# Information on important tasks for the deployment of the MiFID2 compliant MMTS2 trading system and the KELER KID system and other major changes on the derivatives market of BSE

## 27. November 2017

## I.    Testing and deployment of MMTS2 trading system

We hereby inform you that the previously communicated deployment date has been delayed by one day in order to synchronize it with the deployment of the KELER KID system. The Go-live date of the new, MiFID2 compliant version of MMTS2 trading system will be 11th of December 2017.

### Call for testing and written confirmation before deployment

Please make sure to test the new functions of the MMTS2 in the simulation environment maintained by BSE, by using the newest version in frontend and interface software (Trader Workplace v5.3.2.2 and K2 v2.2.6.3) as well.

Connected documents:

- https://www.bse.hu/pfile/file?path=/site/Magyar/Dokumentumok/Tozsdetagoknak/MIFID-II/TW5_3_2_2_DERIV_BSE_TEST_SETUP.zip1
- https://www.bse.hu/pfile/file?path=/site/Magyar/Dokumentumok/Tozsdetagoknak/Technikai_informaciok/MMTS_II_Eng_TW_UGE_v5.3.docx1
- https://bet.hu/pfile/file?path=/site/Magyar/Dokumentumok/Tozsdetagoknak/MIFID-II/k2_2_6_3_install_simu_.zip1
- https://bet.hu/pfile/file?path=/site/Magyar/Dokumentumok/Tozsdetagoknak/Technikai_informaciok/K2_doc_2017_MiFID.zip1
- https://bet.hu/pfile/file?path=/site/Magyar/Dokumentumok/Tozsdetagoknak/MIFID-II/RN_for_K2_20171020.zip1

According to the statistics available as of now, there are members who show absolutely none or quite low activity in the simulation environment of MMTS2. 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 8. (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 the MiFID2 compliant MMTS2 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 changes – MMTS2 trading system

1.      New order submission field in the trading system

The only new field in the trading system is the „Execution ID" field, which is used to indicate the person responsible for execution (execution within firm). The new field can solely be populated or modified during order submission through MMTS2 K2 interface. (in Trader Workplace the new field and its value are only displayed) Populating the field is optional – If a member does not populate the field, then BSE will consider the natural person registered to the given K2 user, as the person responsible for execution and will assign the national ID of the person to the order in the audit trail report (RTS24).

A prerequisite of the above mentioned is to assign a natural person registered trader to every trading system user (including K2 users as well).

During manual order submission (MMTS2 Trader Workplace) the 'Execution ID' field cannot be populated, its default value is "empty" (in this case "entering user" is displayed in the trade- and order information windows), therefore a person different from the registered trader solely can be given in case of order submission through K2 interface.

In case of the Execution ID field, the so called short code will not be applied, so the identifications required by MiFID (national ID, algo ID) must be given directly, in an unchanged form during order submission.

Further information:
- https://www.bse.hu/pfile/file?path=/site/Magyar/Dokumentumok/Tozsdetagoknak/MIFID-II/BSE_audit_trail_MMTSII_EN_.zip2

2.   Managing timestamps in the trading system (millisecond display, CET)

In contrast with the spot market, in the trading system of the derivatives market, the time zone of the timestamps remains unchanged (CET), only the length of the timestamps will change to millisecond (to enable a more accurate display)

Further information:

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

3.   Activation of the maximum order value (existing function, was not applied by BSE previously)

From 11th of December 2017, parallel to the deployment of the new trading system, BSE will apply the central maximum order value function related to orders – identical for every trader of every member – which BSE plans to specify at 25 billion HUF/order. If necessary, BSE will be able to set a higher limit during trading day. Orders with value exceeding the limit will be refused in the trading system.

Please note that, the restriction regarding the maximum order quantity ("Order rules") will continue to operate as previously (can be set per trader by the FIRMAMANAGER of the member, or by BSE if needed)

## Most important changes – KLER KID system

4.   New data (PVE) to be populated in the KELER KID system (6 new fields)

In contrast with the solution applied on the spot market (XETRA), on the derivatives market – except the Execution ID mentioned above – the exchange will use the KELER KID (Keler Interface Device) to collect the new data required by MiFID.

BSE and KELER requires all members in the Commodity or Derivative market, to use the position management account (PVE) for trading, which can be recorded in the KELER KID system. The usage of position management account is required when entering an order by selecting the relating trading account (from the selectable list) to provide a link between the data uploaded to the KID system and the order.

Therefore, an important difference compared to the spot market solution, that data will be provided, by assigning them to the position management account in the KELER KID system, and not on order level in the trading system.

To collect the new data the KELER KID system will be deployed in the evening on 8th of December 2017, so after 11th of December members will have to use this new system when handling the position management account on the derivatives market.

It means, that from 11th of December new MiFID2 fields need to be populated, when recording a new PVE or modifying an existing one. However, with position management accounts recorded earlier than 11th of December (which were not modified) trading is possible without the population of the new fields till 2nd of January. Members must do the initial database population by the evening of 2. January 2018.

Further information:

- https://www.bse.hu/pfile/file?path=/site/Magyar/Dokumentumok/Tozsdetagoknak/MIFID-II/BSE_audit_trail_MMTSII_EN_.zip2
- https://bet.hu/pfile/file?path=/site/Magyar/Dokumentumok/Tozsdetagoknak/MIFID-II/Circular_KELER_KID_SIMULATION_new_audit_trail_fields_in_PVE_records_.pdf1

## Connectivity test – 9th of December 2017.

Connectivity test before deployment with the MiFID2 compliant MMTS2 production version will be held on Saturday 16:00-17:00, 9th of December 2017. The test will simulate the trading day of 11th of December 2017.

