

# Self-Execution Prevention

Enrico Pellizzoni

# Self-Execution Prevention (1)

- Till today, participants to Borsa Italiana's cash markets could trade against their own contra-orders, in case time-priority rules identify an opposite buy/sell order coming from the same member firm when executing a trade ("Self-Execution")
- As an example, "Self-Execution" could occur when market participants use different passive and aggressive strategies on the same instrument. In this situation, it is possible that orders from different strategies will match, creating a trade where the buyer and the seller are represented by the same market participant
- With the introduction of the "Self-Execution Prevention" (SEP) functionality, trading members can decide to avoid "self-execution" (via automatic cancellation of the incoming or aggressive order)
- The "Self-Execution Prevention" functionality is an optional configuration to be required to Borsa Italiana by interested market participant, on the basis of a standard form provided by Borsa Italiana's Customer Technology Services (CTS)
- Highly-customisable service (at no extra-cost) available on all markets run on Millennium Exchange platform; not limited to prevent "P-vs-P" executions only

# Self-Execution Prevention (2)

1. “Self-Execution Prevention Groups”, including one or more CompIDs of the same Firm, must be configured
2. Orders from CompIDs included in the same “Self-Execution Prevention Group” are prevented to interact
3. Orders from CompIDs included in different “Self-Execution Prevention Groups” are allowed to interact
4. One CompID can be part of a unique “Self-Execution Prevention Group”
5. Each CompID is assigned a “Self-Execution Prevention Rule”:
  - CIO (“Cancel Incoming Order”) : Aggressive order is cancelled in case of self-execution
  - CRO (“Cancel Resting Order”) : Passive order is cancelled in case of self-execution
6. All CompIDs in the same SEP Group must have the same “Self-Execution Prevention Rule”
7. Self-Execution Prevention applies during continuous trading phases only (incl. CPX and TAH)
8. Self-Execution Prevention does not apply to Quotes and to “Fill-or-Kill” orders

# Self-Execution Prevention (3)

## Example:

Assuming the following configuration for Firm A:

CompID	SEP Group	SEP Rule
CompID 1	Group 1	CIO (Cancel Incoming Order)
CompID 2	Group 1	
CompID 3	Group 2	Any SEP Rule

## Step ① :

- Order ID: O3 - An order to “Buy” 500 shares at 100 from CompID 3<sup>1</sup> (included in SEP Group 2 of Firm A) becomes a resting order
- Order ID: O4 - An order to “Buy” 1,000 shares at 100 from CompID 2<sup>1</sup> (included in SEP Group 1 of Firm A) becomes a resting order

① Order ID	SEP Group	(Quant.) Bid	(Quant.) Offer	SEP Group	Order ID
O3	SEP 2	(500) 100			
O4	SEP 1	(1,000) 100			

# Self-Execution Prevention (4)

Step ① : Order book at start

Step ② :

- Order ID: **O5** - An order to “Sell” 1,000 shares at 100 from ComplD 1 in the **SEP Group 1** is entered (ComplDs in Group 1 are configured with a “SEP Rule” of “Cancel Incoming Order”).

One trade and a Self-Execution are identified, resulting in the following outcome:

Step ③ :

- O3 and O5 match** to create a trade for 500 shares at 100 (as they are from two different SEP Groups)

Step ④ :

- O5** remaining quantity of 500 is cancelled (since: i) it would cross another order from the same SEP Group; and ii) ComplDs in SEP Group 1 are configured with criteria “Cancel Incoming Order”).
- O4** continues to rest.

①	Order ID	SEP Group	(Quant.) Bid	(Quant.) Offer	SEP Group	Order ID
	O3	SEP 2	(500) 100			
	O4	SEP 1	(1,000) 100			

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②	Order ID	SEP Group	(Quant.) Bid	(Quant.) Offer	SEP Group	Order ID
	O3	SEP 2	(500) 100	100 (1,000)	SEP 1	O5
	O4	SEP 1	(1,000) 100			

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③	Order ID	SEP Group	(Quant.) Bid	(Quant.) Offer	SEP Group	Order ID
	O4	<b>SEP 1</b>	(1,000) 100	100 (500)	<b>SEP 1</b>	O5

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④	Order ID	SEP Group	(Quant.) Bid	(Quant.) Offer	SEP Group	Order ID
	O4	SEP 1	(1,000) 100			

