Market Notice

26 October 2017

Borsa Italiana

Borsa Italiana - Cash and derivatives markets

MiFIR / MiFID II: GUIDELINES ON CUSTOMER REFERENCE DATA AND RECORD KEEPING REQUIREMENTS

Dear Customer,

following the entry into force of the revised Markets in Financial Instruments Directive (MiFID II) and Regulation (MiFIR) on 3 January 2018, Borsa Italiana is adapting its Rules, trading systems and exchange services. A plan of Borsa Italiana's deployment approach to MiFIR / MiFID II was published on 24 July 2017 (the "Deployment Approach" notice) and is available, together with the draft of the updated Market Rules, on Borsa Italiana's website in the dedicated MiFID II webpage (www.borsaitaliana.it/borsaitaliana/mifid2/mifid2.htm).

As anticipated in the "Deployment Approach" notice, in order to comply with trading venues' obligations under CDR 2017/580 (formerly RTS 24[1]), Borsa Italiana will require its Market Participants to provide certain additional information in order entry messages, as well as to complement such information through a new functionality available in the Member Portal, with the objective to minimize impacts on trading activity and to reduce the latency effects on trading systems.

---

[1] Commission Delegated Regulation (EU) 2017/580 of 24 June 2016, supplementing Regulation 600/2014/EU of the European Parliament and of the Council, with regards to regulatory technical standards for the maintenance of relevant data relating to orders in financial instruments.

London Stock Exchange Group

26 October 2017

The aim of this document is therefore to provide:
(a) guidelines for Market Participants in order to populate the new mandatory fields in order/quote messages;
(b) guidelines for Market Participants in order to correctly provide mappings between: (i) "short codes" and qualifiers inserted in order/quote messages, and (ii) related "long codes", as required by CDR 2017/580;
(c) deadlines for the provision of "long codes" to Borsa Italiana;
(d) dates of availability of the new version of the Member Portal, supporting the new MiFIR / MiFID II functionalities.

These guidelines are based on Borsa Italiana's interpretation of European Regulations, Technical Standards, and related Q&As and Guidelines, as well as of applicable national Laws and rules. Borsa Italiana recognises that additional clarifications may be issued by European and domestic Authorities in due course, to cater for the complexity of current market practices across trading services for the wide range of asset classes covered by MiFIR / MiFID II. For this reason, Borsa Italiana will continue to analyse indications from Regulators and industry associations and will consider to publish additional guidelines at a later stage, if necessary, in order to handle specific scenarios.

In addition, this document complements the information contained in the "Deployment Approach" notice by providing guidelines regarding:
(e) information to be provided by Market Participants in the Member Portal, regarding the type of activity carried out on Borsa Italiana's markets (hereinafter referred to as "Customer Reference Data"), in order to validate the information inserted in order/quote messages;
(f) information to be provided by Market Participants, which are non-MIFID II firms, in order to allow Borsa Italiana to perform its transaction reporting obligations according to MiFIR Art. 26(5);
(g) specific new information that will be provided by Borsa Italiana to Market Participants, in order to facilitate their regulatory reporting obligations.

The documentation published by Borsa Italiana with reference to the implementation of MiFIR / MiFID II is listed in Annex A to this document. Borsa Italiana would like to remember that a dedicated manual regarding reporting of commodity derivatives' Position Limits was published on 15 September 2017. This manual is available in the MiFID II webpage of Borsa Italiana's website.

26 October 2017

As indicated in the Deployment Approach notice, Borsa Italiana's key dates for the migration plan of its trading systems are the following:

	Millennium Exchange	**SOLA**	**GTP**
Current version	Millennium Exchange 9.0	SOLA 9	GTP 1.4.0
New version	Millennium Exchange 9.2	SOLA 11	GTP 1.4.1
CDS go-live	31 July 2017	20 July 2017	31 July 2017 for cash markets / Millennium Exchange; 8 September 2017 for IDEM / SOLA
Customer Dress Rehearsals	14 October 2017 4 November 2017		
Go-live	27 November 2017		

Key dates for the deployment of the new version of Borsa Italiana's Member Portal, supporting the new MiFIR / MiFID II functionalities, are the following:

Publication of user guide regarding "Short Code/Long Code management"	12.9.2017 See Appendix for link
Publication of user guide for Position Limits	15.9.2017 See Appendix for link
Go-live of functionality to support "Short Code/Long Code management" and position limit reporting – Start of "Test phase"	20.11.2017
Functionality to support provision of Customer Reference Data	30.11.2017
"Short Code/Long Code management" – End of "Test phase"	1.12.2017
"Short Code/Long Code management" – Start of "Production phase"	4.12.2017
Deadline to provide Customer Reference Data to Borsa Italiana	20.12.2017

26 October 2017

This document is structured with the following paragraphs:

1. New "Customer Reference data" from Market Participants
2. MiFIR / MiFID II regulatory identifiers:
   o Client identification code
   o Investment decision within firm
   o Execution within firm
3. "Algo" flag
4. "DEA" flag
5. "Liquidity provision" flag
6. Additional information to be provided by Borsa Italiana

We will publish additional information and, if necessary, amendments to this guidelines in due course.

