



FWB FRANKFURTER
WERTPAPIERBÖRSE

Guidelines DMA on FWB

January 2020



Legal prerequisites for Direct Electronic Access (DEA) as stipulated by MiFID II allow FWB's trading participants to offer DMA

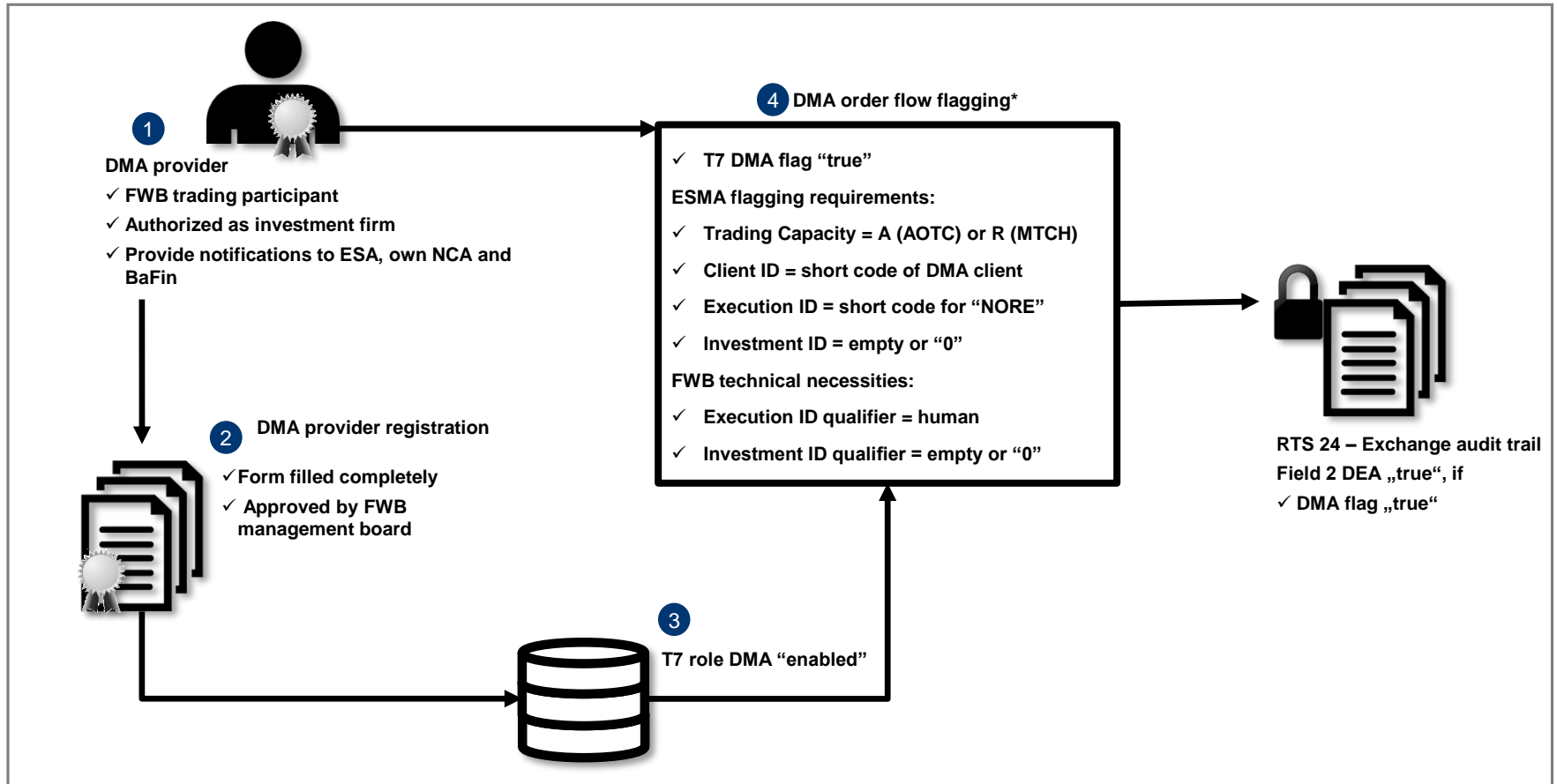
Regulatory prerequisites

- With the application of MiFID II, German trading venues have the possibility to allow **DEA** as an additional option for **indirect market participants to access their order books**.
- According to Delegated Regulation 2017/565 Art.20 trading venues are in a position to allow trading participants to grant their clients to “**exercise discretion regarding the exact fraction of a second of order entry and the lifetime of the order within that timeframe**”.
- According to MiFID Art (1)(41) DEA comprises **Direct Market Access (DMA)** and **Sponsored Access (SA)**: ‘direct electronic access’ means an arrangement where a member or participant or client of a trading venue permits a person to use its trading code so the person can electronically transmit orders relating to a financial instrument directly to the trading venue and includes arrangements which involve the use by a person of the *infrastructure of the member or participant* or client, or any connecting system provided by the member or participant or client, to transmit the orders (**direct market access**) and arrangements where such an *infrastructure is not used* by a person (*sponsored access*).

FWB solution

- FWB allows trading participants to offer DMA for clients only. **SA remains out of scope due to legal restrictions in the German Exchange Act.**
- In order to provide DMA to FWB, members must adhere to the following steps:
 - **Submit relevant notifications to Exchange Supervisory Authority, BaFin and National Competent Authority (if not located in Germany) (see slides 4-5)**
 - **Apply for authorization of DMA systems to FWB using the application form (see slide 6)**
 - **Adhere to requirements on DMA flagging requirements as set out in the FWB exchange rules § 38 (see slide 9)**

Overview FWB approach



Steps **1, 2, 3, 4** will be further elaborated on the following slides

1

Submission of DMA notification to BaFin and relevant NCA(s) (1/2)

- From 3 January 2018, new notification requirements apply to investment services enterprises as a result of the transposition of the Markets in Financial Instruments Directive II (MiFID II) through the Second Act Amending Financial Markets Regulations (Zweites Finanzmarktnovellierungsgesetz – 2nd FiMaNoG).
