

User Guide

GUIDE TO SPONSORED ACCESS

Issue 1.5 | 25 October 2021



BORSA ITALIANA

TABLE OF CONTENTS

CHAPTER 1: introduction	4
CHAPTER 2: Risk Controls	6
2.1 Price Band Validation	8
2.2 Maximum Order Value	9
2.3 Maximum Order Quantity	9
2.4 Maximum Gross Consideration	9
2.5 Lower and Upper Net Consideration	10
2.5.1 Maximum Gross (Net) Consideration Alerting (via Sponsor Portal and email)	11
2.6 Maximum Message Rate	12
2.7 Restricted Instrument List	13
2.7.1 Creating a Restricted Instrument List.....	13
2.7.2 Handling a Restricted Instrument List via SFTP	14
2.8 Cancel on Drop Copy Disconnect & Kill Switch	17
2.8.1 Cancel on Drop Copy Disconnect	18
2.8.2 Kill Switch	18
CHAPTER 3: Protocols	21
3.1 Sponsored Access Native Trading Gateways	21
3.2 Native Trading Gateway Restrictions Priority	21
3.3 FIX Drop Copy Gateway	23
3.4 Connectivity	23
CHAPTER 4: Providing Sponsored Access	24
4.1 Applying for the Sponsored Access	24
4.2 Sponsored Firm Setup	24
4.3 Sponsored Access Portal	25
4.3.1 Access to the Sponsored Access Portal.....	25
4.3.2 Password Policy	26
4.4 Setting e-mail alerts	27
4.5 Testing Requirements	27
4.6 Production access	27
4.7 Requiring changes to Sponsored Access Controls thresholds	28
4.8 Group Creation	28
appendix	29

Document History..... 29

CHAPTER 1: INTRODUCTION

Sponsored Access is a method of direct access to the market to allow market intermediaries to authorise their customers ("**Sponsored Firm**¹") to transmit orders to the market electronically without using the technological infrastructure of the market participant ("**Sponsor**").

A Sponsored Firm has a direct technical connection to that trading venue under an existing trading code of the Sponsor. Only members expressly authorised by Borsa Italiana may offer Sponsored Access to their customers.

The Sponsor is ultimately responsible for all trading activity carried out by a Sponsored Firm under its membership, and to continuously maintain real-time controls of such trading activity.

As the orders submitted via the Sponsored Firm do not pass through the usual order management systems of the Sponsor, Borsa Italiana mandates that all orders submitted by Sponsored Firm pass through appropriate risk controls before reaching the order book, as required by applicable regulations. In order to do so, Borsa Italiana provides two layers of controls to assist Sponsors in validating Sponsored Firm's order flow (jointly, the "**Risk Controls**"):

- a set of limits which are configurable by the Sponsor for each of its Sponsored Firm (the "**Sponsored Access Controls**", further details are provided in section 2), and;
- on top of the Sponsored Access Controls, the order flow of Sponsored Firm is subject to the regular pre-trade controls imposed by Borsa Italiana to the trading activity of all member firms (the "**Exchange Level Controls**").

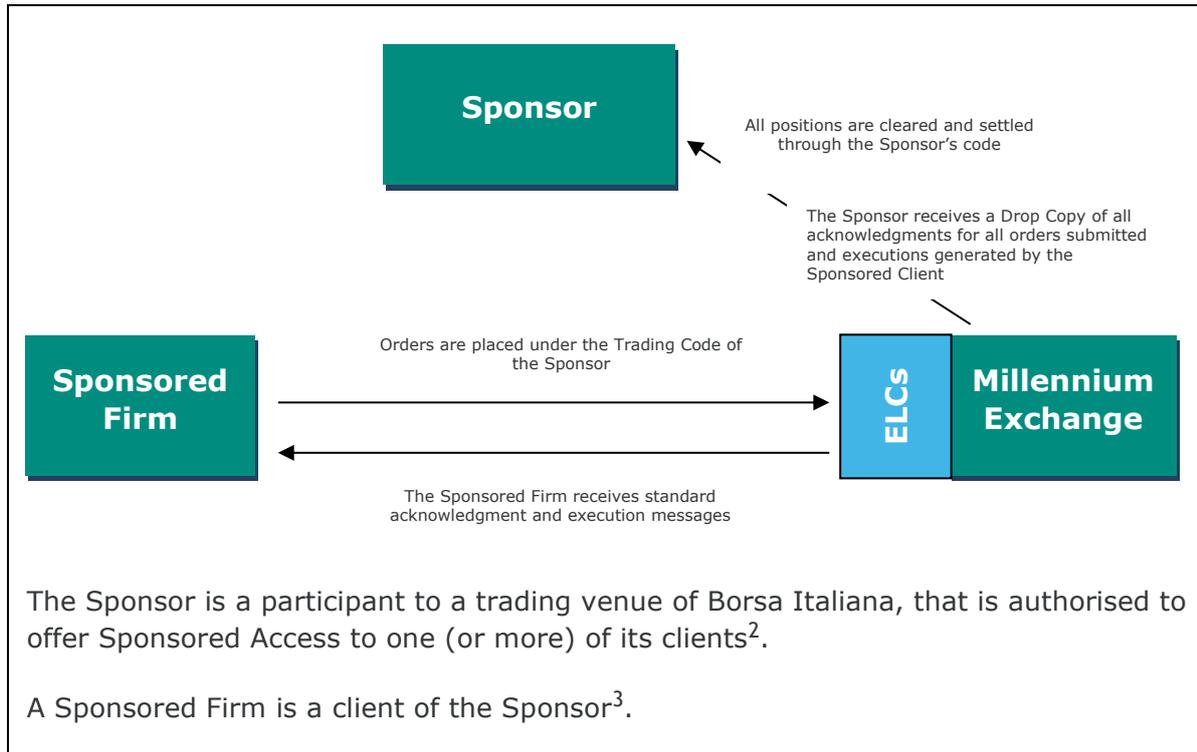
A Sponsored Firm's post trade activities are managed between the Sponsor and the Sponsored Firm. All positions are cleared and settled through the Sponsor's post-trading setup.

This document provides an overview of the functionalities provided via Sponsored Access, including details of the Sponsored Access Controls and the Exchange Level Controls.