Contacts

Questions in relation to the topics described in this communication should be directed to the following contacts:

- membership@borsaitaliana.it
- clients-service@borsaitaliana.it

Kind regards,

Enrico Pellizzoni
Head of Italy Equity Markets and Derivatives Product

Elena Vantellini
Head of Secondary Markets and Infrastructures Regulation

Pietro Poletto
Global Head of Fixed Income Products and Co-Head of Equity, Funds & Fixed Income
Secondary Markets

26 October 2017

1. New "Customer Reference Data" from Market Participants

In order to comply with MiFIR / MiFID II record keeping obligations in CDR 2017/580, and to confirm compliance with the additional membership requirements provided for in CDR 2017/584, Borsa Italiana is requiring Market Participants to provide the information listed below. Data described in letters from (a) to (g) are to be confirmed through the Member Portal by **20 December 2017**:

(a) <u>Legal Entity identifier of the Market Participant</u>: in order to comply with requirements of CDR 2017/580 (field #1 of related Annex), Borsa Italiana will be required to store the Legal Entity Identifier (LEI code) of each Market Participant of its trading venues. Participants are therefore required to populate the dedicated field that is <u>already</u> available in the Member Portal under the section "Company Profile", subsection "Company Data".

(b) <u>Information regarding "algorithmic trading" activity</u>: Market Participants that perform "algorithmic trading", as defined by Art.4(1)(39) of MIFID II and Art.18 of CDR 2017/565, will be subject to the following additional requirements in order to comply with Art.10 of CDR 2017/584:

1. declare to Borsa Italiana that they are performing "algorithmic trading";
2. declare to Borsa Italiana that they have tested their trading algorithms, according to the requirements of MiFID II Art.48(6).

These declarations must be provided by filling out, for each venue where the Market Participant is operating, the new dedicated fields available in the Member Portal in the section "Declarations", new subsection "Member Trading Declarations". In particular, Market Participants must be aware that, in the declaration under point (b)(2), they will be required: i) to confirm that all algorithms have been tested before their deployment into production, and every time the algorithm is updated significantly, and; ii) to declare which kind of testing environment is used to perform these tests (i.e. a market participant's proprietary environment, the testing environment offered by Borsa Italiana[2], or an environment from a third party). A note field will also be available to specify whether, for specific algos, a different testing environment has been used.

Starting from 3 January 2018, Market Participants will also be required to flag orders / quotes submitted to Borsa Italiana through one of their algorithms, and to provide the

---

[2] According to Art.10 of Commission Delegated Regulation (EU) 2017/584 of 14 July 2016 (supplementing Directive 2014/65/EU of the European Parliament and of the Council, with regard to regulatory technical standards specifying organisational requirements of trading venues), Borsa Italiana is required and so will offer a dedicated testing environment for client's algorithms, with the same settings of but separated from the production environment.

regulatory identifier of the algorithm associated to each order / quote. For full details, please refer to paragraphs 2 and 3 of this communication.

(c) <u>Information regarding "high-frequency trading" (HFT) activity</u>: Market Participants will be requested to self-declare whether they are performing an "high-frequency algorithmic trading technique", as defined by Art.4(1)(40) of MIFID II and Art.19 of CDR 2017/565, in the section "Declarations", new subsection "Member Trading Declarations".

(d) <u>Information regarding "Direct Electronic Access" (DEA)</u>: Market Participants wishing to provide Direct Electronic Access services, as defined by Art.4(1)(41) of MiFID II and Art.20 of CDR 2017/565[3], will need to:

    i. self-declare themselves as "DEA provider" in the Member Portal, in the section "Declarations", new subsection "Member Trading Declarations";

    ii. put in place procedures to verify the eligibility of persons to which DEA services are provided, and in particular that such persons comply with requirements of Art.22 of CDR 2017/589[4].

Starting from 3 January 2018, Market Participants will also be required to: (a) flag orders / quotes submitted to Borsa Italiana by one of their DEA clients (classified as such on the basis of the Market Participant's self-assessment of the nature of the technical infrastructure used by the client to route orders to the trading venue, and of the contractual agreements in place with that client), and (b) to provide the regulatory identifier of such client. For full details, please refer to paragraphs 2 and 4 of this communication.