# ETFplus Open Funds (ATF)

**Demis Todeschini**

# ATF Segment – Overview

	ETF segment	ATF segment
<b>Listed instruments</b>	Exchange Traded Funds	UCITS open-end funds different from ETFs i.e. traditional open-end fund
<b>Trading phases</b>	Continuous + closing auction	Closing auction only
<b>Trading lot</b>	1 unit/share	1 unit/share
<b>Orders type</b>	Limit or market orders	Market orders only
<b>Trading price</b>	Market price	Net Asset Value (NAV)
<b>Liquidity support</b>	Specialist	Appointed intermediary
<b>Settlement</b>	Monte Titoli T+3	Monte Titoli T+3
<b>CCP</b>	Yes	No
<b>Admitted intermediaries</b>	ETFplus members	ETFplus members

# MIT Update

Flavio Ravotto



# New ATF Segment

# ATF Segment – Market Model (1)

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ATF Market Model is composed of a single Closing Auction session from 8 am to 3pm CET

During the above trading session, intermediaries

- will be allowed to send market orders with DAY validity only
- will be required not to send and/or modify orders during the last 5 minutes of the Closing Auction

## ATF Segment – Market Model (2)

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For each ATF instrument, an intermediary (the *Appointed Intermediary*) will be required to send (during the last 5 minutes of the *Closing Auction*) a **Named Market** with validity **DAY** with

- a quantity that correspond to the auction outbalance
- the side inverse to the outbalance side

The Trading System needs a *Closing Auction Price* but all orders are Market ones, so, **per convention**, the will *Closing Auction Price* always be 1€

The real price of the trades on ATF (e.g. to be used for the Settlement) is the **NAV**

- The **NAV** will be published at 6 pm CET of the following trading day (T+1) via a new file (MIT 602) available via FTP

## ATF Segment – Market Model (3)

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The trades executed on ATF are sent to X-TRM by 6 pm CET of the following trading day (T+1)

The settlement procedures are completed, as well as for all other ETFplus instruments, at T+3

**The trades executed on ATF are not cleared by the Central Counterparty**

# Self Execution Prevention

# Self Execution Prevention

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Customers received a Communication announcing the availability of Self-trade prevention in CDS starting from November 5<sup>th</sup>

A form to be filled in and sent back to Clients-Services for requesting the configuration of the Self-trade prevention was attached to the Communication

The Go-Live of the Self-trade prevention will be communicated shortly



# Single Side Quote

# Single Side Quote (1)

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Single Side Specialist (e.g. BID Only Specialist) activities are currently implemented via Single Side Named Orders

The single side named orders will be replaced by the **Single Side Quoting (SSQ)** functionality that has been introduced in the MIT protocol with the Release 8 that went live on September 30<sup>th</sup>

All Software Vendors and Member Firms that use in-house software that implemented the Single Side Named Order functionality that did not implement and/or certify the **SSQ** yet are required to

- complete the necessary developments and
- book a Conformance Test session for re-certify their software as soon as possible



# Single Side Quote (2)

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Single Side Named Orders will **not** be fully replaced by **SSQ**

BID Only Specialist will be contacted shortly by CTS Italy for scheduling the passage from Single Side Named Orders to **SSQ**

The start of the migration from Single Side Named Orders to **SSQ** is subject to regulatory acceptance and Trading Service Manual update

# Contacts



# Client Technology Services Italy

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## Technical Account Management Italy

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## Web Site

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

# Group Ticker Plant Update

**Silvia Petrosillo**

# GTP Lite Overview

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Service Lines introduced as part of Group Ticker Plant Phase 1.0, including the real-time Level 1 service, snapshot Level 2 Market by Order service and snapshot Market by Price service, will be offered to customers on the GTP Lite service.

The GTP Lite service will only be offered on the Italian Production environments and on the CDS environment. It will not be offered in London at go-live.

The GTP Lite service is designed for non-latency sensitive customers operating on below 100Mb connectivity packages

GTP Lite will disseminate information in a compressed TCP format.

All the software need to be certified for the GTP Lite, even those already certified for GTP Phase I

# GTP Lite Functionality

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The GTP Lite services will reside on the same real-time market data gateways that currently host the Group Ticker Plant Phase 1.0 services.

Customers logon to the GTP Lite TCP services using the existing Login Request message as already documented in GTP002 – Technical Guide. The server will respond with the already documented Login Response message and the TCP session should now be considered active. Connections should be maintained through standard TCP keep-alive and will only be force disconnected when End of Day is performed

Messages on the GTP Lite session will mirror in their sequence number to the corresponding message on the Phase 1.0 multicast channels, which operate in parallel. No customer level sequencing is required.