Rules governing Sponsored Access are described in Borsa Italiana's Rulebook, that is available at the following link:

<https://www.borsaitaliana.it/borsaitaliana/regolamenti/regolamenti/regolamentoborsa-istruzionalregolamento.en.htm>

¹ Whereas the Sponsor is willing to, the Sponsored Firm can provide access to its own clients through sub-delegation arrangements in compliance with the provisions of Rulebook of Borsa Italiana and with the Sponsored Access Application.



² Please note that firms that are not subject to MiFIR / MiFID 2 rules cannot be authorised to offer Sponsored Access.

³ The Sponsored Firm may be directly in touch with Borsa Italiana:

- in case of contractual agreements signed with Borsa Italiana for the provision by Borsa Italiana of physical connectivity, other technology services (such as hosting space in Borsa Italiana's managed data centre), real-time data services etc., and related support;
- to require: (i) technical support in relation to logical connectivity (CompIDs connection troubleshooting, password reset, etc.), or (ii) order and/or trade cancellations, if authorised to do so by its Sponsor. See paragraph 4.1.

CHAPTER 2: RISK CONTROLS

The Sponsored Access is based on two layers of Risk Controls, which are applied to all orders submitted by the Sponsored Firm before reaching the order book.

- the first layer is given by the **Exchange Level Controls**, imposed by Borsa Italiana to all firms connected to its trading venues;
- the second layer is related to **Sponsored Access Controls**, whose limits are configurable by the Sponsor for its Sponsored Firm, and that are amendable by the Sponsor via:
 - the dedicated Sponsored Access Portal, as described in paragraph 4.3, or;
 - a technical request to be submitted to Borsa Italiana through the Member Portal.

The Risk Controls permit to restrict the trading activity of the Sponsored Firm, and prevent it to trade beyond the limits defined by Borsa Italiana, according to its Rules, and its Sponsor.

Please note that all orders entered without a limit price (e.g. Market Orders, Market to Limit Orders, Un-priced limits and Stop orders) entered by a Sponsored Firm are always rejected. This is a system-wide check applied to all Sponsored Firms.

A summary of the available Risk Controls is provided in the following tables.

For additional information, please see paragraphs 2.1-2.8.

Table 1: Exchange Level Controls (limits defined by Borsa Italiana)

Exchange Level Controls	Granularity of the Parameter
Price Band Validation	Per Instrument Level
Max Order Quantity	Per Instrument Level
Max Order Value	Per Instrument Level

Note: Borsa Italiana also requires members to define a Max Message Rate (per second) for each CompID in use by the member (see Table 2). The value of the Max Message Rate is defined by the member, and Borsa Italiana applies throttling mechanisms based on the configured Max Message Rate value.

For more information on Exchange Level Controls, please refer to Borsa Italiana's Rulebook, its related Guide to the Trading Parameters and "MIT201 - Guide to the New Trading System"⁴.

Table 2: Sponsored Access Controls

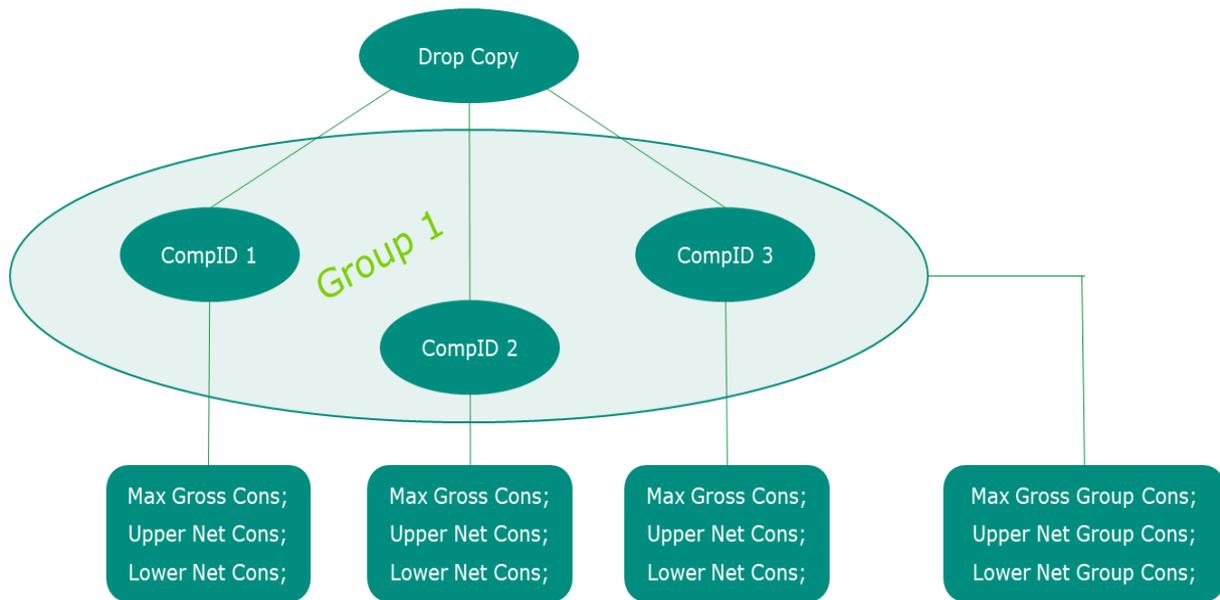
Sponsor Access Controls	Granularity of the Parameter	How the Parameter is Amendable by the Sponsoring Firm?
Max Order Value	Sponsored User's CompID	via request to Borsa Italiana
Restricted Instrument List	Sponsored User's CompID	via SFTP upload
Lower and Upper Net Consideration	Sponsored User's CompID and/or Group	via Sponsored Access Portal
Max Gross Consideration	Sponsored User's CompID and/or Group ⁵	via Sponsored Access Portal
Max Message Rate	Sponsored User's CompID	via request to Borsa Italiana

The Sponsor can also set some of the above controls, namely the Lower / Upper Net and the Max Gross Consideration, at a Group Level. A Group is defined as an aggregation of multiple CompIDs connected to the same gateway, monitored by the same Drop Copy, belonging to the same Sponsored Firm. If the Sponsor imposes controls on both the CompIDs and the Group, the most stringents will apply. Additional details on Controls, gateways configuration and Group creation can be found respectively in paragraphs 2.4/2.5/3.2 and paragraph 4.8.

