

To all Xetra® Members and Vendors

Recipients: Traders, Security Administrators, Nominated Persons, System Administrators, Technical Contacts, General

14 September 2017

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MiFID II / MiFIR:

Further information on the technical and functional implementation of regulatory requirements

Dear Sir or Madam,

With regards to the planned introduction of Xetra Release 17.0 on 20 November 2017 and Xetra T7 Release 6.0 on 4 December 2017, this circular provides you the following information:

1. General

The Frankfurter Wertpapierbörse (FWB®, the Frankfurt Stock Exchange) will already meet the requirements of MiFID II/MiFIR by 2 January 2018. This means that the new Tick Size bands will be used in the trading systems as of 2 January 2018. For this purpose, all order books in Xetra (XETR) and Börse Frankfurt (XFRA) will be deleted after close of trading on 29 December 2017 (for further information, please refer to chapter 7).

With the introduction of the Releases, the newly introduced fields “ClientID”, “Investment Decision” and “Execution Decision” should be filled out. Only from 3 January 2018 onwards, the information in the fields must be in accordance to the regulatory requirements. We would like to draw your attention to the fact that orders will be rejected if they are sent via A-account and if the field “ClientID” is not filled out.

Chairman of the
Supervisory Board
Joachim Faber

Executive Board
Carsten Kengeter
(Chief Executive Officer)
Andreas Preuss
(Deputy Chief Executive Officer)
Gregor Pottmeyer
Hauke Stars
Jeffrey Tessler

Aktiengesellschaft
mit Sitz in
Frankfurt/Main
HRB Nr. 32232
Amtsgericht
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2. Algo flagging

With the MiFID II/MiFIR entry into force on 3 January 2018, all Xetra Members are required to flag the applied algorithms according to the Commission Delegated Regulation (EU) 2017/590 (previously: RTS 22), Article 8 and 9. These regulations will replace the existing provisions for identification of applied algorithms as set out in the German Act on the Prevention of Risks and Abuse in High-Frequency Trading (High-Frequency Trading Act).

In the period between the introduction of Xetra Release 17.0 on 20 November 2017 and T7 Release 6.0 on 4 December 2017 and the coming into effect of MiFID II/MiFIR on 3 January 2018, Xetra Members can choose between the High-Frequency Trading Act and the Commission Delegated Regulation (EU) 2017/590 (previously RTS 22) in order to flag their algorithms. This interim solution is agreed with the Exchange Supervisory Authority of the Federal State of Hesse and shall ensure a smooth transition.

3. Admission as Market Maker

In Continuous Trading with intraday auctions, Trading Members need an admission as Market Makers for every security they use in their Market-Making strategies.

During Continuous Trading, the Market Maker is required to provide firm quotes in at least one instrument during 50 percent of daily trading hours on a monthly average. Firm quotes can also be two-way orders which are posted in the order book and which correspond to the quote parameters regarding their maximum spread and size.

The relevant quote parameters will be determined by the Management Board of the Frankfurt Stock Exchange. The current parameters defined for Designated Sponsors can be used as reference regarding the maximum spread. The quotation volume on the bid- and ask-side may not diverge by more than 50 percent from each other.

To distinguish quotes from other trading activities, a registered Market Maker is required to use the M-Account and to flag orders and quotes – that are entered in the context of their Market Making strategy – with the Liquidity Provision Flag.

Admitted Market Makers will receive daily reports to check their performance and to monitor their compliance with the minimum requirements.

The application form is attached to this circular and will become valid as of 3 January 2018, subject to the final regulation of the Exchange Rules for the Frankfurter Wertpapierbörse.

4. Order-to-Trade ratio (OTR)

With the entry into force of MiFID II/MiFIR, Trading Members will be obliged to comply with the Commission Delegated Regulation (EU) 2017/566 (previously: RTS 9) regarding the Order-to-Trade ratio (OTR). The OTR describes the ratio between entry, modifications and deletions of orders and firm quotes (order entries) and executed transactions. According to the new legal provisions, a volume-based and a number-based OTR is required, which are calculated as follows:

1. based on the volume of order entries and execution (volume-based OTR)

$$OTR_{vol} = \frac{\text{total volume of orders}}{\text{total volume transactions} + \text{floor}} - 1$$

2. based on the number of order entries and executions (number-based OTR)

$$OTR_{no} = \frac{\text{total number of orders}}{\text{total number transactions} + \text{floor}} - 1$$

Both OTRs will be calculated for each traded security on a daily basis for each Trading Member and market place. An OTR breach in a security occurs if at least one of the two OTRs exceeds the maximum permitted value. Please refer to the attachment for the maximum permitted values.

