



**NOTICE
n. 931**

22 December 2017

EuroTLX

Sender: **EuroTLX SIM**

Target Company: ---

Object: **Communication of EuroTLX Rule Book entry into force on the 2 and 3 of January 2018**

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 the **2 and 3 of January 2018**.





AMENDMENTS TO THE EUROTLX MARKET RULES
COMPLIANCE WITH MIFID2

With the present Notice we inform that the Rules enter into force on the **2 and 3 of January 2018**.

The changes described in this document complete the adjustments needed to comply with the MiFID II Directive and enter into force as per the communication n. 832 of the 20 of November 2017 and in line with the communication of the 24 of July, the *Deployment Approach*, available on the website of EuroTLX.

The amendments to the Rules shall enter into force **on 2 and 3 January 2018**, and concern (i) the general market rules, for which the classification of retail market of EuroTLX has been repealed, (ii) rules regarding the intermediaries' participation in the market, (iii) rules on transparency, (iv) rules on market making activities and market making strategies and (v) rules on the market's supervision.

1. General rules

Starting from the 3 of January 2018, the predominant retail target of the EuroTLX market is repealed, making the market qualification neutral, also in consideration of the heterogeneity and abundance of products there listed. Furthermore, the concept of free transferability is amended with the concept of free negotiability¹ of the instruments, which presents a higher degree of consistency with the relevant MiFID dispositions.

Articles 1.1; 2.3; 2.4; 3.11

¹ Article 51 of Mifid II.





2. Rules on the participation of intermediaries in the market and rule of conduct

Starting from the 3 of January 2018:

- During the admission to trading process and on a continuing basis thereafter, market operators are required to transmit to EuroTLX via the Member Portal, in addition to information already requested:
 - i. information concerning the offer of the “direct electronic access” service;
 - ii. a statement that before using each trading algorithm, and whenever a substantial update is made to each of them, the operator has run tests as appropriate to avoid creating disorderly trading conditions and indicates the environment in which the tests of these algorithms were run;
 - iii. information about “high-frequency algorithmic trading”;
 - iv. a statement that specific procedures for use of the order cancellation function have been implemented, and also stating whether the technical procedures for cancelling orders are available on the intermediary’s systems or in the market functions (kill functionality);

Guideline 3.2

- Furthermore, intermediaries shall:
 - i. if using trading algorithms certify, before using them and any time these have undergone substantial changes, that the trading algorithms used were tested, to avoid contributing to or creating disorderly trading conditions, stating the environments used for these tests;
 - ii. transmit the information needed to allow the matching between the content of the orders and the information necessary to EuroTLX to keep complete records as required by Regulation (EU) 2017/580;
 - iii. acquire the appropriate controls to ensure the correctness and completeness of the information entered in the orders and in the systems used to match the information, in accordance with point i) above;

Article 3.15 (2) (6)

- During the admission to trading process and on a continuing basis thereafter, intermediaries shall transmit to EuroTLX, via the Member Portal, the following information, which are necessary so as to complete the content of the proposals EuroTLX is required to store pursuant Regulation EU n. 2017/580:
 - a) client’s identification code;
 - b) code used to identify the person or algorithm used internally by the intermediary responsible for the investment decision;
 - c) code used to identify the person or algorithm responsible for the execution of the order.





The communication of the information indicated at sub-indent b) and c) constitute confirmation that the indicated trading algorithms have been tested in advance.

Guideline 3.15 (8)

- Under the rules on the transmission of orders to the market, intermediaries must put in place controls to ensure not only recognition of the entities that operate via Interconnections but also their suitability. Moreover, in the case of “direct electronic access”, participants must put in place procedures to ensure that the entities given such access comply with the requirements laid down in Article 22 of Regulation (EU) 2017/589;

Lastly, with regard to controls on orders entered, the obligation is introduced to perform controls not only in terms of price, quantity and number but also in terms of countervalue.

Guideline 3.15

- Intermediaries that trade financial derivatives on commodities must inform EuroTLX of the positions they hold, in the manner and with the timing indicated in the *Guidelines*. More specifically, intermediaries that trade in commodities derivatives must submit detailed information on the positions they hold, including the positions of their clients and of the clients of those clients, down to the end client, classified in accordance with the procedures indicated in the third level regulation, and in the terms and conditions contained in the Commodity Derivatives Position Reporting Manual.

