Information on important tasks related to Xetra 17.0 trading system deployment and other major changes on the spot market of BSE

2017. October 30.

I.   Testing and deployment of Xetra 17.0 trading system

Call for testing and written confirmation before deployment by member

Please make sure to test the new functions in Xetra 17.0 Release with the frontend and interface used by you.

According to the statistics available as of now, there are members who show absolutely none or quite low activity in the simulation environment of Xetra 17.0. Please take testing as a high priority task in order to have a problem-free version change.

BSE asks for a written, readiness statement by 17. (Friday) November 2017, the latest, from all exchange members, via email from the given contacts with the following content:

„In the name of ………………………… (name of Exchange Member), as BSE Exchange Member hereby I certify, that we are prepared for the deployment of Xetra 17.0 version, and our internal processes and IT systems (including trading and market data interfaces, software components supplied by a third party, in case we have these) connected to trading are also ready for deployment and the testing of the new version was conducted.

BSE did not create detailed test scenarios and did not advertise supported test dates for members, however if you need any support or dedicated test instrument for testing, please write to trading@bse.hu!

Most important functional changes

1. New fields at order submission (order and quote)

    *   Client ID, Executing Trader Indicator, Investment Decision Indicator, Investment Decision Maker

        Please note that, the filling of the fields, mentioned above, is compulsory, otherwise the trading system will reject the order.

        However, MiFID 2 compliant content has to be filled only from 3. January 2018. Till then any value can be given, which is in line with the technical description.

        Furthermore, please make sure that for legal person clients, the LEI codes must be available by 3rd of January 2018, the latest.

    *   Ticking the Liquidity Provision Flag during order submission: in case of order or quote submission from any type of market making activity, the field has to be set to value 'true' from 3. January 2018.

        Further information:

        https://www.bse.hu/pfile/file?path=/site/Magyar/Dokumentumok/Tozsdetagoknak/MIFID-II/New_fields_for_audit_trail_BSE_spot_market_Xetra_20171016.pdf1

2. Modified time stamps in the Trading system (display in milliseconds, UTC)

Further information:

https://www.bse.hu/pfile/file?path=/site/Magyar/Dokumentumok/Tozsdetagoknak/MIFID-II/BSE_business_clock_synchronisation_UTC_.pdf1

3. Processing of Passive/Aggressive indicator in trade confirmation

4. Processing of Algorithmic Trade Indicator (market data)

5. Handling of Maximum Order Qty (similarly to the existing functionality of Maximum Order Value), can be set per trader

6. Price Failed Reasonability Check Function: it will be available for instruments traded in continuous auction trading model as well (structured products), however it can be switched off. To ensure the appropriate functioning, BSE will apply the Dynamic Volatility band in these instruments as well.

Further information (Functional>Release Description):

https://bet.hu/pfile/file?path=/site/Magyar/Dokumentumok/Tozsdetagoknak/MIFID-II/Xetra_documents_DBAG_20171002.zip1

Connectivity test – 18. November 2017.

Connectivity test with the Xetra 17.0 production version will be held on Saturday, 18th of November 2017, before deployment. Further details will be sent on the week before the test.

II.   Updated timeline – Xetra (main milestones)

CEE Trader is available in simulation environment	2017. November 8.
Production installation kits are available	2017. November 6.-10
Sending the readiness statement to BSE	2017. November 17.
Connectivity test	2017. November 18.
Xetra 17.0 go live	2017. November 20.
Short code-long code file (Client and Inhouse info) upload, beginning of test period	2017. November 20.
Sending the National ID of registered traders to BSE (via email)	2017. December 1.
Mass order deletion Xetra (all orders)	2017. December 29.
Switch to UTC in the trading system	2018. January 2.
Registration of Algorithmic indicators at BSE	2018. January 2.
Declaration of DMA and licensing of SA services/ registration of trader IDs	2018. January 2.
First production short code-long code file FTP upload (Client and Inhouse info)	2018. January 3.
Application of MiFID2 comes into force	2018.January 3.

III.   Other changes and information (spot market, Xetra)

Market making

MiFID 2 compliant, market maker rules and agreements are available on our webpage. The planned date of entry into force and the deadline of signing the contracts with current market makers is 3rd of January 2018.