(e) <u>Information regarding "kill functionality"</u>: according to Art.7 of CDR 2017/584, Market Participants shall:

    i. have in place an order cancellation policy, that specifies cases of order cancellation and clearly identifies the persons authorised to launch the cancellation procedure;

    ii. communicate whether the technical procedures for order cancellation are available in the intermediaries' systems or as market functionalities (kill functionality).

The above information shall be confirmed through the Member Portal, in the section "Declarations", new subsection "Member Trading Declarations".

(f) <u>Information relating to "non-MIFID" Market Participants of the trading venue</u>: as provided by MiFIR Art.26(5), trading venues must send to their Competent Authority, under their own

---

[3] To date, Borsa Italiana is not offering Sponsored Access services.
[4] Commission Delegated Regulation (EU) 2017/589 of 19 July 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council, with regard to regulatory technical standards specifying the organisational requirements of investment firms engaged in algorithmic trading.

responsibility, Transaction Reports for the trades involving Market Participants that are not directly required to comply with Transaction Reporting obligations. For this reason, Market Participants will be required to confirm whether they are (or not) subject to MiFIR / MiFID II requirements. This information shall be provided through the Member Portal, in section "MIFID Status declaration and outsourced activity".

Borsa Italiana intends to publish specific documentation in due course regarding the procedures to be followed by non-MiFID firms in order to allow Borsa Italiana to correctly populate and send Transaction Reports to its Competent Authority. Solutions available to non-MiFID II firms will include:

- an "assisted reporting" solution, in cooperation with LSE plc's Unavista service;
- for specific markets (if deemed appropriate by the Market Participant), the provision of static information through the Member Portal.

Declarations under letters (b) to (e) will be separately required for each Borsa Italiana's market.

----

2.   MiFIR / MiFID II regulatory identifiers

In order to comply with CDR 2017/580, Borsa Italiana will require Market Participants to provide, for each order/quote inserted in its trading systems, additional information regarding[5]:

- the identity of the direct client of the market participant that is submitting the order/quote (field #3 of Annex to CDR 2017/580, Table 2);
- the identity of the person or algorithm within the investment firm that is primarily responsible for the investment decision (field #4 of Annex to CDR 2017/580, Table 2);
- the identity of the person or algorithm within the investment firm that is primarily responsible for the execution of the order / transaction (field #5 of Annex to CDR 2017/580, Table 2).

Borsa Italiana's solution regarding the provision of this new regulatory information to the trading venue is limiting the impact on order entry messages, where identifiers shall be specified in the format of "short codes". Corresponding regulatory "long codes" (as required by CDR 2017/580) associated to each "short code" and qualifier, shall be provided by Market Participants using Borsa Italiana's Member Portal. Dedicated functionalities will be available in section "MiFID II Services", subsection "Short-Long Codes".

---

[5] CDR 2017/580 also defines the required format of the identifiers to be provided by trading venues to Competent Authorities. For a description of these mandatory formats, see paragraphs 2.1, 2.2 and 2.3.

The association between "short codes" and regulatory "long codes" must be made available to Borsa Italiana, relatively to each "short code" specified in order entry messages of day T, **before 21:00 of the same day**.

In case of data requests from its Competent Authority, Borsa Italiana will use the information available at this time point in the day to produce its regulatory reporting. Where "long codes" have not been associated to a "short code", the information required in field #3, #4 or #5 will be reported as "not available".

For details regarding the functionalities of the Member Portal dedicated to the management of this activity, please refer to the document titled "Member Portal - Short Code/Long Code management", published in September 2017 and available at:

www.borsaitaliana.it/borsaitaliana/gestione-mercati/migrazionemillenniumit-mit/millenniumitmigration.htm

Borsa Italiana will execute end-of-day checks concerning the information provided by Market Participants, and may contact them at T+1 to ensure a proper level of accuracy and data quality in the submission of "short codes", associated "long codes" and relationship with other information reported at order entry (e.g. trading capacity, algo flag, DEA flag etc.).

"Test" and "Production" phases for the "Short Code/Long Code management" functionality
Market Participants will be provided access this new functionality of the Member Portal starting from **20 November 2017**. In the following two weeks, Market Participants will be able to use this functionality for testing purposes (the "Test phase"). All data collected by Borsa Italiana will be deleted from the system in the weekend of **2-3 December 2017**, and the "Production phase" will begin starting from Monday **4 December 2017.** All actions executed by Market Participants from this date (upload, modification, cancellation of short-long code mappings) will contribute to initialise the dataset that will be used for regulatory reporting from the entry into force of MiFID II on 3 January 2018.

