MARKET MAKERS PERFORMANCE REPORT SERVICE

Relevant for: All markets

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BORSA ITALIANA

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CHAPTER 1: INTRODUCTION

"Market Makers Performance Report" service is available to market participants who have signed a voluntary or MiFiD II market making contract on Borsa Italiana regulated markets or MTFs (market making agreement, market making scheme, specialist agreement, voluntary market maker, voluntary specialist, advanced liquidity provider on MIT or SOLA Platforms).

Detailed daily and monthly performance reports are produced per market and recorded in separated files, each with fixed-length format.

Reports can be retrieved by Customers via FTP and SFTP protocol starting from 11.00 AM CET on T+1. Monthly reports will be available within 10 business days after the end of the month they refer to.

1.1 Purpose

The purpose of this document is to provide a technical description of the Market Makers Performance Report service.

1.2 Readership

This document is particularly relevant to trading desks and Compliance Officers within Borsa Italiana's member firms who have signed a voluntary or MiFiD II market making contract on Borsa Italiana regulated markets or MTFs.

1.3 Document series

This document is part of a series of documents which provide technical specifications for certain cross-market services offered by Borsa Italiana, that are connected to the new regulatory environment defined by MiFIR / MiFiD II. For quick reference, this series of documents covers the following topics:

- Trading
- Native Trading Gateway Specification
- Market Data Services
- Report Reconciliation Service
- Market Makers Performance Report Service

This series mainly covers non-regulatory information and does not override or supersede the Rules of Borsa Italiana.

The latest version of this document series can be found at the following link:

http://www.borsaitaliana.it/borsaitaliana/gestione-mercati/altri-servizi/serviziregolamentari.en.htm

CHAPTER 2: SERVICE DESCRIPTION

2.1 Market Makers Performance Report service

"Market Makers Performance Report" service offers to Market Participants who have signed a voluntary or MiFiD II market making contract on Borsa Italiana regulated markets or MTFs the ability to retrieve information related to the compliance of their market making behaviour respect to the obligations required under the relevant agreement/scheme/contract, during one trading day and during one month.

All markets and MTFs managed by Borsa Italiana on MIT and SOLA Platforms are covered by this service.

Data are saved as text files, that customer can retrieve via FTP and SFTP protocol.

In order to ensure the usual information security standards, an authentication mechanism, based on username/password, is in place. Username and password will be provided to customers, together with the enabled IP addresses, as they join the service.

Furthermore, we highlight that each client can have access only to files with market maker performance report related to its company.

Files will be available with the following naming convention:

MMSTATS_[MARKET]_[TYPE]_[MEMBER]_[DATE] *where:*

- DATE field will have the following format YYYYMMDD.
- TYPE field could be DAILY or MONTHLY.
- MEMBER is the Member Code for which the report is produced.

The output files will be ASCII-encoded CSV files with a semicolon (;) as a delimiter. All semicolon and carriage-return/end-of-line symbols in free-text fields will be removed.

The files are available to customers for

- 3 months for DAILY reports
- 6 months for MONTHLY reports

It should be highlighted that:

- In the Market Makers Performance Report the information are provided at instrument level for markets operated on the MIT platform (MTA, ETFPlus, MOT, SeDeX, ETLX, etc.) and at group level for markets operated on the SOLA platform (IDEM, IDEX and AGREX);

- Market Maker performance on a specific instrument or group could be not available where not relevant (i.e. no request for quotes submitted for secondary market makers on IDEM or when the daily required time to quote is considered not relevant)

- MONTHLY reports will be available within 10 business days after the end of the month it refers to.

2.2 Monitoring Methodology

Market Making Obligations during normal or stressed market conditions are defined in terms of Presence, Maximum Spread, Minimum Size and Comparable Size.

The values of Maximum Spread and Minimum Size are defined in the relevant Borsa Italiana Rule Books or in the Guide to the Trading Parameters (the "Rules"). Minimum Sizes can be defined in terms of quantity or countervalue.

Maximum Spread Check

The verification of the Maximum Spread obligation is based on the volume weighted average bid and ask taking into account market maker's visible quotes or orders, according to the configurations.

Minimum Size Check

The verification of the Minimum Size obligation is based on the sum of market maker's visible quote or order quantities or countervalues, according to the configurations.