⁴ www.borsaitaliana.it/borsaitaliana/gestione-mercati/migrazionemillenniumit-mit/millenniumitmigration.en.htm

⁵ Each incoming order will be subject to two validations:

1) at Gateway Level: this is where the actual check against the limit imposed by the Sponsor takes place and it is here where an order can potentially be rejected. If successful, then
 2) at Matching Engine level: here the relevant counter (e.g. Current Gross (Net) Consideration) is adjusted to reflect the most recent prices in the orderbook. If after the adjustment the order breaches the relevant limits, the order will be accepted but subsequent orders will be rejected. This is because two different Dynamic Reference Prices (DRPs) are used according to whether the validation is performed at the Gateway or Matching Engine Level. In the former case, a Stale DRP is used (refreshed every 60 seconds), in the latter case the current DRPs.



2.1 Price Band Validation

The Price Band Validation control is an Exchange Level Control defined by Borsa Italiana for all market participants, and prevents orders with an overly aggressive limit price from entering the order book⁶. Borsa Italiana currently operates a two-way band limit. The threshold (“Max Price Variation Limit”) is defined as a percentage offset in comparison to the “static price”, as defined in the trading venues’ respective Rulebooks⁷.

Orders whose limit price falls outside the price band defined by the following limits (excluding equals) will be **rejected** on order entry:

[Static price] minus [Max Price Variation Limit]

< limit price <

[Static price] plus [Max Price Variation Limit]

⁶ Further automatic controls on trading are applied by Borsa Italiana, referring to trade prices against the static and dynamic prices, as defined in Borsa Italiana’s Rules.

⁷ For example, as concerns Euronext Milan, MIV, MOT and ETF Plus markets, the static price is equal to “(a) the previous day’s reference price in the opening auction; (b) the price at which contracts are concluded in the auction phase, after each auction phase; if an auction price is not determined, the static price shall be the price of the first contract concluded in the continuous trading phase.

2.2 Maximum Order Value

The Maximum Order Value control prevents orders with an uncommonly large value from entering the order book. Two types of Maximum Order Value controls must be passed by an incoming order:

- an Exchange Level Control: set by Borsa Italiana, with the same threshold for any order on all instruments of a specific trading venue or segment;
- a Sponsored Access Control: this limit can be customised by the Sponsor for each CompID used by a Sponsored Firm. The procedure to modify this parameter is described in paragraph 4.7.

Both controls must be passed for a Sponsored Firm's order to be accepted and inserted in the order book (the stricter of the two controls will apply). Otherwise, the incoming order is rejected.

2.3 Maximum Order Quantity

The Maximum Order Quantity control is an Exchange Level Control defined by Borsa Italiana for all market participants, and prevents orders with an uncommonly large quantity from entering the order book. The Maximum Order Quantity threshold is set at the level of a specific trading venue or segment, as a multiplier of the "Exchange Market Size" (EMS) parameter.

2.4 Maximum Gross Consideration

The Maximum Gross Consideration is a Sponsored Access Control, and prevents a Sponsored Firm from trading beyond a financial limit set by its Sponsor for the trading day. In other words, it gives the Sponsor the possibility to set a limit on the total amount tradable by the Sponsored Firm. All Sponsoring Firms are required to set a Maximum Gross Consideration limit for each CompID in use by their Sponsored Firm and they can optionally set this limit at a Group Level. When the limit is set at a Group Level, the threshold is checked against the summation of all the Current Gross Consideration of the CompIDs belonging to the same group. If both limits are configured, the most stringent of the two will apply. The Maximum Gross Consideration is always expressed in Euro.

The Current Gross Consideration for a CompID / Group is defined as the sum of the value of:

- all executed trades, and;

- all open orders⁸ (and quotes, where applicable);

across all instruments that are tradable through that specific CompID / Group (i.e. all instruments of a specific trading venue⁹), for the current trading day.

In case a Sponsored Firm attempts to submit an order, which would result in the Current Gross Consideration exceeding the configured maximum limit for the CompID / Group, the order will be rejected¹⁰.

The value is calculated as a cumulative value, i.e. a buy or sell order will be added to the overall Current Gross Consideration, with no netting of buy and sell orders and trades.

For example, a buy order in Unicredit of 1,000 shares at 1 euro followed by a sell order of 1,000 shares at 1 euro, will increase the overall Current Gross Consideration by 2,000 euro (compared with a net exposure position in Unicredit shares of 0).

Initially, the Maximum Gross Consideration for a CompID will have a default limit of 0 (zero), set by Borsa Italiana, which means that the CompID will not be able to enter any order. The Sponsoring Firm is required to modify this parameter through the Sponsor Portal, according to its preferences.

The limit can be either increased or decreased intra-day by the Sponsor through the Sponsor Portal. Intra-day changes will be immediately active.

2.5 Lower and Upper Net Consideration

Another set of controls provide the Sponsor with the possibility to monitor the overall net exposure, namely the Current Net Consideration (CNC), that its Sponsored Firms have on the market on a given trading day. The Current Net Consideration for a CompID / Group is defined as the difference of the value (in euro):

- open Buy Orders (and quotes, where applicable) + Buy Trades; and
- open Sell Orders (and quotes, where applicable) + Sell Trades;

across all instruments that are tradable through that specific CompID / Group for the current trading day.

In order to control the CNC, the Sponsor has to configure two different limits¹¹:

⁸ The Current Gross Consideration update is different according to whether the incoming order is a buy or a sell. In case of a buy order, the CGC is calculated as $CGC = \text{Previous CGC} + (\text{Limit Price} * \text{Order Quantity})$. In case of a sell order, the CGC is computed as $CGC = \text{Previous CGC} + [\text{Max}(\text{Limit Price}, \text{Dynamic Reference Price}) * \text{Order Quantity}]$.

⁹ In case of instruments traded in currency other than Euro, the value of orders and trades will be converted into Euro by using the relevant Exchange Rate for that day.

¹⁰ In case the Current Gross Consideration exceeds the Maximum Gross Consideration limit following a trade amendment, the following incoming orders will be rejected by the system.

- the Upper Net Consideration (UNC): it is always > 0 and represents the maximum long exposure granted to the Sponsored Client;
- the Lower Net Consideration (LNC): it is always < 0 and represents the maximum short exposure granted to the Sponsored Client.

When limits are set at a Group Level, the thresholds are checked against the summation of all the Current Net Consideration of the CompIDs belonging to the same group.

