



**NOTICE
n. 621**

27 October 2016

EuroTLX

Sender: **EuroTLX SIM**

Target Company: ---

Object: **Communication of EuroTLX Rule Book entry into force 14 November 2016**

Text

Please be informed that changes to the Rules of EUROTLX illustrated in the present Notice have been approved.

The new Rules will enter into force on **14 November 2016**.



AMENDMENTS TO THE RULES OF THE MULTILATERAL TRADING FACILITY EUROTLX

1. Introduction of the RFQ function

In order to enlarge market functionalities, it is introduced the request for quote (*Request for Quote – RFQ*) for large-in-scale orders of bonds traded on EuroTLX.

Specifically, this function allows the market intermediary to enter a request for quote with reference to a specific financial instrument, to which market makers/specialist can respond.

In detail:

- The requesting intermediary must submit a RFQ stating the financial instrument and the quantity it intends to trade. However, there is no requirement to state the sign of the order, bid or ask.
- The responses to the RFQ must contain details of the price and may show only one side of the execution, or both sides only where the RFQ does not indicate the sign.
- Responses to a RFQ can only be entered by Liquidity Providers and are only visible to the market intermediary that entered the RFQ.
- The contract is concluded at a time chosen by the requesting intermediary (specifying at this time, where not yet expressed, the sign of its order, i.e. whether it is a bid/ask order). The matching is done automatically with the response having the most convenient price.
- This function is made available during the trading session and follows the phases of the session.
- Responses to the RFQ are applicable by the requesting intermediary for a specified time interval, after which they are automatically deleted. The interval can be defined by the requesting intermediary within a time interval pre-defined by the system.
- In the event of automatic suspension of the continuous trading of the financial instrument as a result of trading book limits being exceeded, the function is disabled and contracts cannot be concluded in this mode; the existing responses are automatically deleted while the RFQ is deleted on expiry of the above-mentioned time limit.



- RFQs may be expressed in anonymous or non-anonymous form and responses to them shall always be made in the same modality chosen by the requesting intermediary.
- The minimum quantity must be equal to or greater than the values defined by EuroTLX in the Guide to Parameters (large-in-scale orders).
- RFQs are not subject to pre-trading transparency, since they concern orders that are large in scale compared to normal market size and financial instruments not currently subject to specific transparency obligations.
- Contracts originating from RFQs are made available to the public in real time and appropriately identified (specific flag in the disclosure channel). Moreover, these contracts do not contribute to the formation of any statistical price (dynamic price, reference price or official price);
- A check will be run on the deviation of the price of the contract concluded with the RFQ function from the best prices in the book (or, in absence, from the dynamic price).
- Requests for quotes can be made on all those bank-issued bonds for which the Specialist requested activation of the RFQ function, on bonds and other debt securities issued by non-bank issuers and on ABS.

2. Introduction of the new segment EuroTLX^{Quote}

A new segment is introduced for the trading of large-in-scale orders, called EuroTLX^{Quote} segment. Its characteristics are described below.

- Trading is allowed only through the RFQ function.
- The eligible instruments will be selected by EuroTLX and will be bonds and ABS admitted to trading on a regulated market or on a multilateral trading facility or issued by an issuer that has, or whose controlling company has, financial instruments admitted to trading on a regulated market or on a multilateral trading facility.
- Instruments that are already traded in the EuroTLX market cannot be traded in the new segment. If a Liquidity Provider is available to support the trade, the security will be transferred from the new segment to the pre-existing market segments, which are characterised by traditional negotiation methods.
- If instruments subject to restrictions on their transferability in the secondary Italian market are admitted to the segment, this fact shall be disclosed by EuroTLX by means of a Notice and the segment market intermediaries shall only accept orders placed by Professional Investors; a specific rule of conduct is introduced to cover this requirement.





- All Market Intermediaries applying to trade on the EuroTLX^{Quote} segment will be allowed to trade (and will be known as EuroTLX^{Quote} segment Market Intermediaries).
- RFQs may be entered by EuroTLX^{Quote} segment Market Intermediaries on their own account or on behalf of third parties, while responses may only be entered by EuroTLX^{Quote} segment Market Intermediaries authorised to operate on their own account.
- The requests for quotation may concern all the segment instruments; for these instruments information about the interest of trading is made available by the market to the market intermediaries and to the public.
- The contracts concluded in the new segment will not be guaranteed and may be settled at ICSD or at Monte Titoli. EuroTLX reserves the right, in exceptional cases, not to perform automated forwarding via XTRM to the settlement services; in these cases, market intermediaries must enter the appropriate settlement instructions.

3. Review of arrangements for connection to the market

The provisions already included in the EuroTLX Regulation on the entrustment to third parties of operation of the technology systems and service provider shall apply. In particular, the following rules will apply:

- Market intermediaries may rely on a third party for the following functions: i) connection with the market and ii) housing, facility management and other technology system management functions;
- the contract with the third party must enable EuroTLX to perform checks at the third-party entity. The market intermediary must keep at its premises a comprehensive set of documents on architecture, functionalities, operating methods, service levels, monitoring arrangements and contractual warranties for the activities entrusted to the third party.

Connection to the market may be offered to market intermediaries:

- a. directly by the market (i.e. BltNet or co-location)
- b. by other companies chosen by the market intermediary (hereinafter CMC ACPs), provided they are accredited by the market;
- c. by Services Provider (hereinafter SPs), which to this end may rely, in addition to the connection via BltNet, on other market-accredited companies as well.

Note the following differences between SPs and CMC ACPs:

- SPs may offer a shared line to several market intermediaries, while CMC ACPs offer a dedicated line to each market intermediary;





- in addition to connectivity, SPs can offer other services (*software; housing, etc.*); instead, CMC ACPs cannot offer services other than connection services, unless they too become an SP.

Consequently, SPs must sign a contract with EuroTLX which includes the following terms and conditions:

- EuroTLX or its agents may perform checks at the SP to verify that the technology systems are suitable for delivery of the services offered and are compatible with the IT and data transmission structures deployed by EuroTLX;
- EuroTLX may limit the number of market intermediaries to which a single SP may offer connection to the market;
- SPs are required to put in place back-up and disaster recovery procedures;
- the contract must also specify whether the SP intends to purchase the connection from the market or from a CMC ACP and whether it intends to provide additional services.

CMC ACPs must be accredited; moreover, if they intend to provide other services in addition to connectivity they must qualify themselves as SPs.

Certain restrictions are also placed on sub-delegation, by providing that:

- the contract between the market intermediary and the third party must include the possibility for the third party to rely on a delegated party;
- the contract must also provide that EuroTLX may carry out checks on the adequacy of the technology structure at the premises of the delegated party.

It is understood that those parties, which are not necessarily SPs/CMC ACPs, that supply market intermediary with software applications must sign an *ad-hoc* contract with the competent company of the London Stock Exchange group for approval of the application.

Finally, supervision and control of the proposals made on the market cannot be entrusted to third parties.