- These notification requirements affect investment services enterprises that **offer direct electronic access (DEA)** to a trading venue.
- The notifications must be submitted to the authority responsible for supervising the investment services enterprise concerned.
- The application form „**Notification pursuant to section 77 (2) sentence 1 of the Securities Trading Act (third subparagraph of Article 17(5) of Directive 2014/65/EU)**” on the provision of direct electronic access acc. to **section 2 para. 30 Securities Trading Act** can be retrieved from the following link:

https://www.bafin.de/SharedDocs/Downloads/EN/Formular/WA/fo_20180102_Formular_DEA.html

- Please provide the completed application form to:
Federal Financial Supervisory Authority (BaFin)
Notification on provision of DEA to a trading venue to
Email: deanzeige@bafin.de
- Trading participants are advised to contact their own national competent authority to clarify potential additional requirements with the NCA in their home jurisdiction.

1

Submission of DMA notification to the exchange supervisory authority (2/2)

- Exchanges in Germany are supervised by the authorities of the federal states.
- For this reason, investment services enterprises that **offer DEA** to a German exchange must submit notification to the Exchange Supervisory Authority responsible for the respective exchange.
- The application form „**Notification on providing Direct Electronic Access (DEA)**” for market participants of FWB can be retrieved from the website of the Exchange Supervisory Authority of the State of Hesse:

https://service.hessen.de/html/files/0458_Meldung_DEA_ENG.pdf

- Please provide the completed application form to:
Ministry of Economics, Energy, Transport and Regional Development
State of Hesse
Exchange Supervisory Authority
Email: reporting@wirtschaft.hessen.de

2 + 3

How to apply for authorization of DMA systems with FWB and receive the DMA role in T7

As shown on slide 3 market participants must apply for **authorization of DMA systems** with FWB

- Retrieve the form “Application for Authorization of a System granting Direct Market Access (DMA) for Exchange EDP Electronic Trading (Xetra) according to §2 (9) Stock Exchange Act” from our webpage*.
- With this form, FWB trading participants register as DMA provider and their internal DMA system.
- The registered DMA provider will be enabled for DMA trading in the trading system T7 Xetra, i.e. enabled for using the DMA flag in the order request.**
- Please provide the completed application forms to:

Deutsche Börse AG Cash Market
Group Client Key Account Management Trading
60485 Frankfurt am Main
Germany