In case a Sponsored Firm attempts to submit an order, which would result in the Current Net Consideration exceeding the UNC (LNC) for the CompID / Group, the order will be rejected. In this case, only orders that reduce (increase) the CNC counter will be allowed.

For example, a buy order in Unicredit of 1,000 shares at 1 euro followed by a sell order of 1,000 shares at 1.1 euro, will result in the overall Current Net Consideration being -100 euro. If the Lower Net Consideration was set at -50, the sell order 1,000 at 1.1 would have been rejected by the system.

The LNC (UNC) initially are set to "blank", meaning that no control on the CNC is done by the system. If the Sponsor decides to monitor the CNC, it will have to set both the LNC and UNC. In case the Sponsor set the LNC and the UNC equal to zero, the Sponsored will not be able to place new orders.

These limits can be either increased or decreased *intra-day* by the Sponsor through the Sponsor Portal¹². Intra-day changes will be immediately active. There will be no impact on current outstanding orders (and quotes). If the CNC exceeds the updated limits new orders will be rejected.

For example, assume that a Sponsored Firm has a CNC of 1,000 and the current LNC/UNC are respectively (-500 / 1,500). If the Sponsoring Firm amends the UNC setting it at 900, no orders will be cancelled following this change, but no new subsequent buy order will be accepted.

In case these limits are configured at both CompID and Group Level, the most stringent of the two will apply.

2.5.1 Maximum Gross (Net) Consideration Alerting (via Sponsor Portal and email)

A Sponsor can receive advance warnings on the usage of the Maximum Gross (Net) Consideration limits. Relevant alerting thresholds (e.g. 50%, 70% of Maximum Gross (Net) Consideration) can be defined by the Sponsor through the Sponsor Portal.

¹² Once the LNC and UNC limits are set, it will only be possible to increase/decrease these limits to the maximum/minimum values allowed and it will not be possible to set them "blank" anymore from the Sponsor Portal.

These alerts can be received:

- in the Sponsor Portal (displayed within 15 seconds),
- via e-mail to a pre-defined e-mail list¹³ (optional).

As a general rule, alerts are sent:

- the first time the configured alerting threshold is breached for a CompID / Group in use by a Sponsored User,
- the first time an order from a Sponsored Firm is rejected, due to an attempt to breach its Maximum Gross (Net) Consideration limits.

Although if:

- a user sends multiple orders and each order breaches different thresholds of multiple limits within few instants, the Alerts column displayed in the SPO Portal will notify about the latest threshold level breached for the Gross Consideration and Net Consideration. Moreover, Pop-ups will be displayed, each one with a Gross Consideration Limit and Net Limit at a time. However, e-mails will be sent for all the thresholds or limits breached;
- multiple users send several orders and each order breaches different thresholds of multiple limits within few seconds, the first Pop-up displayed in the SPO Portal will notify about the Gross Consideration and Net Limit of the first CompID (sorted by alphabetical order); i.e. second Pop-up will notify about the Gross Consideration and Net Limit of the second CompID etc. However, e-mails will be sent for all the thresholds or limits breached;
- an order being rejected leads to multiple individual and group limits breach, the system will display the most recent Gross and Net Consideration breaches. In particular the system first validates against individual limits, starting with the Gross Consideration, and then moves on group limits.

An alert will only be sent once during any given day, unless the Sponsored User's Maximum Gross (Net) Consideration is updated¹⁴.

2.6 Maximum Message Rate

The Maximum Message Rate is a Sponsored Access Control.¹⁵ It allows the Sponsor to prevent its Sponsored Firm from entering an overly large number of messages in the same second.

¹³ At the current stage only e-mail addresses of the Sponsor will be accepted.

¹⁴ In case of a trade amendment whereby either the Current Gross Consideration or the Current Net Consideration would exceed the relevant thresholds, no alert will be generated and subsequent incoming orders will be rejected by the system. Similarly, a trade amendment that leads to a breach of an alerting threshold will not generate any alert. The alert will be triggered on reception of the following order.

¹⁵ The activation of this control is imposed by Borsa Italiana for all CompIDs in use by its member firms.

The Maximum Message Rate is configured at the level of the CompID assigned to the Sponsored Firm.

Sponsors can require Borsa Italiana to configure a specific Maximum Message Rate for each CompID in use by their Sponsored Firm, as described in Borsa Italiana's price list.

In order to require changes to the Maximum Message Rate of a CompID, please refer to paragraph 4.7.

For additional information, please refer to Borsa Italiana's "Fees for trading Services"¹⁶.

2.7 Restricted Instrument List

The Restricted Instrument List is a Sponsored Access Control and allows the Sponsor to restrict the trading activity of a Sponsored Firm by creating a list of instruments that cannot be traded using a specific CompID. When an order in a restricted instrument is sent through a restricted CompID, the order will be rejected.

2.7.1 Creating a Restricted Instrument List

In order to create and maintain a Restricted Instrument List (a "RIL"), the Sponsor is required to execute the following actions in the Member Portal:

1. **Request to setup a new RIL's name:** the new RIL's name will be provided by Borsa Italiana and will have the following naming convention: RIL+[CED Code of the Sponsor]+XXX (where XXX is a sequential number). A Sponsor can request to create multiple RILs.
2. **Associate the new RIL's name to the Sponsored Firm's CompID:** once Borsa Italiana provides the new RIL's name (step 1), the Sponsor is required to associate it to the related Sponsored CompIDs through the Member Portal. A single RIL can be associated to one or more Sponsored CompIDs. On the contrary, a Sponsored Firm CompID can be associated to zero or one (and no more than one) RIL.
3. **Request an SFTP user to update the RIL:** the content of a RIL will be managed by the Sponsor via SFTP. Further instructions are given in the next paragraph "Handling a Restricted Instrument List via SFTP". The Sponsor therefore is required to request an SFTP user, dedicated to RIL's management, always through the Member Portal. Borsa Italiana will provide the Sponsor with this SFTP user, that will have the following naming convention: BIT+[CED code of the Sponsor]. Once a Sponsor is given one SFTP user, it will be able to manage all RILs with it.

¹⁶ www.borsaitaliana.it/borsaitaliana/intermediari/guide-e-moduli/guide-e-contrattualistica.en.htm

2.7.2 Handling a Restricted Instrument List via SFTP

Once the SFTP account has been set up and the RIL name has been created and associated to the Sponsored CompID(s), the Sponsor can upload (intraday) .csv files to add/remove instruments from a specific RIL.

