

SINGLE STOCK OPTIONS ON IDEM

Over the course of the last few years, Borsa Italiana has invested in developing its single stock options offering to make it richer, broader and easier to trade. In particular, Borsa Italiana has introduced important **product, microstructure and service innovations**. Let's take a look at the most relevant developments.

IMPROVEMENTS TO BLOCK TRADING

Deferred Publication for block trades

"DP"

available for trades above a minimum threshold

With regards to block trades (i.e. negotiated transactions), it is possible to delay the publication of trade details in market data feeds to the end of the trading day¹. To allow for Deferred Publication ("DP"), the size of the negotiated transaction must be above the minimum required size, otherwise the trade details will be published immediately.

Minimum size requirements for Large in Scale ("LIS") trades and for Deferred Publication, which vary by stock, are published on the homepage of **Borsa Italiana's derivatives section** in the "Trading parameters" box.

The screenshot shows the Borsa Italiana website's derivatives section. The page is titled "Borsa Italiana" and has a search bar at the top right. The main content area is divided into several sections: "Search Futures", "Search Options", "News", "Settlement Prices", "Technical Area", "Trading parameters", and "Documents". The "Trading parameters" section is circled in red and contains the following information:

- MFID II - Minimum size for negotiated transactions (effective from 01.06.2021)**
- MFID II - Minimum size for negotiated transactions (effective from 01.03.2021)**

The "Documents" section contains links to "SOLA - Technical specs", "SOLA - Members counterparty rules", "Corporate Actions", "Market makers", and "Options Disclosure Document".

The deferral request must be submitted by at least one counterparty of the negotiated transaction at order entry.

1) Trade details are published at the beginning of the last "mini-batch" trading phase configured for each instance of the SOLA trading system, which starts at:
- FTSE MIB futures, FTSE MIB mini-futures, FTSE MIB micro-futures: 10.30pm CET
- all other IDEM products: 7pm CET

Extension of the day trading session

6pm CET

Day trading session extended to allow extra time for block trading

Since 8 February 2021, Borsa Italiana extended the day trading session of IDEM Equity from 5.50pm to 6pm. The extension allows intermediaries, particularly institutional players, to benefit from some extra time in a busy trading phase, when they have to finalise their block trading activity on options.



Change of pricing parameters for block trades on stock options

20%

for American-style options and 40% for European-style options

Since 7 December 2020, Borsa Italiana has reviewed a key parameter for the execution of negotiated transactions on stock options. The maximum allowed divergence of the block price from the "best bid-offer" (BBO) of the central order book is now **20% for American-style options** and **40% for European-style options** (it was 10% previously for both options' styles). This change was driven by the willingness to facilitate execution of negotiated trades especially for low-premium options and the less liquid European-style options.

Finally, with regards to negotiated transactions on stock options, it is worth reminding that on Borsa Italiana's IDEM Equity it is possible to execute blocks with a price down to the minimum tick of € 0.0001 and that a **fee cap of €360 per trade** applies (i.e. €260 for trading fees and €100 for clearing fees), equivalent to 1,000 lots.

OTHER IMPROVEMENTS

Listing of non standard strikes at T+1

It is possible to request the listing of those options strikes which are not present on the orderbook - the standard strikes are automatically generated by the trading system according to the strike generation table. **These "ad hoc" strikes must respect the intervals, or multiple of these, established in the below table.**

Exercise prices (euro)	Intervals (euro)
0.0050 - 0.1800	0.0025
0.1801 - 0.4000	0.0050
0.4001 - 0.8000	0.0100
0.8001 - 2.0000	0.0250
2.0001 - 4.0000	0.0500
4.0001 - 9.0000	0.1000
9.0001 - 20.0000	0.2500
20.0001 - 40.0000	0.5000

The new strikes requested are available for trading on the following trading day. To request a new strike, you can contact your relationship manager or you can write an email to BusDevE&D@borsaitaliana.it.