- Fax Frankfurt a. M.: +49-69-211-11641
- Fax London: +44-207-862 7297
- Fax Paris: +33-1-55 27 67 50

or your respective **Key Account Manager**

- Members will find the respective **DMA system authorization confirmation** in the Member Section of the **Common Report Engine**.
- The trading system T7 needs an overnight batch in order to enable the role “DMA”.**

DEUTSCHE BÖRSE
CASH MARKET

Application for Authorization of Systems granting Direct Market Access (DMA) according to §2 (9) Stock Exchange Act

Applicant
FWB Frankfurt Wertpapierbörse
c/o Deutsche Börse AG
Client Services Trading
IGASD Frankfurt am Main
Germany
Fax Frankfurt a.M. +49-69-211-11641
Fax Paris +33-1-55 27 67 50

Contact person
Name
Phone
E-Mail

Xetra Member ID

Application for Authorization to connect DMA systems to the Exchange EDP Trading pursuant to §38 of the Exchange Rules for the Frankfurt Wertpapierbörse (FWB)

We hereby apply for the authorization to connect to DMA systems to the Exchange EDP Electronic Trading via the offered interfaces pursuant to §38 of the Exchange Rules for the Frankfurt Wertpapierbörse (FWB).

We are aware that we remain responsible for orders of indirect trading participants sent via DMA being compliant with the exchange regulations according to §18 a German Exchange Act.

We declare that at all times we will uphold the conditions and instructions set out in §38 FWB Exchange Rules as regards connecting and operating DMA systems.

In particular, we are aware that the forwarding of trading data and information from the EDP system of the FWB via a DMA System to an Exchange Participant to third parties requires the respective consent of the FWB Board of Management according to §112 FWB Exchange Rules.

Signature: _____
Name: _____
Company stamp and authorized signature
(Company name in parentheses)

08/19 <http://www.deutsche-boerse.com/markt/conditions-and-privacy-policy> 5/1

Please note: The DMA flag is usable only for registered DMA providers and in case FWB needs to stop DMA orders of a member (according to Article 48 (7) of Directive 2014/65/EU), the member will be disabled for DMA in total.

MiFID II requirements to flag DMA order flow

Please be aware that **orders and trades shall be flagged as DMA***, if:

- the user can exercise discretion regarding the **exact fraction of a second of order entry and the lifetime of the order within that timeframe.**
- **no arrangements for optimisation** of order execution processes are applied by the provider of DMA.

If both conditions are fulfilled, order flow must consistently be flagged using the DMA flag in the order request.

Additionally, please apply the other DMA flagging requirements by the ESMA Guidelines on Transaction reporting, order record keeping and clock synchronization under MiFID II**, for Direct Market Access (DMA).

At FWB, order flow will be flagged as DMA in the trading venue record keeping (Audit Trail), **only if:**

- DMA flag “true”

AND

- Trading capacity = A/R account = AOTC/MTCH

1. Please use the ESMA flagging requirements for DMA:

- Client ID = short code of DMA client

AND

- Execution ID = short code for “NORE”

AND

- Investment ID = empty or “0”

2. Please consider the FWB technical necessities:

- Execution ID qualifier = human

AND

- Investment ID qualifier = empty or “0”

*For the requirement please refer to highlighted passage on slide 9 (backup) FWB exchange rules

**See ESMA Guidelines section 5.28. Transaction Reporting, order record keeping and clock synchronization under MiFID II (ESMA/2016/1452): https://www.esma.europa.eu/sites/default/files/library/2016-1452_guidelines_mifid_ii_transaction_reporting.pdf



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Appendix



FWB exchange rules § 38 Direct Electronic Access (DEA)