Specifying "short codes" at order entry in Millennium Exchange and SOLA
"Short codes" representing the identifiers described in the previous paragraph must be indicated in the following fields in Millennium Exchange and SOLA trading protocols[6]:

---

[6] Borsa Italiana's approach to the collection of this information during the transitional period between the deployment date of Borsa Italiana's new version of its trading systems and 3 January 2018 are reported in the Deployment Approach notice. Key aspects of the adopted approach are the following:
- technical changes to native and FIX trading protocols in use by Millennium Exchange and SOLA, allowing to collect this new information, will be deployed at the go-live date (27 November 2017);
- starting from the go-live date, Market Participants shall complete the new mandatory fields in order/quote entry messages in order to have their orders/quotes accepted by the trading system. Otherwise, the related order/quote message will be rejected;

- as concerns native Millennium Exchange trading protocol:
    - o fields "Client ID" and "PartyRoleQualifiers";
    - o fields "Investment Decision Maker" and "PartyRoleQualifiers";
    - o fields "Executing Trader" and "PartyRoleQualifiers";
- as concerns native SOLA trading protocol (SAIL):
    - o fields "Client ID Code" and "Client ID Code Qualifier";
    - o fields "Investment Decision ID Code" and "Investment Decision ID Qualifier";
    - o fields "Execution Decision ID" and "Execution Decision ID Qualifier";
- tags 452 (PartyRole); 448 (PartyID) and 2376 (PartyRoleQualifier) in Millennium Exchange and SOLA FIX protocols[7].

Full details regarding the format[8], available values and allowed combinations of these fields are reported in the technical specifications of Millennium Exchange and SOLA trading protocols, as well as in the related Guides to the Trading Systems (Annex A to this document).

Borsa Italiana would like to remember that:
- no procedure will be in place to modify the "short codes" indicated in order/quote entry messages;
- to the purpose of the process of mapping "short codes" to the corresponding "long codes", as far as Borsa Italiana's markets are concerned, "short codes" must be unique within each category of identifier (e.g. natural persons, legal entities and algorithms). This means that the same value of a "short code" can be used to identify a natural person, a legal entity and an algorithm;
- once a "short-long code mapping" is created, it will be possible to: i) modify the "long code" associated to a "short code"+"category of identifier" pair, or; ii) cancel the "short-long code mapping". With this second action, the Market Participant will indicate that the provided mapping is no more valid, starting from the cancellation date. The value of the associated "short code" will not be available for re-use into new mappings;
- provided "short-long code mappings" will be valid for all Borsa Italiana's markets.

- during the transitional period between the go-live date and 3 January 2018, no control will be in place and full regulatory obligations regarding the accuracy of the provided data will enter into force on 3 January 2018.

[7] Tag 447 (PartyIDSource) is additionally available in Millennium Exchange FIX protocol.
[8] "Short codes" must be numbers between 4 and 2^32-1. Values from 0 to 3 are reserved.

26 October 2017

2.1 Client Identification Code

Specifying "short codes" at order entry

The following guidelines shall be followed when populating fields relating to the identifier of the direct client of the Market Participant in order/quote messages:

- as a general guideline, subject to the specification in the next bullet point:
  - orders / quotes submitted to the trading venue under "AOTC"[9] capacity must always indicate a Client ID short code (and related qualifier)[10];
  - orders / quotes submitted to the trading venue under capacity "DEAL" (own account) should not indicate a Client ID short code (and related qualifier);
  - orders / quotes submitted to the trading venue under capacity "MTCH" (matched principal) are not mandated to indicate a Client ID short code (and related qualifier);
- as concerns the requirements to indicate a Client ID short code, further guidelines may be issued at a later stage in case of new regulatory clarifications about market practices connected with DEA arrangements and the use of the trading capacities. See also paragraph 4;
- in case of orders with "pending allocations" (Art.2(2) of CDR 2017/580), the value corresponding to the reserved code "PNAL" shall be used in trading protocols;
- in case of "aggregated orders" (Art.2(3) of CDR 2017/580), the value corresponding to the reserved code "AGGR" shall be used in trading protocols.

Reporting format for "long code" identifiers of Market Participants' clients

"Long codes" representing identifiers of direct clients of Market Participants must be specified in the Member Portal according to the requirements of Annex to CDR 2017/580:

- in case the direct client of the Market Participant is a legal entity, its "Legal Entity Identifier" (LEI code) shall be used;
- in case he is a natural person, the "long code" shall be the concatenation of ISO 3166 code of the country representing the nationality of the natural person, followed by its "national client identifier" according to the priority chain defined in Art.6 and Annex II of CDR 2017/590[11] (transaction reporting). As an example:

---

[9] In the SOLA trading system, this correspond to "CLIENT" capacity.
[10] The "qualifier" allows to indicate whether the provided "short code" is referring to: i) a natural person; ii) a legal entity; iii) an algorithm.
[11] Commission Delegated Regulation (EU) 2017/590 of 28 July 2016, supplementing Regulation 600/2014/EU of the European Parliament and of the Council, with regard to regulatory technical standards for the reporting of transactions to competent authorities.