Article 3.11 (3) and Guideline 3.11

- Intermediaries which are not subject to Regulation (EU) 2014/600 are required to transmit all the additional information not yet communicated, so to enable EuroTLX to fulfil the obligation pursuant art. 26 (5) of the above mentioned regulation, in the manners indicated in the Transaction Reporting Manual of EuroTLX.

Article 3.15 (6) and Guideline 3.15 (9)

3. Rules on transparency

Starting from 2 January 2018, with regard to transactions carried out using the RFQ functionality. Moreover, in regard to transactions carried out using the RFQ functionality, in the continuous trading phase, the following information will be made available in real time to the public for every financial instrument:





- i. Price and quantity of the RFQ responses, for transactions on financial instruments for which there is a liquid market, below the instrument's specific size, will be made available when the applicant confirms his will to trade;
- ii. The average price of RFQ responses, for transactions on financial instruments for which there is a liquid market, below 'large in scale' yet equal to or larger than the instrument's specific scale, will be made available when the applicant confirms his will to trade;

Article 5.4

The date of the deferred publication of information on concluded contracts stemming from use of the RFQ functionality, pursuant to the conditions set out in article 8 of Regulation EU 2017/583, will be published in a **subsequent Notice**.

Article 5.4

Starting from the **3 of January 2018** EuroTLX shall make available on EuroTLX website the data concerning the quality of transactions' execution, in compliance with Regulation EU 2017/575.

4. Provisions on market making and market making strategy

Effective from 3 January 2018

- Intermediaries, which are neither specialists nor market makers, pursuing a market making strategy through algorithmic trading techniques on one or more financial instruments, are required to report to EuroTLX the occurrence of the conditions set out in Regulation (EU) 2017/578 and to conclude a market making agreement.

Article 3.11(2)

- Intermediaries using trading algorithms must certify, before using them and any time these have undergone substantial changes, that the trading algorithms used were tested, to avoid contributing to or creating disorderly trading conditions, stating the environments used for these tests. To these intermediaries, in the admission requirements section, a specific declaration is required which certifies the above as indicated in the guidelines of the Rules.

Article 3.15 (2)

- The current obligations of Liquidity Providers are amended in order to comply with the requirements set out in Regulation EU 2017/578, with the object to ensure that, when complying with the obligations set out by EuroTLX, those providers will be fulfilling also the minimum MiFID requirements, without the necessity to conclude further liquidity agreements.





The listing obligations for Liquidity Providers which expose themselves with buy and sell quotes are therefore amended in terms of :

- Introduction of a spread obligation;
 - Prevision of listing obligations for minimum and comparable quantities (with differences not exceeding 50%);
 - Obligation of presence (minimum 50% of the session in the continuous negotiation phase) and elimination of the time needed for the quotes (the absence from the book for the replacement of the quotes after having been applied will not contribute to the fulfilment of the obligation);
 - Revision of the cases of extinction of the obligation, limiting them to the exceptional circumstances foreseen in the MiFID2 Directive and introduction of relaxed listing obligations in market stress conditions;
 - Revision of the modalities of verification of the fulfilment of the obligation, in particular the elimination of the performance indicator and the verification based on the monthly valuation of the fulfilment of the listing obligations.
- The obligation is introduced for Liquidity Providers which operate a market making strategy via the medium of algorithmic trading for a certain financial instrument, for which they have not already adhered to the above mentioned listing obligations (e.g. on instruments for which the Liquidity Providers have only a buy-obligation) are requested to disclose such circumstance to the market and also to include the financial instruments among those for which he operates liquidity support activity, thereby exposing buy and sell quotes.

Article 6.1; 6.3; 6.4; 6.5; 6.6.; 6.7; Guideline 6.1(3)





5. Market Supervision

In the context of the rules governing Market Supervision, (i) further detail is given to the actions EuroTLX may undertake in order to guarantee the safe and orderly functioning of the negotiations; (ii) the rules pertaining to the management of errors in the entry of orders, in order to prevent abnormal trading conditions and (iii) the notion of stress market condition is introduced.

Article 8.1, 8.6 and 8.20

The updated text of the EuroTLX Rules with and without evidence of the amendments, are published on the website of EuroTLX at www.eurotlx.com