Trading Members who act as Market Makers, Designated Sponsors or Specialists as well as quote providers in the trading model “structured products” will receive higher maximum permitted values. For further information, please refer to the attachment.

Until the entry into force of MiFID II/MiFIR, the OTR regime of the German High-Frequency Trading Act will continue to apply.

5. Short Code solution

With reference to the information already published in Xetra circular 060/17, Xetra Members must comply with the specifications for the assignment of short codes. The assigned short codes should be unique over time, however at least on an intraday basis.

Furthermore, the upload functionality for the files containing the short/long code mappings will be available in the Member Section for testing starting on 18 September 2017, as announced. Participants are requested to create the

“technical user” provided for this purpose and to test the file upload.

Please refer to the Reporting Manual for further details about the short code solution (see attachment).

6. Reporting

Registration of National ID

As announced in Xetra circular 060/17, Members should enter the National IDs of their Xetra traders in the Member Section starting 18 September 2017. They can enter them manually or by uploading a CSV file. Transmission of the National IDs of admitted traders should be completed by 1 December 2017.

Traders who are admitted after this date must specify their “National ID“ in order to complete the admission process successfully.

A process description for registration of National IDs is available on the Xetra website www.xetra.com under the following link:

Newsroom > Current regulatory topics > MiFID II and MiFIR

Reporting Manual

On the Xetra website, under the above-mentioned link, Frankfurt Stock Exchanges provides a Reporting Manual to its Members. The document is also attached to this circular.

The manual contains an overview of the reporting requirements stipulated in the Commission Delegated Regulation (EU) 2017/590 (previously: RTS 22) and the Commission Delegated Regulation (EU) 2017/580 (previously: RTS 24) and lists the mandatory data to be provided by participants and data provided by the trading venue which are disclosed to the Members for reporting purposes.

The Reporting Manual also lists further Member reports which will be adjusted due to MiFID requirements.

Transaction reporting

According to Article 26 Section 1 MiFIR, reporting of transactions to the competent authority must be performed by the end of the following working day latest. Data which must be contained in the report also includes the time stamp in the corresponding granularity. The granularity for exchange transactions is set to 1 millisecond.

For the trading venue Xetra on the T7 trading system, the time stamp is distributed on the trade notifications of the ETI interface and the FIX interface.

Members, who are connected via FIX interface or ETS interface of the Xetra system to the trading venue Börse Frankfurt, may use the time stamp which is distributed in the trade notification. For Members who are connected via VALUES API interface, we will offer a time stamp with a granularity of one millisecond as an additional field in the trade confirmation.

We will roll out the additional field in an update kit which is scheduled to be distributed in mid-October 2017. In addition, you will receive the time stamp with the required granularity via report TC810. For this purpose, we will expand report TC810 by this time stamp.

As part of the transaction reporting, also the TVTIC must be reported. For Börse Frankfurt, this information can be retrieved in the Xetra system from field “matchID”. In ETS, FIX and in report TC810, this field is already available. Via VALUES API interface, we will incorporate the field together with the new time stamp field in mid-October 2017.

For trading venue Xetra on the T7 system, the TVTIC is composed of several fields and can be determined via the ETI and FIX interfaces. In report TC810, the TVTIC is provided in a dedicated field. The TVTIC can be determined using the following fields:

- 1 – to specify trading system T7
- SecurityID (20 characters)
- ExecID (20 characters)
 - ETI Cash (Tag 17 ExecID)
 - FIX Gateway (Tag 30060 UTransactTime)
- 0 – constant value, used to classify the transaction as on-exchange

In field SecurityID, leading zeros must be used in order to respect the fixed field length.