- in the case of Italian persons, “IT” plus (always) the “Fiscal code” (codice fiscale) of the client;
  - in the case of UK persons, “UK” plus the “UK National Insurance number” or, when not available, the “CONCAT” code[12] of the client;
- in case the person has more than 1 nationality, requirements of Art.6 comma 3 of CDR 2017/590[13] shall be followed;
- in case the “short code” refers to a joint account, the associated “long code” should concatenate the identifiers of all owners of the joint account[14];
- no “long code” must be provided in case of orders where the associated “short code” was equal to the reserved codes “AGGR” or “PNAL”.

2.2 Investment decision within firm

<u>Specifying “short codes” at order entry</u>

The following guidelines shall be followed when populating fields in order/quote messages, relating to the person or algo that is primarily responsible for the investment decision[15]:

- in case of orders / quotes submitted to the trading venue under “DEAL” capacity, a short code (and related qualifier) indicating the person or algo responsible for the investment decision within the firm must always be reported;
- in case of orders / quotes submitted to the trading venue under capacity “AOTC” or “MTCH”, a short code (and related qualifier) indicating the person or algo responsible for the investment decision within the firm must be reported only “*where that investment decision is made […] on behalf of a client in accordance with a discretionary mandate given to it by the client*” (Art.8 of CDR 2017/590).

---

[12] For the definition and format of the CONCAT code, please refer to Art.6(4) of CDR 2017/590. CONCAT is the concatenation of: i) date of birth of the person in the format “YYYYMMDD”; ii) first 5 characters of the first name; iii) first five characters of the surname; excluding prefixes to names; filler “#” must be used for names / surnames shorter than 5 characters; upper case only; no apostrophes, accents, hyphens, punctuation marks or spaces.

[13] “*Where a natural person is a national of more than one European Economic Area (EEA) country, the country code of the first nationality when sorted alphabetically by its ISO 3166-1 alpha-2 code and the identifier of that nationality assigned in accordance with paragraph 2 shall be used. Where a natural person has a non-EEA nationality, the highest priority identifier in accordance with the field referring to ‘all other countries’ provided in Annex II shall be used. Where a natural person has EEA and non-EEA nationality, the country code of the EEA nationality and the highest priority identifier of that nationality assigned in accordance with paragraph 2 shall be used.*”

[14] ESMA’s “Guidelines on transaction reporting, record keeping and clock synchronisation under MiFID II”, example #25.

[15] ESMA’s “Guidelines on transaction reporting, record keeping and clock synchronisation under MiFID II”, section 5.11.

For the reason above, when an order is sent with "AOTC" or "MTCH" trading capacity, no identifier for the person / algo responsible for the investment decision should be indicated, in the following scenarios:

- o in case of orders / quotes where the investment decision is taken by the client of the trading venue's Market Participant;
- o in case of orders / quotes marked with "DEA flag" = "TRUE".

Reporting format of "long code" identifiers for the responsible of the investment decision

"Long codes" representing identifiers of the person or algorithm that is primarily responsible for the investment decision within the investment firm must be specified in the Member Portal according to the requirements of Annex to CDR 2017/580:

- in case the responsible of the investment decision is an algorithm, the "long code" must be an alphanumerical code of maximum 50 characters, designed according to the requirements of Art.8 of CDR 2017/590. It shall be:
  - o unique for each set of code or trading strategy that constitutes the algorithm, regardless of the financial instruments or markets that the algorithm applies to;
  - o used consistently when referring to the algorithm or version of the algorithm once assigned to it;
  - o unique over time;
- in case the responsible of the investment decision is a natural person, the same rules previously described for "long codes" of Market Participants' clients will apply (see paragraph 2.1).