The file will include the list of all restricted instruments and can be uploaded intraday, with changes in the Restricted List being immediately active.

Please note that when a new list is uploaded into the SFTP, existing unexecuted orders on added instruments will **not** be automatically deleted. The Sponsored Firm will continue to be able to amend and/or cancel any remaining open orders on the newly Restricted Instruments.

The SFTP server will be available from 7:30 to 18:00 CET/CEST during trading days.

The SFTP repository will have the following directories:

Directories	Description
Outgoing	This is where users can see what happened to every file (with a correct name and valid size) that they asked the Exchange to process
Incoming	This is where users can upload Restricted List.csv files

The uploaded.csv file must adopt the following characteristics:

- the file must have the following naming convention:
BIT[CED code of the Sponsor]_[RIL's Name]_[Date in YYYYMMDDHHMMSS format].csv

e.g. BIT1234_RIL1234001_20181211150100.csv
- the file must not exceed a size of 200KB;
- the file should contain a list of all the instruments that the Sponsored Firm cannot trade, with a maximum limit of 100 instruments;
- the Instrument ID¹⁷ must be used to identify the restricted instruments;
- the .csv file should be comma delimited. The first row of the file must use the following format:

¹⁷ Example: RIL1234001,1234, 2345, 3456.

<BIT[CED code of the Sponsor]_[RIL's Name]>, <Instrument ID A>, <Instrument ID B>

Please note that:

- in case an erroneous Instrument ID is indicated, the file will be entirely rejected;
- files with a date different from the current date in their filename will not be processed;
- to add an instrument, you would add it to the list of instruments previously submitted;
- to remove an instrument, you would delete it from the list of instruments previously submitted;
- it is not possible to update more than one Restricted List with a single file upload;
- up to 10 attempts can be made to update each Restricted List per day.

Upon successful processing of an incoming file, the Sponsor will receive:

- a response file with the same name of the uploaded file and a ".ok" file extension into the "Outgoing" directory;
- the successfully processed file stored in the "Incoming" directory.

Upon partially successful processing of a file, the Sponsor will receive:

- a response file with the same name of the uploaded file and a ".ok" file extension to the "Outgoing" directory. This file will contain the list of instruments which were successfully processed and a warning message "One or more entry uploads have failed";
- a response file with the same name of the uploaded file and a ".err" file extension to the "Outgoing" directory. The file will contain a list of instruments which were unsuccessful, along with the reasons for failure;
- the successfully processed file stored in the "Incoming" directory.

Upon unsuccessful processing of a file, the Sponsor will either:

- be provided no results (i.e. **not** provide an error file) in case:
 - the file has been named with an incorrect Restricted List name prefix
 - the file exceeds the maximum permitted size;

on the second error where a firm has already exceeded their 10 attempts i.e. on the 12th attempt.

- be provided a file with the same name of the uploaded file and a ".err" file extension to the "Outgoing" directory. Where a filename is not unique, a timestamp will be added to the ".err" extension to make it unique:

e.g. BIT1234_RIL1234001_20181211150100.err_201812111503

- The file will contain the original contents provided on line 1 and an error code and description on line 2. The error code provided will be the first error detected.

The following table summarizes all of the errors that can be provided.

Error Code	Scenario Description	Reject Reason
0001	The File cannot be processed (due to incorrect file format or corrupt file)	File cannot be processed
0002	Incorrect or non-existing Restricted Instrument List	Instrument Group not found
0003	Invalid Instrument / Instrument does not exist	Instrument(s) not found
0004	A Restricted Instrument List update failed due to Exchange Manager having terminated or The File update failed because Exchange Manager was in the process of failing over	System unavailable
0006	The file name is the same as the previously uploaded File or the file name's timestamp is older than that of the previously processed File with the same Restricted Instrument List name	Outdated File
0007	The File's content is same as the previously uploaded File for the same Restricted Instrument List	No Update from previous File
0008	A Restricted Instrument List is rejected by Exchange Manager due to EOD process not being completed	Update Rejected by the System
0009	Upload (N+1)th file when Max_RIL_Updates = N	Max Instrument Group Updates Exceeded
0010	The file has a number of instruments greater than the maximum value allowed (100)	Max Instruments per Group Exceeded
0011	The Restricted Instrument List name specified in the File does not match the Restricted Instrument List name specified in the File name	Instrument Group does not match File name

0012	Duplicate File is uploaded before the gateway processes the Initial File	Duplicate File
0013	System error is encountered while processing	File cannot be processed due to system error

Response files sent to the "Outgoing" directory and Restricted List.csv files uploaded in the "Incoming" directory will be stored for 20 days.

2.8 Cancel on Drop Copy Disconnect & Kill Switch

In order to facilitate Sponsors in controlling their Sponsored Firms, Borsa Italiana offers specific technical functionalities that permit to stop their trading activity (either on single CompIDs or on a Group):

- Automatically (for all CompIDs / Groups associated to the Drop Copy user) when the Drop Copy channel in use by the Sponsor disconnects or logs out, and the "**Cancel on Drop Copy Disconnect**" functionality is enabled;
- manually, on discretion of the Sponsor ("**Kill Switch**"). The Kill Switch can be triggered either via the Sponsored Access Portal or via the Drop Copy channel (when properly configured).¹⁸

For more information of the Drop Copy channel, see paragraph 3.3.

Borsa Italiana mandates all Sponsors to have access to the Kill Switch functionality through the Sponsored Portal.

The Cancel on Drop Copy Disconnect and the Kill Switch via Drop Copy are optional, additional safeguards that can be activated on request of the Sponsor.

The "Cancel on Disconnect / logout" functionality (see paragraph 3.7 of the document "MIT 201 – Guide to the new trading system"), triggering the cancellation of unexecuted orders when a CompID disconnects / logs out, can also be activated on request for the CompIDs in use by the Sponsored Firm.

Sponsors are reminded that they should rely on Borsa Italiana's Market Supervision to request order cancellation only when none of the above functionalities is technically available.

¹⁸ At this stage the Kill Switch via Drop Copy is available only at a CompID Level.