Comparable Size Check

The verification of the Comparable Size obligation is based on the sum of market maker's visible quote or order quantities or countervalues, according to the configurations. The following Comparable Size test is performed:

Max (Total Buy Quantity, Total Sell Quantity) = Max

Min (Total Buy Quantity, Total Sell Quantity) = Min

If (Min < (Max / 2)) then test has failed, i.e. the Comparable Size obligation is not fulfilled.

Configurations

In order to perform the above checks, the following monitoring configurations are possible:

Monitoring Configuration	Description
Option 1: Best Price Only	Only the first level of price-aggregated market maker's orders or quotes is considered
Option 2: Full Book	All levels of market maker's orders or quotes are considered
Option 3: Minimum Obligation	Market maker's orders or quotes are considered up to the quantity or countervalue corresponding to the Minimum Size obligation

Example

Please consider the following non-exhaustive and simplified example.

Market making orders and quotes are highlighted in the following orderbook:

Order Id	Bid qty	Bid Price	Ask Price	Ask Qty	Order Id
m1	10	100	102	5	a1
m2	15	97	103	5	m3
			103	20	m4
			106	5	m5

Size Obligations: 15 (in terms of quantity).

Obligations Checks are performed according to the relevant configuration:

Configuration	VWAP Bid	Bid Size	VWAP Sell	Sell Size
Option 1: Best Price Only	100 (order m1)	10 (order m1)	103 (orders m3 and m4)	25 (orders m3 and m4)
Option 2: Full Book	98.20 (orders m1 and m2)	25 (orders m1 and m2)	103.5 (orders m3, m4 and m5)	30 (orders m3, m4 and m5)
Option 3: Minimum Obligation	99 (order m1 and partial quantity of order m2)	15 (orders m1 and partial quantity of order m2)	103 (order m3 and partial quantity of order m4)	15 (order m3 and partial quantity of order m4)

The following monitoring configurations have been applying since 6 May 2019.

Market (all market maker types)	Configuration
MTA and other cash equity markets	Option 3
MOT	Option 3
IDEM	Option 3
SeDeX	Option 3
ETFPlus	Option 3
ETLX	Option 3
TAH	Option 3

2.3 Production IP addresses and ports

Market Makers Performance Report files are available in PRODUCTION environment for all customers who submit the service upon FTP (port 21) and SFTP (port 22) connection to the server

All Borsa Italiana markets and MTFs except for ETLX:

− PDC:

  − 81.174.64.61

  − 81.174.64.62

− SDC:

  − 81.174.64.189

ETLX market:

− PDC:

  − 81.174.64.64

  − 81.174.64.66

− SDC:

  − 81.174.64.192

Dedicated Username and password (per member code) to connect to the servers will be provided to customers as they join the service.

2.4 MMSTATS_[MARKET]_TYPE_MEMBER _DATE

This section provides details on the Market Makers Performance Report files. All fields are encoded using printable ASCII.

Report field name	Description		Max Length (ASCII chars)	Format
REPORT_DATE	Date to which the report refers to		8	TIMESTAMP (YYYYMMDD)
REPORT_TYPE	**Value**	**Meaning**	10	CHAR
	DAILY	Daily performance		
	MONTHLY	Monthly performance		
VENUE_CODE	**Value**	**Meaning**	4	CHAR
	XMIL	Venue code for MTA, ETFP, SDX, MOT and TAH markets		
	XDMI	Venue code for IDEM, IDEX and AGREX markets		
	ETLX	Venue code for ETLX market		
MARKET_CODE	**Value**	**Meaning**	11	CHAR
	MTA	MTA and other cash equity markets code		
	MOT	MOT market code		
	SDX	SeDeX market code		
	ETFP	ETFPlus market code		
	TAH	Trading After Hours market code		
	IDEM	IDEM, IDEX and AGREX markets code		
	ETLX	ETLX market code		
INSTRUMENTCODE	Product code identifier: GROUP code will be provided for XDMI venue; ISIN code will be provided for other venues		12	CHAR