Extension of available expiries up to 7 years

In view of the interest shown by our clients, Borsa Italiana introduced new longer dated expiries (for a selection of the most traded stock options) on 8 February 2021. Borsa Italiana made available two six-monthly (June and December) maturities for the fifth and sixth years following the current year for **Enel, Eni, Generali, Intesa Sanpaolo, Mediobanca, Stellantis, Unicredit** and **Telecom Italia** options.

Borsa Italiana also introduced two yearly (December) maturities of the fifth and sixth years following the current year for FTSE MIB options.

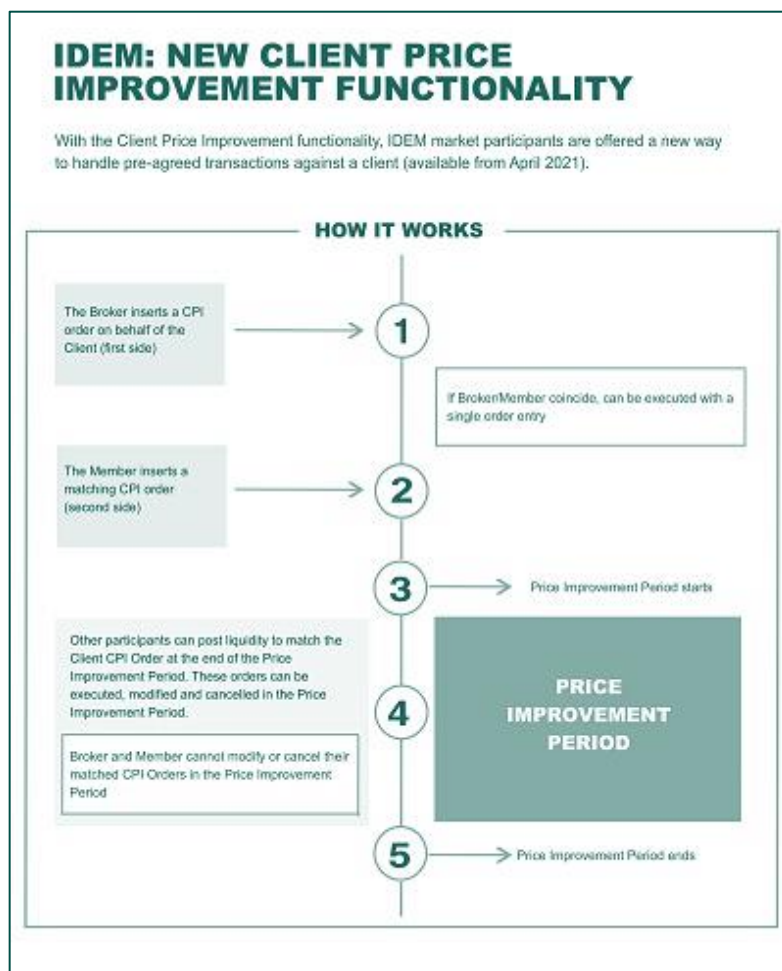
Indeed there has been a clear trend of extended maturities in structured products issuances on Italian equities. The new options expiries available on the IDEM market provide for an effective hedging tool for these longer dated issuances.

Client Price Improvement

CPI available for options

Through the new Client Price Improvement functionality, launched on 26 April 2021, member firms have the possibility to execute pre-agreed transactions with a client, including transactions with a size below the MiFIR / MiFID 2 large-in-scale threshold, as long as (i) one of the two counterparties commits its own capital to trade against the other counterparty (i.e. the "Client") and (ii) the deal is offered for execution in the public order book first. The mechanism grants the Client certainty of execution for the total quantity of the trade with the opportunity to benefit from a potential price improvement. At the beginning, the CPI functionality will be available only for options,

both FTSE MIB and single names. To activate it, members must respect a minimum quantity which for single name options is equal to the corresponding minimum quoting size obligation for Primary Market Makers (stock options) and Designated Market Makers (weekly stock options).



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Borsaitaliana.it/derivatives



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