2.8.1 Cancel on Drop Copy Disconnect

In case the “Cancel on Drop Copy Disconnect” functionality is triggered on a Drop Copy:

- all Sponsored Firm’s orders from the CompIDs / Groups associated to the disconnected Drop Copy are automatically deleted from the order book¹⁹, and;
- access to the trading system from those CompIDs / Groups is suspended.

2.8.2 Kill Switch

In case the Kill Switch is triggered on a CompID:

- all Sponsored Firm’s orders from that CompID are automatically deleted from the order book, and;
- access to the trading system from that CompID is suspended.

After a Kill Switch is triggered, Sponsors can also:

- re-activate a Sponsored Firm’s CompID, in order to allow the client to re-start submitting orders to the trading system;
- monitor the status of the connections in place for their Sponsored Firms’ CompIDs in real-time.

These actions (kill switch, re-activation of the affected CompIDs and status monitoring) can be triggered:

- manually through the Sponsor Access Portal, or;
- sending a dedicated message via the Drop Copy (requires the activation of the “Cancel on Drop Copy Disconnect” functionality).

Sponsors are reminded that a “Master” Kill Switch (MKS) is available on the Sponsor Portal to suspend (activate) all the CompIDs belonging to a Group. The MKS can be executed on a Group at a time.

The following scenarios describe the behavior of the Master Kill Switch:

Group_1	Status	Group_2	Status
CompID_1	Active	CompID_4	Active
CompID_2	Active	CompID_5	Inactive

¹⁹ Sponsored Firms’ orders will be cancelled also in case they are entered with parameter “auto cancel” set equal to zero (“do not cancel”), normally used to supersede the Cancel on Disconnect functionality.

CompID_3

Active

CompID_6

Active

Assume the Sponsor has two monitoring SPO Portal users (SPO_User_1 and SPO_User_2) that are able to login into the Sponsor Portal.

Scenario 1: SPO_User_1 triggers a MKS on Group_1 to suspend all the CompIDs.

The system will disable all the CompIDs belonging to Group_1 and it will cancel all their outstanding orders. After the Master Kill Switch is started, the following information window will be displayed.



The system will display whether the action has been successful in a Pop-up Window.

Scenario 2: The Sponsor triggers a MKS on Group_2.

In this case the system recognizes that CompID_5 is already suspended and will disable CompID_4, CompID_6 and all of their outstanding orders will be cancelled.

Scenario 3²⁰: The Sponsor triggers two MKSs on Group_1 with SPO_User_1 and SPO_User_2.

In this case the system will execute the first MKS on Group_1 while the other is not performed and the following Pop-up window will be displayed.



²⁰ If a SPO Portal user attempt to start a new Master Kill Switch' while another one is in progress for the same group or for a different group, a pop-up displaying the following text will be returned: 'Another Master Kill Switch is in progress'. Same pop-up is returned when multiple SPO Portal users attempt to start a Master Kill Switch while another Master Kill Switch is in progress for the same group. Concurrent Master Kill Switch actions are allowed only for different groups by different SPO Portal users. Please note that when a MKS is started and a kill switch is started on a CompID belonging to that group while the MKS is still in progress, the Kill Switch will be queued and not rejected.

The following table summarizes all the Master Kill Switch messages that are displayed when MKS cannot be properly executed:

Pop-up Message	Scenario
Request for the group GROUPNAME was not (fully) processed due to portal gateway or database issue	Issue with the portal gateway / database by the time the Master Kill Switch started. All the requests to suspend / activate the group are pending in the SPO portal.
Not all user within the group GROUPNAME have the Status 'Suspended' / 'Active' due parallel action or other operatin failure.	Operation failure could occur if there is an issue on Exchange side (i.e connection issue).

In both scenarios, the pop-up messages may indicate an issue and the Client Support Team should be contacted for guidance (details in paragraph 5.0).

CHAPTER 3: PROTOCOLS

3.1 Sponsored Access Native Trading Gateways

Sponsored Access is offered via Native Trading Gateways only. A dedicated CompID must be setup for each Sponsored Firm and for each market the Sponsored Firm should be able to access. For each market, a Sponsored Firm can have one or more dedicated CompIDs. Sponsored Firms wishing to connect to the Native Trading Gateway will need to do so by using certified software. Details on the software certification process can be found in the following documents:

- Guide to Application Certification (MIT502);
- Guide to Testing Services (MIT501);

available at the following link:

<https://www.borsaitaliana.it/borsaitaliana/gestione-mercati/migrazionemillenniumit-mit/millenniumitmigration.en.htm>

3.2 Native Trading Gateway Restrictions Priority

A Sponsor having one or more *Sponsored Group* is strictly required (and must give these instructions to its Sponsored Firms) to connect all its Sponsored Trading CompIDs belonging to a SPO Group to the following Native Trading Gateways, complying with the specific priority assigned in *Production environment*:

Gateway	Priority
Native Trading 07	1
Native Trading 03	2
Native Trading 05	3
Native Trading 08	4
Native Trading 11	5

This means that when a Sponsored CompID belongs to a SPO Group, the default Native Trading Gateway it can connect to is the Native Trading Gateway 07.

If the first native trading gateway (GW07) is not available, the Sponsored CompIDs are required to connect to the second native trading gateway (GW03), in case the latter is not available, it will be necessary to connect to the third native trading gateway (GW05) and so on.

If the first native trading gateway (GW07) crashes while the Sponsored CompIDs are connected, the system will disconnect these Sponsored CompIDs. Afterwards, it is required for these SPO CompIDs to connect to the next trading gateway available in the priority list above (GW 03).

In case the first native trading gateway (GW07) is restored, the SPO CompIDs already connected to the second native trading gateway (GW03) will be forcibly disconnected by the system. These SPO CompIDs are then required to connect again to the first native trading gateway (GW07), since this one has the highest priority.

Any attempt to connect to a different trading gateway or attempt to connect without respecting the priority stated above will be rejected by the system.

These native gateway restrictions do not apply to Sponsored CompIDs that are not part of any SPO Group; these can connect to any of the native trading gateway available and stated on MIT702 technical specification:

<https://www.borsaitaliana.it/borsaitaliana/gestione-mercati/migrazionemillenniumit-mit/millenniumitmigration.en.htm>.

For more details on the SPO Groups creations, please refer to 4.8 paragraph.