Please send the connection details (name, email, phone number) of the colleagues taking part in the test, by 6th of December 2017 the latest, to trading@bse.hu email address.

The perquisites of the test are the following:

- Switching off the automatic K2 login, to avoid the malfunction of the test due to the order submission timed to Monday morning
- Installation of the MMTS2 Trader Workplace version 5.3.2.2. to the computers from which the testing is conducted
- Installation of the K2 software version v2.2.6.3. to the servers on members side

The test contains the following steps:

- Ping the 192.168.7.2, 192.168.7.4 IP addresses
- Log in to PROD environment with MMTS2 TW and K2 users

- Submitting, modifying and cancelling orders with the logged in MMTS2 TW and K2 users
- Generating trades with the logged in MMTS2 TW and K2 users
- Generating, modifying and cancelling market maker quotes
- After successful completion, please send a feedback with the following content:

  *„In the name of ………………………… (name of Exchange Member), as BSE Exchange Member hereby I certify, that we successfully finished the MMTS2 connectivity test."*

Orders submitted during the connectivity test and the trades generated will be deleted by BSE after the end of the test.

In case of a problem please contact one of our colleague:

- József Czanik (network) czanikj@bse.hu tel.: +361 429 6774
- Valentin Horváth (trading) horvathv@bse.hu tel.: +361 429 6869
- László Bücs (trading) bucsl@bse.hu tel.: +361 429 6707
- András Bozóky (trading) bozokya@bse.hu tel.: +361 429 6727

## II.   Updated schedule – MMTS 2 (main milestones)

| | |
|---|---|
| Sending the national ID of registered traders to BSE and registering a natural person trader to K2 user | 2017. 12.01 |
| Publishing the installation kits and descriptions needed for MMTSII Go-live | 2017.12.04 |
| Written confirmation before deployment to BSE (readiness statement) | 2017. 12.08. |
| Connectivity test | 2017. 12.09. |
| Beginning of trading with the new version of MMTS2 (Go-live) | 2017. 12.11. |
| KID (PVE) Go-live | 2017. 12.11. |
| Deadline of publishing the CEO resolutions containing changes in trading parameters (OTR limits, central maximal order value, etc.) | 2017. 12.15. |
| Deadline of the initial database population of client data to KID | 2018.01.02 |
| Mass order deletion MMTS 2 (all orders) | 2018. 01 02. (evening) |
| Registering algorithm indicators at BSE | 2018.01.02 |
| Registering/licensing the DMA and SA service, registering the connected trading accounts | 2018.01.02 |
| Application of MiFID2 comes into force | 2018.01.03. |

## III.      Other changes and Information (spot market, Xetra)

### Market making

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

Further information:

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

### General Terms of Service of BSE

The general terms of service, which comes into force on 3rd of January 2018 – already approved by HNB – is available in the following link:

- https://www.bse.hu/Products-And-Services/Rules-and-Regulations/BSE-Rules

Please read the draft, especially the books 3. (Regulations on Exchange Membership) 4. (Regulations on Technical Connections) and 5. (Regulations on Trading).

### Registration of licensed traders

As we indicated in a previous email, 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 of the currently registered traders will be asked in email till the 1 December 2017. (the connected email was sent on 7th of November 2017)
- As mentioned above, in case you have K2 interface user, please provide a licensed natural person trader and the belonging data for it: similarly to Xetra from now on BSE requires to register a natural person licensed trader in case of every interface user/trader ID. In this case, apart from populating the table please send the properly filled trader registration from (modified according to the new regulations) as well.

Further information:

- https://www.bse.hu/Traders-and-Brokers/Guide-to-Membership/Traders-registration

### DMA/SA service

Exchange members have the obligation to mark orders which submitted through DEA service during order submission and differentiate them from other orders. Moreover, the LEI identification of clients

using DEA service needs to be provided for every order to the exchange. Members in the derivatives and commodity section have to assign a separate trading account to every DEA clients.

The registering and licensing the service is compulsory (to/by BSE; the necessary documentation will be sent shortly to members) during which members need to provide a dedicated trading account as mentioned above. In the future DMA or SA orders can solely arrive trough these dedicated trading accounts to BSE. This is the responsibility of the DMA or SA service provider (see the 4. book of the General Terms of Service)

## Handling algorithm identifications

BSE asked members in a separate email to make sure to register the algorithms, which they intend to use, at the supervisory authority and to register them at BSE on the forms created for this purpose by the 2nd of January 2018 the latest.

Please note that testing the basic functions and certifying it by the member are prerequisites to register the algorithm at BSE, furthermore the algorithm identification can only be a numeric value, greater 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

## Additional information

BSE will publish the following regulations till the 15th of December 2017, in the form of CEO resolution and they will come into force at 3rd of January 2018:

- Limits connected to the Unexecuted Order to Trade Ratio (OTR)
- The capacity threshold values of the trading system (connected to the applying of order throttling required by MiFID)
- Specifying the Pre trade transparency Waivers applied by BSE
- Specifying the value of the maximal order value
- Specifying the data content and form of the data provision for the commodity market (daily reports)