



## The new market model for SeDeX and EuroTLX (Cert-X)

On 11 September 2023, the SeDeX and EuroTLX (Cert-X) markets successfully completed the migration from the Millennium trading platform to Optiq®. This historic milestone represents the completion of the integration process of the Warrants and Certificates markets into the Euronext group and introduces some significant changes to the trading models of the two markets.



## Request for Execution (RFE) model

In line with the Warrants and Certificates markets of the Euronext group, the **Request for Execution (RFE) model** has been introduced for the SeDeX and EuroTLX (Cert-X) markets.

### How the RFE model works

- Requires the presence of a mandatory Liquidity Provider (LP) for each instrument
- Investors can trade a contract with either the LP, any additional parties if present, or another investor
- In all cases, the contract must be concluded exclusively within the bid-offer spread of the LP and only in his presence: otherwise, trading is automatically suspended.

### The three types of RFE

For each individual traded instrument, the Liquidity Provider has the option to choose from three types of RFE:

- **Disabled RFE:** no Request for Execution message is sent to the LP, and the matching between the two orders is instantaneous. The LP is not allowed to update quotes;
- **RFE 0.6 seconds:** the Request for Execution message is sent to the LP as soon as a potential matching between two orders is detected. The LP has 0.6 seconds to update their quotes by sending new ones or confirming existing ones, or letting this time window expire without sending any updates;
- **RFE 3 seconds:** the Request for Execution message is sent to the LP as soon as a potential matching between two orders is detected. The LP has 3 seconds to update their quotes by sending new ones or confirming existing ones, or letting this time window expire without sending any updates.

### The key advantages of the RFE model

- LPs are protected from latency arbitrage and do not need to reduce liquidity or widen their bid-ask spreads to address this condition
- Issuers are in the optimal position to expand their range of quoted products.
- LPs are in the ideal position to improve liquidity conditions by adjusting pricing quotes and exposing a more competitive bid-ask spread.

### Matching with RFE

When an aggressive order potentially matches an existing one, the contract is not immediately concluded. Instead, execution is halted, and an RFE message is sent to the LP to allow them to update their quotes. After the update, or at the latest, when the maximum response period given to the LP expires, matching resumes with price-time priority. The RFE message does not contain any information about the counterparty, the trade direction, price, or quantity of the aggressive order.



## The central role of the **Liquidity Provider**

The Request for Execution market model assigns a key role to the LP:

1. There is always a Liquidity Provider (LP) for each instrument
2. A contract can only be concluded within the bid and ask quotes of the LP
3. In the absence of the LP from the order book, the instrument is automatically suspended
4. The LP has several functionalities and commands to facilitate trading activity, including RFE, KOBI, KIBI, PAKO, RFE, LP command, and Bid-Only Before Buy-Back, to name a few.

In detail, the automatic suspension of instruments occurs when both quotes are missing, or only one quote is absent, and the LP has not declared themselves in bid only. During the suspension, it is possible to enter, modify, and cancel orders. Trading automatically resumes whenever the LP restores the quotes.

In addition to the role of the Liquidity Provider, the RFE model allows for two additional figures to support the liquidity of individual instruments:

- **Secondary Liquidity Provider:** an additional LP that acts with the issuer's consent in bid & ask or, if necessary, in bid only
- **Market Maker** (only for the SeDeX market): a MiFID II Market Maker that acts without the issuer's consent and only in bid & ask.

### **Virtual Offer Price (VOP)**

When an LP voluntarily quotes in bid only, trading of the instrument continues regularly. To meet the market requirement of executing a contract within the bid & offer quotes of the LP, and in this case, with the absence of the offer quote, the Market automatically calculates a Virtual Offer Price (VOP).

The VOP is a virtual offer price calculated based on the rules defined in the Parameter Guide, and it serves to establish a maximum execution limit for contracts based on the bid price exposed by the LP.

For more details on how the VOP is calculated, please refer to the [Guide to the Parameters](#).



## **SeDeX Extended Trading Hours (ETH)**

With the migration to the Optiq® platform, the SeDeX market opened up to Extended Trading Hours (ETH). Issuers now have the option to choose for each individual instrument:

- Two different morning opening times (08:00 or 09:05 CET)
- Three different evening closing times (17:30, 20:30 or 22:00 CET)

Information regarding the combination of opening and closing times is available through the Trading Group.

It identifies a group of securities characterised by common factors, especially the trading market, the issuer, trading hours, the RFE parameter, and the settlement system.

Borsa Italiana provides details of the Trading Group for all SeDeX and Cert-X instruments through various access. For more information, [visit our website](#).