Customers missing messages due to technical issue or late join will be required to use the existing Phase 1.0 Replay and Recovery services. No compression exists on these services. The Phase 1.0 documented Replay and Recovery messages should be used.

# Bandwidth requirements GTP Lite

The GTP Lite service is designed to support customers on limited connectivity (10 Mb and 40 Mb).

The GTP Lite Bandwidth (Mb) requirements are calculated per user:

	MBO	MBP	TOB
BIT MTA-A	0.19	0.21	0.15
BIT MTA-B + SEDEX + TAH)	0.42	0.31	0.27
ETF	0.98	0.67	0.22
MOT	0.63	0.46	0.07
<b>TOTALE PER MIT</b>	<b>2.22</b>	<b>1.65</b>	<b>0.71</b>
IDEM-A	1.55	0.98	0.95
IDEM-B	1.7	1	0.93
<b>TOTALE PER IDEM</b>	<b>3.25</b>	<b>1.98</b>	<b>1.88</b>
<b>TOTALE</b>	<b>5.47</b>	<b>3.63</b>	<b>2.59</b>

# GTP Lite Timeline

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The Group anticipates publishing full technical documentation to support GTP Lite in the coming weeks.

The Group is currently performing final testing on GTP Lite and expects to upgrade the CDS environment to support GTP Lite by January 2014.

The Production go-live of GTP Lite is anticipated to be in early Q1 2014.

After the GTP Lite go live customers will have a 6 months parallel period between GTP Lite and profile of DDMPlus A1, A2, A3

Customers should note that the MDF/DDM-Plus services will remain available until the equivalent service on GTP will be delivered.



# New Reporting Service for EMIR

Roberto Fumagalli

# EMIR (1)

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From February 2014 the **European Market Infrastructure Regulation (EMIR)** will introduce an obligation to report all derivatives to trade repositories; a clearing obligation for eligible OTC derivatives, measures to reduce counterparty credit risk and operational risk for bilaterally cleared OTC derivatives, as well as common rules for central counterparties (CCPs) and for trade repositories.

All counterparties and clearing members must report their leg of the trade on a daily basis, or can delegate to a third party to report on their behalf (Trade Repository that is authorized or recognized by ESMA).

Borsa Italiana is implementing a **third-party regulatory reporting solution** for its customers. As an extension of the current Transaction Reporting service for MiFID, the EMIR regulatory reporting solution will help customers prepare and submit relevant transaction files to UnaVista, London Stock Exchange Group's **Trade Repository**.

All derivatives positions must be reported to the Trade Repository within the end of day T+1

## EMIR (2)

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Borsa Italiana Client Reporting will connect directly to UnaVista EMIR Trade Repository and will retain client data for a minimum of 10 years after the submission date.

It will accept data from clients, perform validations, and pass data to the UnaVista EMIR Trade Repository that will provide feedback on: confirmation of acceptance, data validation and trade reconciliation to the client's application for customer consumption.

TRS Application will be in charge to perform validations at client and gateway level of the data entered by the customers before sending it to UnaVista Trade Repository. Customer will be able to upload data