In *CDS/Test environment*, the native trading gateway priority list (for all SPO CompIDs belonging to a SPO Group) is the following:

Gateway	Priority
Native Trading 04	1
Native Trading 03	2
Native Trading 02	3
Native Trading 01	4

3.3 FIX Drop Copy Gateway

Borsa Italiana offers dedicated Drop Copy gateways to receive, in real-time, orders and trades from the CompIDs in use by the Sponsored Firms.

All Sponsors are required by Borsa Italiana to have at least one active Drop Copy to monitor their Sponsored Firms. In case of Groups, the CompIDs belonging to the same group must be monitored by the same Drop Copy. CompIDs of different Sponsored Firms cannot belong to the same group.

The Sponsor can choose to configure its Drop Copy with or without the “Cancel on Drop Copy Disconnect” functionality described in paragraph 2.8.1.

When the “Cancel on Drop Copy Disconnect” is enabled:

- in case connection to the Drop Copy is lost by the Sponsor, all orders for the associated CompIDs will be deleted, and those CompIDs will be restricted from entering any new orders;
- dedicated messages are available in order to:
 - retrieve the current status of each CompID assigned to a Sponsored Firm (active/suspended);
 - trigger the Kill Switch functionality;
 - re-activate a Sponsored User CompID²¹.

3.4 Connectivity

Sponsored Firms can connect directly to Borsa Italiana via any of the published connectivity methods i.e. BItNet, Customer Managed Connectivity or Exchange Hosting.

The IP addresses for connectivity to the Native Trading Realtime, Native Recovery and Drop Copy gateways can be found in the Borsa Italiana connectivity guide (MIT 702) that is available at the following link:

<https://www.borsaitaliana.it/borsaitaliana/gestione-mercati/migrazionemillenniumit-mit/millenniumitmigration.en.htm>

²¹ In case the “Cancel on Drop Copy Disconnect” functionality is enabled, the Sponsor is required to prove, in our test environment, that it is able to send, receive and interpret the additional available messages (Kill Switch, re-activate, status update).

CHAPTER 4: PROVIDING SPONSORED ACCESS

4.1 Applying for the Sponsored Access

A member of Borsa Italiana wishing to become a Sponsor shall:

- declare its intention through the Member Portal;
- submit for each Sponsored Firm a dedicated request (the "**Sponsored Access Request**"), confirming all the requirements provided for in the Rules.

In addition, the Sponsor will have to:

- indicate the users that must be granted access to the Sponsor Portal, including their identification details and role to be granted to each user);
- indicate (optionally) the users that must be granted access to the sFTP repository for upload of Restricted Instrument List.

For further information, please contact the Membership department of Borsa Italiana.

4.2 Sponsored Firm Setup

Upon approval of the Sponsored Access Request, Borsa Italiana will allocate a Sponsored Firm its own CompID(s) which will have a dedicated naming convention:

[Market] + [Member Code] + "NTY" + [Progressive Number]

where:

- [Market]: (2 characters) ID of the market (e.g. MA for Euronext Milan);
- [Member Code]: (4 digits) Sponsoring Firm Member Code;
- "NTY": fixed string;
- [Progressive Number]: (2 digits) 01, 02, 03, etc.

Production Sponsored Firm CompIDs will have to be requested via the Member Portal, CDS Sponsored Firm CompIDs will have to be requested via email to Clients Services.

For more information on the User setup please refer to Borsa Italiana's Guide to New Trading System (MIT 201) which can be found at the following link:

<https://www.borsaitaliana.it/borsaitaliana/gestione-mercati/migrazionemillenniumit-mit/millenniumitmigration.en.htm>

4.3 Sponsored Access Portal

The Sponsored Access Portal is a web-based GUI tool that is accessible via a secure login from 7:30 to 18:00 CET/CEST during trading days²². It allows the Sponsor to monitor and amend Sponsored Firm's limits intraday. The Sponsored Access Portal is compatible with Internet Explorer Version 11.

As described in the previous paragraphs, the Sponsored Access Portal allows a Sponsor to:

- set (increase or decrease) the Maximum Gross Consideration threshold, and view the Maximum Gross Consideration threshold in place for each CompID and/or Group of its Sponsored Firm;
- view the effective Current Gross Consideration consumed by a Sponsored Firm, for each configured CompID and/or Group, during the day;
- set (increase or decrease) the LNC and UNC thresholds that control the Net Consideration for each CompID and/or Group of its Sponsored Firm;
- view the effective Net Consideration consumed by a Sponsored Firm, for each configured CompID and/or Group, during the day
- define Maximum Gross Consideration and LNC/UNC alerts for CompIDs and Groups;
- view the status (active/suspended) of each CompID and/or Group in use by its Sponsored Firm;
- suspend trading activity from a CompID and/or Group in use by any of its Sponsored Firm (Kill Switch);
- lift the suspension applied on a CompID and/or Group, in order to permit to re-start trading activity.

4.3.1 Access to the Sponsored Access Portal

Access to the Sponsored Access Portal will require a two-stage authentication process:

- first, the submission of a passcode generated by RSA software (a "soft token")²³;
- second, the submission of a dedicated password that is chosen and managed by the Sponsor.

²² Any action performed outside this time window will not be effective on Exchange side.

²³ In case of need of hard tokens, please contact Italian Client Technology Services at the address reported in section 5.0.

The process to create a valid access to the Sponsored Access Portal will be as follows:

1. the Sponsor will provide Borsa Italiana the e-mail address of the person to be authorized to access the Sponsored Access Portal (an "ID"), in the form of an e-mail address. A Sponsor will be able to require access for up to 5 IDs;
2. Borsa Italiana will: (i) assign a username to the provided ID, (ii) email a token file to the corresponding e-mail address, and (iii) separately, will e-mail a decryption key. The ID will be required to decrypt the token, using the decryption key, and download the decrypted token to its device;
3. the ID will be required to download the RSA software to a windows PC:
 - a) download the file "Download RSA SecurID Software Token for Microsoft Windows" from:
<https://community.rsa.com/community/products/securid/software-token-windows>
 - b) complete the relevant fields in the form and click "I agree";
 - c) download and decompress the zip file;
 - d) run the installer called "RSASecurIDToken411.msi";
 - e) once installed, run the program called "RSA SecurID Token" from the start menu;
4. the ID shall upload the decrypted token into the RSA software. From this point onwards, the RSA software will be able to generate a passcode;
5. to access the Sponsored Access Portal, the ID will be required to go to the relevant URL indicated below, and insert its username and associated passcode:
 - f) CDS: **<https://cds-sponsored-access.borsaitaliana.com>**
 - g) Production: **<https://sponsored-access.borsaitaliana.com>**
6. finally, the ID will be requested to enter its username again, defining a dedicated password for its access according to the policy described in the following paragraph;
7. once the Sponsor has initialized the password for its ID, access to the Sponsored Access Portal will be fully enabled.