2.3 Execution within firm

Specifying "short codes" at order entry

The following guidelines shall be followed when populating fields in order / quote messages, relating to the person or algo that is primarily responsible for the execution of the order:

- in case of orders / quotes submitted to the trading venue under "DEAL" and "MTCH" capacity, a short code (and related qualifier) indicating the person or algo within the firm responsible for the "execution of the order" (e.g. order entry) shall be specified;
- in case of orders / quotes submitted to the trading venue under "AOTC" capacity, a "short code" (and related qualifier), indicating the person or algo within the firm responsible for the "execution of the order", must be specified "*where a person or computer algorithm within the investment firm which executes a transaction determines which trading venue, systematic internaliser or organised trading platform located*

outside the Union to access [...] or any conditions related to the execution of an order"
(Art.9 of CDR 2017/590);

- where orders / quotes are submitted to the trading venue under "AOTC" capacity and the condition above does not apply, the value corresponding to the reserved code "CLIENT" / "NORE" must be used. In this case, no specific "long code" must be provided to the trading venue at the end of the trading day:
    - o for the reason above, no identifier for the person / algo responsible for the execution should be sent, for example, in case of orders / quotes marked with "DEA flag" = "TRUE".

Further guidelines may be issued on the relationship between Execution ID short codes and trading capacities, in case of regulatory clarifications about market practices connected to DEA arrangements and the use of the trading capacities. See also paragraph 4.

Reporting format of "long code" identifiers for the responsible of the execution of the order

"Long codes" representing identifiers of the responsible for the execution of the order must be specified in the Member Portal according to the requirements of the Annex to CDR 2017/580:

- in case the responsible for the execution within the firm is an algorithm, the same rules previously described for the "long code" of the responsible for the investment decision shall apply (see paragraph 2.2);
- in case the responsible of the investment decision is a natural person, the same rules previously described for the "long code" of a Market Participant's client shall apply (see paragraph 2.1).

----

3. Algo flag

MiFIR / MiFID II requires trading venues to identify order flows submitted to the trading venue using an algorithm. For this reason, Borsa Italiana will require Market Participants to provide, for each order / quote message, an indication whether the order / quote has been inserted in the trading system by an algorithm (through a binary "True" / "False" field).
Market Participants will be required to identify orders / quotes submitted by an algorithm through the following fields available in trading protocols[16]:

---

[16] Full details regarding the format of these fields are reported in the technical specifications for Millennium Exchange and SOLA trading protocols, and related Guides to the Trading System.

- field "FXMiFIDFlags" (bit 2 = 1) in native Millennium Exchange trading protocol;
- field "Algo flag" in native SOLA trading protocol (SAIL);
- tags 2593 (NoOrderAttributes), 2594 (OrderAttributeType) and 2595 (OrderAttributeValue) in Millennium Exchange and SOLA FIX protocols.

The following guidelines shall be followed by Market Participants:
- orders / quotes flagged as submitted by an algorithm should correspond to orders / quotes where the "Execution within firm" field identifiers refers to an algo[17]. A corresponding "long code" for the algorithm shall be provided to Borsa Italiana within the daily deadline described under "Provision of regulatory identifiers";
- in case the algorithm is operated by a client of the Market Participant, the order / quote message shall not be flagged as submitted to the trading venue using an algorithm (see also under "Execution within firm").

----

4. "Direct Electronic Access" flag

MiFID II / MiFIR requires trading venues to identify order flows submitted by clients of their Market Participants that are classified as a "DEA (Direct Electronic Access) client". For this reason, Borsa Italiana will require its Market Participants to indicate, for each order / quote message, whether the order / quote has been inserted in the trading system by one of their "DEA clients" (through a binary "True" / "False" field).

Market Participants will be required to identify orders / quotes submitted by a "DEA client" using the following fields available in trading protocols[18]:
- field "FXMiFIDFlags" (bit 0 = 1) in native Millennium Exchange and SOLA (SAIL) trading protocols;
- field "DEA flag" in native SOLA (SAIL) trading protocols;
- tag 1724 (OrderOrigination) in Millennium Exchange and SOLA FIX protocol.

The following guidelines shall be followed by Market Participants:
- the definition of "Direct Electronic Access" is provided by Art.4(41) of MiFID II, Art.20 of CDR 2017/565 and further detailed in ESMA's Q&A regarding market structure topics. Market Participants are responsible to properly classify their client order flows accordingly to this regulatory definitions;

---

[17] According to MiFID II definition of "algorithmic trading" in Art.4(39).
[18] Full details regarding the format of these fields are reported in the technical specifications for Millennium Exchange and SOLA trading protocols, and related Guides to the Trading Systems.

- no order flows should be classified as "Direct Electronic Access" by Market Participants, until they have declared to Borsa Italiana that they are operating as a "DEA provider" (see section 1 of this document), according to Borsa Italiana's Market Rules;
- order flows classified by Market Participants as generated by a "DEA client" should be submitted under "AOTC" capacity. Nevertheless, a different trading capacity could be considered acceptable under specific circumstances. Additional guidelines on this topic may be issued at a later stage, in case of regulatory clarifications about market practices connected with DEA arrangements and the use of trading capacities.