- Via Client
- Via sFTP

## EMIR (3)

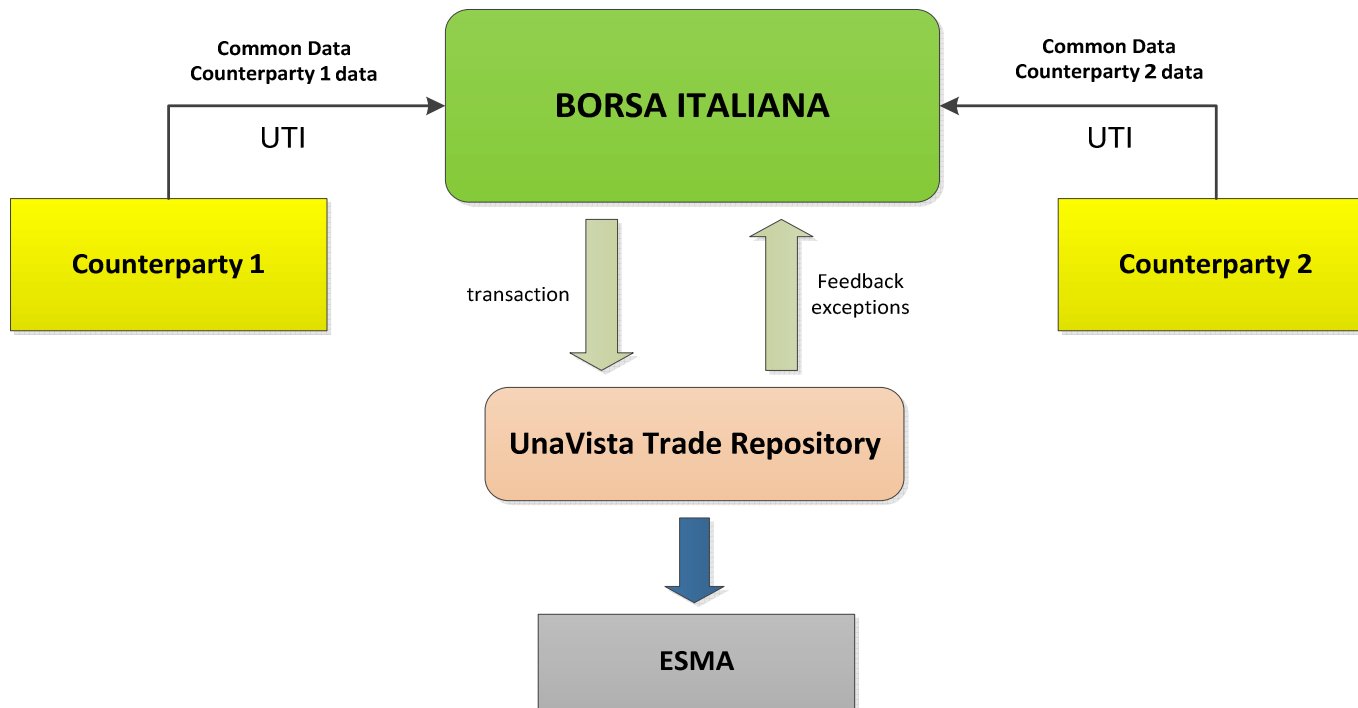
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For ETD derivatives Borsa Italiana will provide trading and clearing data enrichment retrieved from data warehouses and our clearing house. For other products such as the OTC and IRS, it will be possible to enrich data only with the information provided by customers when subscribing the service. However, Borsa will implement pre-validation data and consulting process.

The implemented solution will allow customers to:

- Manually upload files in a variety of formats
- Perform exception management to view and reconcile unmatched transactions
- View results of file validation and automated responses
- Export data out for back office activities

# EMIR (4)



# T + 2

## Regulation & Post Trading



- The harmonization of settlement cycle is one of the Giovannini barriers
- In 2010, the Commission established an Expert Group to analyze the point. According to the works of the Group no major issues were highlighted for the migration to T+2

## **T+2 is the standard cycle to which converge**

- This is widely accepted in EU and the CSDR is providing this

## CSD Regulation

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### Article 5, CSDr

*“1. ....*

*2. As regards transactions in **transferable securities** referred to in paragraph 1 which are executed on trading venues, **the intended settlement date shall be no later than on the second business day after the trading takes place.***

*This requirement shall not apply to transactions which are negotiated privately but executed on the trading venues. “*

### **Entry in to force - still to be confirmed**

*According to the last Commission draft text : 1 January 2015*

*According to Council proposal → For market that settle in a T2S CSD: 6 month before the migration to T2S and not later than 1 January 2016*



## Main points to be considered

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- Settlement cycle are defined by trading platforms: change in market rules are requested
- The main recommendations for a smooth transition are :
  - Move to T+2 before the introduction of T2S (June 2015)
  - Early determination and communication of implementation dates
  - Avoid corporate actions season
- A T2S TF has been established to coordinate at EU level the time of migration of each market (first meeting November, 15)

## Overview of other markets

### Euronext markets (France, Belgium, Netherlands, Portugal)

- T+2 will apply to any operation settled in a CSD or ICSD, provided that it is traded on a RM, a MTF, an OTF or an over-the-counter (OTC) market unless both counterparties decide otherwise; Listed UCITS are within scope T +2
- Market migration to T+2 is planned for 4 and 5 October 2014:
  - 3 October 2014 will be the last trading date on a T+3 basis;
  - 6 October 2014 will be the first trading date on a T+2 basis;
  - 8 October 2014 will be the last settlement date on a T+3 basis and the first settlement date on a T+2 basis;

Nordic Exchanges : same date as Euronext

UK market : provisional same date (6 October 2014) still to be confirmed

# Italian market

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- It is important to avoid different settlement cycles for the same instrument depending on which trading venue the instrument is negotiated
- There is an advantage of everyone transitioning at the same time to avoid mismatch in pan- European settlement cycles.

## **Proposed transition date: 6 October 2014**

- A working group is going to be established to assess possible issues and how to overcome them

# Q&A