The ID will be able to modify its password in the Sponsored Access Portal.

4.3.2 Password Policy

The passwords indicated at point 6 in previous paragraph must respect the following policy:

- minimum length of 8 characters;
- must include 3 out of the following 4 character types: uppercase, lowercase, digit, punctuation;

- cannot be a “simple” password. Password verification is based on multiple criteria, including the following:
 - cannot be a standard dictionary word (e.g. “password”);
 - cannot be derived from the username;
 - cannot be based on simple patterns (e.g. “12345” or “qwerty”);

Please note that passwords do not have an expiration date, and there is no user account lockout.

4.4 Setting e-mail alerts

In order to enable reception of alerts via e-mail, Sponsoring Firms are required to insert the mailing list associated to each Sponsored Firm CompIDs via the Member Portal. For further information please contact the Technical Account Management Team at Borsa Italiana (contacts are reported in section 5.0).

Once the e-mail alerting functionality is set up, the Sponsor will be able to maintain its alert thresholds via the Sponsor Portal as described in paragraph 2.5.1.

4.5 Testing Requirements

Sponsored Firms and Sponsors will need to ensure they are using certified software on the Native Gateway for Order entry (for the Sponsored Firm) and the Drop Copy Gateway (for the Sponsor). Both the Sponsored Firm and the Sponsor will need to demonstrate they have tested the functions associated with a daily life cycle of the service on the CDS environment prior to go-live on production. Please refer to the following documents:

- MIT201 for a detailed description of how the MIT platform
- MIT203 for detailed description of the Native Trading protocol
- MIT205 for detailed description of the FIX Drop Copy service
- MIT502/503 for details on the Certification Process

4.6 Production access

if the above conditions are respected, production access can be granted. **Production configuration should be requested via the Member Portal.**

4.7 Requiring changes to Sponsored Access Controls thresholds

Each Sponsored CompID will have:

- an attribute dedicated to the **Max Order Value** (see section 2.2)
- an attribute dedicated to the **Max Message Rate** (see section 2.6)

Sponsors may require Borsa Italiana to modify these via the Member Portal, by opening CompID details and modifying the attribute(s) as per standard Member Portal procedures. These changes will be applied by Borsa Italiana's Client Technology Services and will be valid from the day after the reception of the Sponsor's request.

4.8 Group Creation

If a Sponsor needs to create one (or more) Sponsored CompIDs Group, it will be necessary to send the request via the Member Portal in the dedicated section.

A Group is created including different Sponsored CompIDs with the following requirements:

- all CompIDs of the Group must belong to a single and specific Sponsored Firm (CompIDs assigned to different Sponsored Firms cannot be part of the same Group);
- all CompIDs of the Group must be monitored by the same Drop Copy;
- A Sponsored CompID cannot belong to multiple Groups at the same time.

Groups creation or modification cannot be processed intraday.

APPENDIX

Document History

This Document has been through the following iterations:

Issue	Date	Description
1.0	7.6.2019	First issue of this document published via the Exchange's website
1.1	19.7.2019	Version for go-live, including changes following Borsa Italiana's market consultation.
1.2	19.01.2020	Modification on the RIL's .csv file content format and on the SFTP directories' name: paragraph 2.6.2.
1.3	04.01.2021	Update of paragraph 1.0
1.4	17.02.2021	<p>Amendment of paragraph 2.0, 2.4 to introduce the concept of Grouping;</p> <p>New Chapter 2.5 to define the Lower and Upper Net Consideration Limit;</p> <p>Amendment of 2.8, 2.8.1, 2.8.2 and 3.2 to define the Master Kill Switch functionality;</p> <p>New Chapter 4.8 to illustrate the procedure to create groups.</p>
1.4 bis	29.04.2021	<p>Info added: Sponsored Access portal supports only the updates done in intra-day, from 7:30 to 18:00 CET/CEST during trading days. Any action performed after 18.00 CET/CEST will not be effective on Exchange side.</p> <p>Updated paragraph 2.4 and added footnote 21 on paragraph 4.3</p> <p>Euronext Rebranding</p>

1.4 ter	18.08.2021	Added paragraph 3.2 "Native Trading Gateway Restrictions Priority" Updated paragraph 2.5.1 on Alerts Updated paragraph 4.3 Updated paragraph 4.8
1.5	25.10.2021	The acronym MTA replaced by Euronext Milan due to market re-branding

CONTACTS

For further information regarding Sponsored Access, please contact the Membership Team, your Account Manager, or Client Technology Services:

Membership Team

- e-mail: membership@borsaitaliana.it
- Telephone: +39 02 724262964

Client and Market Services

- Customer Relationship Management
 - +39 02 72 42 6 512
 - **Clients-Services@borsaitaliana.it**
- Market Access (configurations, enablement, conformance tests, etc.)
 - +39 02 72 42 6 668
 - **market-access@borsaitaliana.it**
- Client Support (customer support desk)
 - Toll Free: 0080026772000 - From mobile: +39 02 45411399
 - **Client-Support@borsaitaliana.it**

Disclaimer

This publication is for information purposes only and is not a recommendation to engage in investment activities. This publication is provided "as is" without representation or warranty of any kind. Whilst all reasonable care has been taken to ensure the accuracy of the content, Euronext does not guarantee its accuracy or completeness. Euronext will not be held liable for any loss or damages of any nature ensuing from using, trusting or acting on information provided. No information set out or referred to in this publication shall form the basis of any contract. The creation of rights and obligations in respect of financial products that are traded on the exchanges operated by Euronext's subsidiaries shall depend solely on the applicable rules of the market operator. All proprietary rights and interest in or connected with this publication shall vest in Euronext. No part of it may be redistributed or reproduced in any form without the prior written permission of Euronext. Euronext disclaims any duty to update this information. Euronext refers to Euronext N.V. and its affiliates. Information regarding trademarks and intellectual property rights of Euronext is located at www.euronext.com/terms-use.



borsaitaliana.it