Report field name	Description		Max Length (ASCII chars)	Format
PRODUCT_NAME	Product description: Group description will be provided for XDMI venue; Instrument description will be provided for other venues		40	CHAR
MEMBER_CODE	Member firm identifier (CED code)		4	CHAR
MM_TYPE	**Value**	**Meaning**	10	CHAR
	SPC	Specialist		
	ALP	Advanced Liquidity Provider		
	SCHEME	Scheme (MIFID II)		
	AGREEM	Agreement (MIFID II)		
	PMM	Primary Market Maker or Primary Specialist		
	LP	Liquidity Provider or Liquidity Provider Specialist		
	DMM	Designated Market Maker or Designated Specialist		
	EMM	Extended Market Maker		
	MM	Responding Market Maker or Responding Specialist		
	LP_BID	ETLX LP enabled to quote on buy side only		
	LP_ASK	ETLX LP enabled to quote on ask side only		
OBLIGATION_SIDE	**Value**	**Meaning**	5	CHAR
	BOTH	Obligation to display orders / quotes on buy and sell side		
	BUY	Obligation to display orders / quotes on buy side		
	SELL	Obligation to display orders / quotes on sell side		
PERF_RATIO	Market Maker performance ratio		5	Number (3Int 2dec)

Report field name	Description	Max Length (ASCII chars)	Format
PERF_RATIO_REQUIRED	Market Maker minimum required performance ratio	5	Number (3Int 2dec)
PERF_RATIO_MTD	Market Maker month to date performance ratio	5	Number (3Int 2dec)
DAYS_MTD	Number of days (or fractions of the days) of the relevant month in which the market maker is required to quote	2	Number (2Int 0dec)
DAYS_MTD_COMPLIANT	Number of days (or fractions of days) of the month during which the Market Maker has fulfilled its obligations respecting the required compliance rate (PERF_RATIO_REQUIRED)	2	Number (2Int 0dec)
COMPLIANCE_RATE_MTD	Compliance level from the beginning of the month (DAYS_MTD_COMPLIANT/ DAYS_MTD)	5	Number (3Int 2dec)
PERF_RATIO_PRICE	Compliance ratio with reference to the obligation to display orders / quotes on the book. The field is valued only if the PERF_RATIO and PERF_RATIO_PRICE are lower than PERF_RATIO_REQUIRED. Please note that the compliance ratio will be provided according to predefined ranges (example "value in range [0%,10%)").	30	CHAR
PERF_RATIO_MSIZE	Compliance ratio with reference to the obligation to display orders / quotes on the book for a minimum quantity. The field is valued only if PERF_RATIO and PERF_RATIO_MSIZE are lower than PERF_RATIO_REQUIRED. Please note that the compliance ratio will be provided according to predefined ranges (example "value in range [0%,10%)").	30	CHAR
PERF_RATIO_SPREAD	Compliance ratio with reference to the obligation to display orders / quotes on the book with spreads within the maximum limits. The field is valued only if the	30	CHAR

Report field name	Description	Max Length (ASCII chars)	Format
	PERF_RATIO and PERF_RATIO_SPREAD are lower than PERF_RATIO_REQUIRED. Please note that the compliance ratio will be provided according to predefined ranges (example "value in range [0%,10%)").		
PERF_RATIO_COMP_SIZE	Compliance ratio with reference to the obligation to display orders / quotes on the book with comparable quantities. The field is valued only if the PERF_RATIO and PERF_RATIO_COMP_SIZE are lower than PERF_RATIO_REQUIRED. Please note that the compliance ratio will be provided according to predefined ranges (example "value in range [0%,10%)").	30	CHAR

APPENDIX

Document history

Version	Date	Section	Description
1.0	February 2018		First issue of this document published via the Borsa Italiana's website and distributed to Customers.
2.0	May 2019		Added the following paragraph: "Market Making Monitoring Methodology". The paragraph includes new configurations effective from 6 May 2019. Minor changes to message formats description, effective from 6 May 2019.
2.1	September 2020	2.1, 3.1	Added reference to SFTP service provided starting from 16 September 2020.
2.2	April 2021	ALL	Document extended to include the market making reporting service of ETLX market, previously published in a separate document; Euronext rebranding; other minor changes.

CONTACT

For any technical questions to access the service outlined in this document please contact:

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For any functional or compliance questions about the content of Market Making Reports please contact **Markets Supervision** at:

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