You will receive the documentation about the adjustments for Börse Frankfurt on the Xetra system with the final versions of the technical documentation, which will be published on 2 October 2017.

7. Conversion

Deletion of orderbooks

With the coming into effect of the MiFID II/MiFIR regulations, new tick size regimes are to be applied according to Commission Delegated Regulation (EU) 2017/588 (formerly: RTS 11). In order to implement these provisions, the order books of trading venues Xetra (XETR) and Börse Frankfurt (XFRA) will be deleted on 29 December 2017. Thus, the new tick size regime will be

implemented one day prior to the effective date of the MiFID II/MiFIR regulations.

The deletions will include all order books on the Xetra T7 system and on the Xetra Classic system.

- Orders in MiFID instruments will be deleted stating “Tick Size Change“ as deletion reason.
- Orders in non-MiFID instruments will be deleted stating “SPE“ (special event) as deletion reason.

Conversion of ComplianceID to Execution Decision

With the Releases Xetra 17.0 and T7 6.0, to be introduced on 20 November 2017 and 4 December 2017, respectively, for existing orders, the Executing Trader Indicator will be filled with “Algo”, if the ComplianceID is filled with a value greater than 0 (zero).

8. Direct Market Access (DMA)

With reference to Xetra circular 060/17, information regarding the distinction between DMA and order routing has been published on the Xetra website under the link stated under the following link:

Newsroom > Current regulatory topics > MiFID II and MiFIR

In order to use DMA, Xetra Members shall select the corresponding technical TraderID in the Member Section. The required form and information memorandum will be provided shortly.

Yours faithfully,

On behalf of the Management Board



Cord Gebhardt


Annette Czypull

Enclosure

Directives and regulations referred to in this circular:

MiFID II:

DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU

MiFIR:

REGULATION (EU) No 600/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012

RTS 9:

COMMISSION DELEGATED REGULATION (EU) 2017/566 of 18 May 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards for the ratio of unexecuted orders to transactions in order to prevent disorderly trading conditions

RTS 11:

COMMISSION DELEGATED REGULATION (EU) 2017/588 of 14 July 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on the tick size regime for shares, depositary receipts and exchange-traded funds

RTS 22:

COMMISSION DELEGATED REGULATION (EU) 2017/590 of 28 July 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the reporting of transactions to competent authorities

RTS 24:

COMMISSION DELEGATED REGULATION (EU) 2017/580 of 24 June 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the maintenance of relevant data relating to orders in financial instrument.

Xetra Circular

091/17

Table 1: Parameters for number-based OTR

Venue	Segment	Floor	Maximum permissible OTR	Maximum permissible OTR for liquidity providers ¹
Xetra (XETR)	DAX MDAX, SDAX, TecDAX Other German Equities	1	100,000	1,000,000
	European Equities US Equities Other Equities	1	500,000	5,000,000
	Exchange Traded Funds (ETF) & Exchange Traded Products (ETP)	1	500,000	5,000,000
Börse Frankfurt (XFRA)	Bonds (nominal)	1	10,000	10,000
	Equities and other unit quoted securities			
	Structured Products (Börse Frankfurt Zertifikate AG)			

¹ Liquidity providers are Market Makers, Designated Sponsors, Specialists and Quote Providers for Structured Products

Table 2: Parameters for volume-based OTR

Venue	Segment	Floor	Maximum permissible OTR	Maximum permissible OTR for liquidity providers¹
Xetra (XETR)	DAX MDAX, SDAX, TecDAX Other German Equities	1,000	200,000	2,000,000
	European Equities US Equities Other Equities	10,000	2,000,000	20,000,000
	Exchange Traded Funds (ETF) & Exchange Traded Products (ETP)	10,000	2,000,000	50,000,000
Börse Frankfurt (XFRA)	Bonds (nominal)	10,000	10,000	10,000
	Equities and other unit quoted securities		1,000,000	1,000,000
	Structured Products (Börse Frankfurt Zertifikate AG)			

¹ Floors are stated in number of shares (Exemption: Bonds and other per cent quoted Structured Products, stated in nominal value)

² Liquidity providers are Market Makers, Designated Sponsors, Specialists and Quote Providers for Structured Products