----

5.   "Liquidity provision" flag

Borsa Italiana will be required - in its record keeping to be provided to Competent Authorites - to indicate whether an order / quote was submitted by a Market Participant under a liquidity provision agreement signed with the trading venue[19] or the issuer of a financial instrument (see Art.3(2) of CDR 2017/580 and field #8 of Annex to CDR 2017/580, Table 2).

In order to comply with this requirement, Borsa Italiana will require Market Participants to submit this kind of order flows to Borsa Italiana's trading venues using:

- a dedicated CompID, for all markets operated through the Millennium Exchange trading system;
- a dedicated TraderID, for the IDEM market (SOLA trading system).

Market Participants are reminded that these CompID / TraderIDs are dedicated to liquidity provision trading activity. For this reason, they shall be used according to Market Rules indicating the allowed order types within a liquidity provision agreement, also in case no technical restrictions are in place.

A dedicated naming convention will be used to identify CompID / TraderIDs dedicated to "liquidity provision activity". All orders / quotes submitted through one of these CompID / TraderIDs, to the purposes of Borsa Italiana's internal record keeping, will be associated with value "Yes" in field #8 of Annex to CDR 2017/580, Table 2.

As a consequence of this approach, the new "liquidity provision flags" in order entry messages (where available, see below) will not be mandatory and participants are not obliged to populate

---

[19] As concerns Borsa Italiana's Regulated Markets, please refer to Borsa Italiana's "Instructions to the Rules of the Market", articles IA.4.4, IA.5.4, IA.6.4, IA.8.4, IA.9.3 and IA.9.4. For Sedex, AIM/MAC and BIT Eq MTF, please refer to rule 1454 and 4000; for ExtraMOT, please refer to rule 1455 and 4000.

them at order entry. Available new fields to identify order flows for liquidity provision in order entry messages are the following[20]:

- field "Liquidity provision flag" in native SOLA trading protocol (SAIL);
- Tags 2594 (OrderAttributeType) and 2595 (OrderAttributeValue) in SOLA FIX protocol.

Finally, Market Participants are reminded that:

- for Millennium Exchange: drop copy feeds, trade capture reports and reports available through the Reconciliation Report service (see paragraph 6) indicate the CompID through which the order entry message has been sent to the trading venue;
- for SOLA (IDEM market): order acknowledgement messages will include (in addition to the new "liquidity provision" flag) the TraderID indicated by the Market Participant at order entry. The same information is also echoed in drop copy feeds and in reports available through the Reconciliation Report service.

Market Participants may consider to use this information to easily identify order flows sent to the trading venues under a liquidity provision agreement, to the purposes of their own internal record keeping.

----

6. Additional information to be provided by Borsa Italiana to Market Participants

In order to facilitate record keeping and transaction reporting by Market Participants, additional information will be disseminated in execution reports and reference data messages / services[21]. Full description of these new fields, formats and available values are reported in the technical specifications of Millennium Exchange and SOLA trading systems, as well as in the related Guides to the Trading Systems (Annex A to this document).

Market Participants are also reminded that Borsa Italiana is offering end-of-day reconciliation reports (the "Reconciliation Report" services) for its cash and derivatives markets. Reconciliation reports for orders and trades offer another opportunity to Market Participants to collect information to support: (a) their internal reconciliation procedures, and (b) regulatory reporting to Competent Authorities, according of MiFIR / MiFID II requirements. In case of interest for this value-added services offered by Borsa Italiana, links to the related technical documentation is reported in Annex A to this document.

---

[20] Equivalent fields and values in Millennium Exchange's trading protocols are set to "reserved" and are not available to market participants.
[21] Including MIT 305 services, as concerns markets run on the Millennium Exchange trading system.

Specific indications regarding the "Waiver indicator", "Passive / Aggressive flag" and "Trading venue transaction identification code" are provided hereinafter.

Waiver Indicator (Field 61 of Annex to CDR 2017/580)

Field 61 of Annex to CDR 2017/580 ("Waiver indicator") requires Market Participants to indicate, in their Transaction Reports to Competent Authorities, whether the executed order had benefitted from (a subset of) MiFIR pre-trade waivers. This information, for each executed order, will be provided in the following messages and fields:

- for Millennium Exchange trading protocols: field "Waivers flags" in native trading gateway; Tags 2669 (TrdRegPublicationType) and 2670 (TrdRegPublicationReason) in FIX protocol. Available in Execution Report messages;
- for SOLA trading protocols: field "Waiver indicator" in native (SAIL) protocol; Tags 2669 (TrdRegPublicationType) and 2670 (TrdRegPublicationReason) in FIX protocol. Available in Execution Notice messages.

