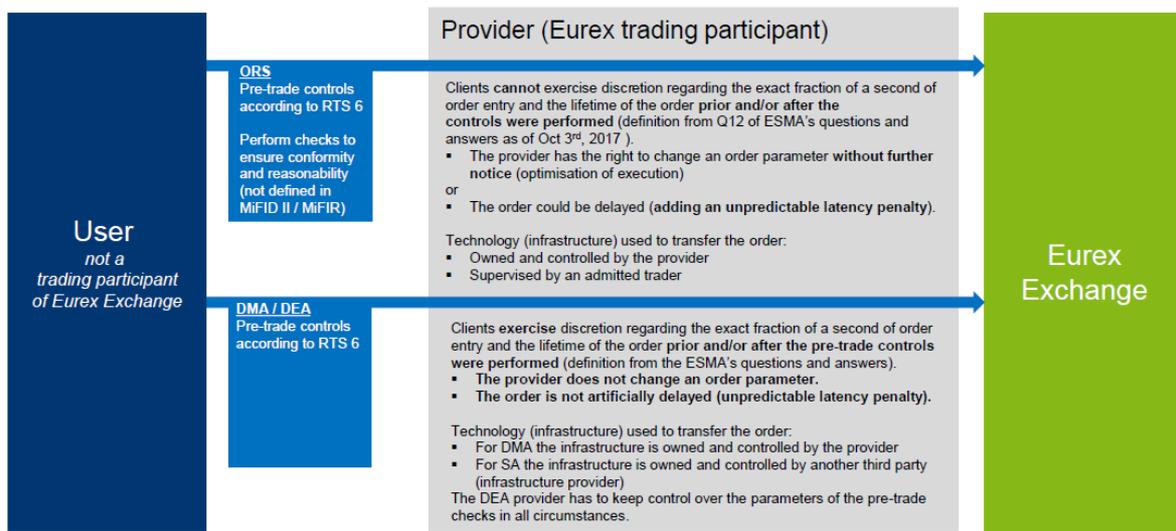
DEA / DMA

- Where that person can exercise discretion regarding the exact fraction of a second of order entry and the lifetime of the order within that timeframe
- No arrangements for optimisation of order execution processes applied by the provider of DEA

Eurex
Exchange

Differences between an order routing system and direct market access concisely according to Commission Delegated Regulation 2017/565 art. 20 (1)

DMA / DEA versus Order Routing System



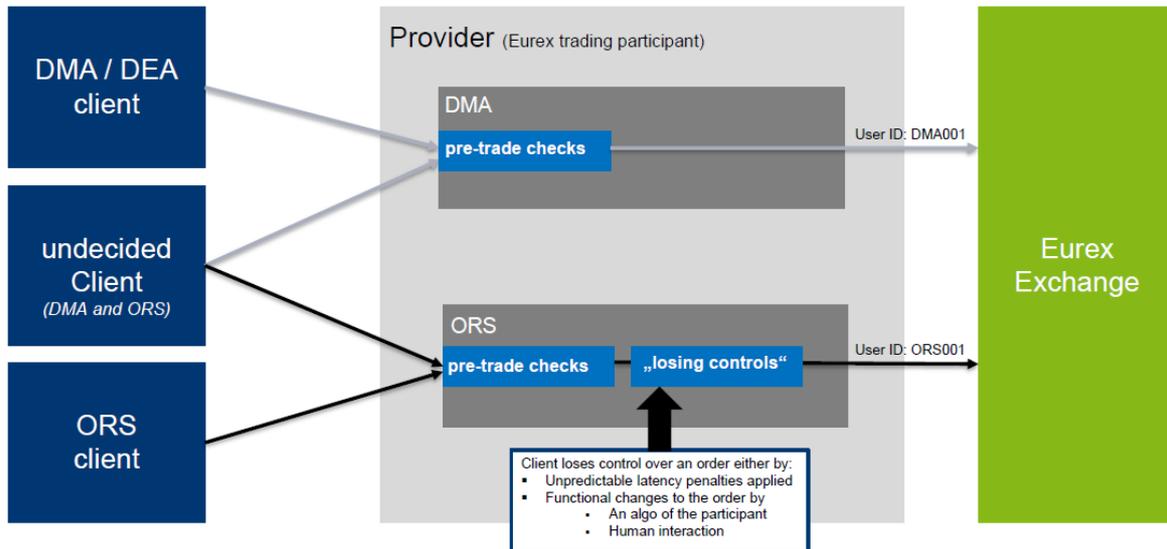
The definition of non-direct market access (ORS) is therefore a negative-definition or exclusion definition of DEA.

Resulting possible stylised setups are shown in the following charts.

ORS vs. DMA - Using different trader IDs to distinguish order flow

Set-up scenario

Using different trader IDs to distinguish order flow



The trading participant offers two different access points for its clients, which use the DMA or the ORS access channel, to actively select the one or the other system. Flows will be flagged at Eurex for order record keeping purposes accordingly. Clients that have the necessity to use both, DMA and ORS can route their according flow through the appropriate pipe.

ORS vs. DMA – Combine different trader IDs or order attributes to distinguish order flow