Further information:

https://bet.hu/pfile/file?path=/site/Magyar/Dokumentumok/Tozsdetagoknak/MIFID-II/BSE_Market_Making_Regulations_HU_EN.zip1

https://bet.hu/pfile/file?path=/site/Magyar/Dokumentumok/Tozsdetagoknak/MIFID-II/BSE_Market_Making_Agreements_HU_EN.zip1

Registration of licensed traders

The forms used to register/modify/delete have been changed:

- Uploading the citizenship and the national identification (MiFID national ID) will be compulsory. The national ID for the currently registered traders will be asked in email till the 1 December 2017.

- Fields for the new market of BSE (XTEND MTF) and the new maximum order quantity will be available

- In order to filter the unusually big orders, BSE will specify a maximum central value based on historic trading data for maximum order quantity and maximum order value in Xetra. In the trader registration process the upper limit will not be the maximum (technical) value allowed by the trading system, but the value determined and supervised by BSE, which will be shown on the connected forms. An Exchange member can freely determine the limit of a trader, considering the central limit, mentioned above.

DMA/SA services

'DMA' and 'SA' trader subgroups (Xetra) will be created. During the declaration and licensing of the service (to/by BSE; the necessary documentation will be sent to Exchange members in November), members need to create dedicated trader IDs for every client in these subgroups. In the future, DMA or SA orders can solely arrive trough these dedicated Trader IDs to BSE. This is the responsibility of the DMA or SA service provider (see the draft of book 4 of The General Terms of Services of the Budapest Stock Exchange).

Uploading process of long code belonging to the short code

BSE had asked, in a separate email, for the technical information needed for the formation of the sFTP connection.

sFTP accounts will be created till 20. November 2017. BSE will be able to receive, with the planned functionality (confirmation and feedback file), the test Client and Inhouse data.

Dedicated FTP test environment/accounts will not be created on BSE side. We ask for the upload of the first production data on 3rd of January, the data, uploaded before, will be deleted by BSE.

Further information:

https://bet.hu/pfile/file?path=/site/Angol/Documents/Traders_and_Brokers/mifid-ii/bse-ftp-upload-server-guide-20171018

https://bet.hu/pfile/file?path=/site/Angol/Documents/Traders_and_Brokers/mifid-ii/bse-xetra-short-code-upload-and-mapping-20171019

Handling of Algorithm indicators

BSE asked members in a separate email to register the algorithms at the supervisory authority and register them at BSE as well on the dedicated forms by 3rd January 2018, the latest.

Please note that, the successful compilation of the basic functional test and its certification by the member is a perquisite for the registration at BSE. In addition, the value of the algorithm indicator can be a numerical value which is bigger than 9.

Further information:

https://www.bse.hu/pfile/file?path=/site/Magyar/Dokumentumok/Tozsdetagoknak/MIFID-II/BSE_algo_requirements_and_registration_20171026.pdf1

https://www.bse.hu/pfile/file?path=/site/Magyar/Dokumentumok/Tozsdetagoknak/MIFID-II/Algo_ID_registration_form_BSE.docx1

Conformance test

Exchange members have to perform a so-called conformance test following the releases and important changes occurring after 3rd of January. BSE will make a report on the results of the conformance tests.

Risk based assessment and due diligence of Exchange members (on a yearly basis)

In case of current members, BSE is planning to do an assessment, required by MiFID, in 2018 November-December, in the forms of questionnaire collecting and other data acquiring methods. The aim of this assessment is to make sure, that members meet those – specified by the law - personal, technical and other requirements, which ensures that their trading activity does not results in disorderly trading conditions and does not endanger trading activity.

Additional information

BSE will publish the following regulations in the form of CEO resolution and they will come into force at 3rd of January 2018:

- Limits related to the Unexecuted Order to Trade Ratio (OTR)

- Threshold values of trading systems (in connection with the throttling application, required by MiFID)

- Specification of waivers applied for pre-trade transparency used by BSE

- Specification of the minimal value of Iceberg orders

Modified Tick Size regime will enter into force as of 2nd January 2018.