Passive / Aggressive indicator (Art.3(1)(e) of CDR 2017/576)[22]

Investment firms are required by CDR 2017/576 to publish the top five execution venues in terms of trading volumes, considering all executed orders from their clients, per class of financial instruments. The publication shall contain the "*percentage of the executed [client] orders […] that were passive and aggressive orders*". This information, for each executed order, can be retrieved:

- for Millennium Exchange trading protocols (already present in version 9.0): field "Trade Liquidity Indicator" in native trading gateway; tag 9730 (TradeLiquidityIndicator) in FIX trading gateway. Available in Execution Report messages;
- for SOLA trading protocols: field "Liquidity status" in native (SAIL) protocol; Tag 1057 (AggressorIndicator) in FIX protocol. Available in Execution Notice messages (drop copy feeds only).

Trading venue transaction identification code (Field 3 of Annex to CDR 2017/580)

Field 3 of Annex to CDR 2017/580 ("Trading venue transaction identification code") requires Market Participants to indicate "*a number generated by trading venues and disseminated to both the buying and selling parties in accordance with Article 12 of RTS 24*". The trading venue transaction identification code shall be alphanumerical (with max. length of 52 chars) and

---

[22] Commission Delegated Regulation (EU) 2017/576 of 8 June 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council, with regard to regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution. See also Field 44 of CDR 2017/580.

"unique, consistent and persistent per ISO10383 segment MIC and per trading day". A trading venue transaction identification code fulfilling these requirements is made available to Market Participants as follows:

- for Millennium Exchange trading protocols: field "TradeMatchID" in native trading gateway; Tag 880 (TrdMatchID) in FIX trading gateway. Available in Execution Report messages;

- as concerns the SOLA trading protocols:
  - o in SOLA native (SAIL) protocol, a unique trade identifier across all instruments traded on IDEM and for the trading day can be created by chaining information in the following fields in Execution Notice messages[23]:
    - "Instrument";
    - "Group";
    - "Trade number";
  - o in SOLA FIX protocol, in Tag 17 (ExecID) in Execution Report messages.

---

[23] This chained identifier, unique across all instruments of the trading venue and for the trading day, is also disseminated in HSVF Trade and Post Trade messages.

ANNEX A: References to MiFIR / MiFID II documentation published by Borsa Italiana

The following documents are complementary to this communication. Additional documents related to our adaptation program to MiFIR / MiFID II will be published in due course.

Regulatory documents

The following documents are available on Borsa Italiana's MiFID II dedicated webpage:

http://www.borsaitaliana.it/borsaitaliana/mifid2.htm

- draft versions of MiFIR / MiFID II compliant versions of Borsa Italiana's Rules, related Instructions and Guide to Trading Parameters
- MIFID II - Commodity Derivatives Position Reporting Manual
- MiFIR/MiFID II: changes to Borsa Italiana Rules and Technical Deployment Plan of Millennium Exchange 9.2, Sola 11 and GTP 1.4.1 (the "Deployment approach" notice)
- AFME MiFID II questionnaire responses (equity, derivatives and fixed income markets)

Technical documents

http://www.borsaitaliana.it/borsaitaliana/gestione-mercati/gestione-mercati.htm

Millennium Exchange 9.2	• MIT201 - Guide to the New Trading System - BIT - Issue 9.1 • MIT202 - Trading Gateway (FIX 5.0) Specification - Issue 9.3 • MIT203 - Native Trading Gateway Specification - Issue 9.4 • MIT204 - Post Trade Gateway (FIX 5.0) Specification - Issue 9.3 • MIT205 - Drop Copy Gateway (FIX 5.0) Specification - Issue 9.2 • MIT303 - Market Data Feed (MITCH) Specification - Issue 9.2 • MIT305 - BIT FTP Services Reference Data Specification - Issue 9.2 • MIT801 - Reject Codes and Reasons - Issue 1.7
SOLA 11	• IDEM - Guide to the Trading System v4.0 • SAIL Specification - Issue 5.5 • SAIL protocol - message impacts • FIX 4.2 Specification - Issue 5.5 • FIX protocol - message impacts • HSVF Market Data - Issue 5.5 • HSVF protocol - message impacts
Member Portal	• Member Portal - Short Code/Long Code management
Reconciliation Reports	• MIT601 - Report Reconciliation Specification - Issue 3.2 • IDEM - Report Reconciliation Specification - Issue 1.0
Transaction reporting for non-MiFID firms	to be published

For updated technical documentation regarding GTP services, please refer to:

http://www.londonstockexchange.com/products-and-services/millennium-exchange/documentation/documentation.htm