§ 38 Direct Electronic Access

- (1) A Trading Participant may, upon request of and after authorization by the Management Board, grant another person (indirect Trading Participant) direct electronic access via its infrastructure for the transmission of orders, provided that between the Trading Participant and the indirect Trading Participant a contract has been concluded which at least contains the requirements within the meaning of Article 22 of the Delegated Regulation (EU) 2017/589 and provided that the Trading Participant ensures that the indirect Trading Participant conducts control measures and fulfils its control obligations within the meaning of Article 19 to 21 and 23 of the Delegated Regulation (EU) 2017/589.
- (2) The Trading Participant is obliged to immediately notify the Management Board of any conclusion or termination of or any essential changes to the contract. Upon request by the Management Board, the Trading Participant must present contracts pursuant to Paragraph 1 and provide information on the indirect Trading Participant's conduct of control measures and its outcome pursuant to Paragraph 1. Further supervisory and control rights of the exchange bodies and the exchange supervisory authority under statutory law remain unaffected.
- (3) The Trading Participant is obliged to flag orders and trades which are concluded by an indirect Trading Participant via direct electronic access pursuant to Paragraph 1.** Further details are determined by the Management Board.
- (4) § 37 Paragraph 2 Number 4 and Paragraph 4 shall apply accordingly.
- (5) In case of violations against regulations on direct electronic access, in particular violations against the Exchange Rules or the Conditions for Trading, the Management Board may suspend or terminate a direct electronic access pursuant to Paragraph 1. § 25 Paragraph 1 of the German Stock Exchange Act shall remain unaffected.

Additional information about DMA on the FWB webpage and in the MiFID II flagging document

XETRA Cash Market Börse Frankfurt Contact Member Section Rules & Regulations Sprachversion
30 July 2019 14.16.13 PM CEST

Instruments Trading Clearing & Settlement Technology **Newsroom** Navigator Text Price

Xetra > Newsroom > Current regulatory topics > MiFID II and MiFIR

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MiFID II and MiFIR
Amendment to the EU Markets in Financial Instruments Directive

Overview of content

- Reference data reporting
- Non-MiFIR firms
- Order-to-trade ratio
- Direct Market Access**
- Market making
- Best execution
- Algo trading

Direct Market Access

Order Routing Systems (ORS) and Direct Market Access (DMA) at FWB under the regime

The commencement of MiFID II / MiFIR and its transposition into the German legal environment, FimanoG II, coming into effect on January 3rd 2018, means that German trading venues have the possibility to allow DMA, as an additional option to allow access to their order books by the first time. Historically, trading venues were only allowed to grant direct access to their trading participants and their respective traders, acting for the trading participants.

Under the FimanoG II trading venues are now in a position to allow trading participants to have more control over the order flow using DMA and thereby granting control over the fraction of the order. This means that there can be two different access possibilities for client sending orders through the trading participants of FWB.

According to the definition of electronic access under MiFID II / MiFIR DEA is only one possible access electronically. It comprises Direct Market Access (DMA) and Sponsored Access (SA).

FWB will only allow trading participants to offer DMA for clients. SA will be continue to be available.

If you have any questions or require further information, please feel free to contact your Account Manager or sales.cashmarket@deutsche-boerse.com.

FWB requires a registration of the DMA Provider. Please use the form "Application for Authorisation System granting Direct Market Access (DMA) for Exchange EDP Electronic Trading (Xetra) under the Stock Exchange Act" and submit it to your Key Account Manager.

Please use the form under the following link: <https://www.deutsche-boerse-cash-market.com/secondary-market/participation-to-trading/forms>

In addition, the National Competent Authorities require a notification. Please use the form below:

- BaFin
https://www.bafin.de/SharedDocs/Downloads/EN/Formular/WAfo_20180102_Formular-Borsenaufsicht-des-Landes-Hessen
- Börsenaufsicht des Landes Hessen
<https://service.hessen.de/html/9496.htm>

28.05.2019 Factsheet: MiFID II / MiFIR Flagging Requirements - Execution decision, client ID and DMA (Download, PDF, 461,63 kB)

Xetra. The market.

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MiFID II / MiFIR Flagging Requirements

Execution decision, investment decision, client ID and DMA

Frankfurter Wertpapierbörse (FWB) MiFID II / MiFIR flagging requirements and the short code solution

Since 3 January 2018, MiFID II / MiFIR requires all trading participants to identify the execution decision maker, the investment decision maker and the client (Article 48(10) Directive 2014/65 EU and Article 25(2)(3) Regulation 600/2014). These requirements were incorporated in the FWB Exchange Rules §74 "Identification of algorithmic orders and of trading algorithms", and §114 "Requesting and Saving of Data".

The "short code solution" was introduced in order to fill in the MiFID II / MiFIR fields Execution Decision, Investment Decision and Client ID. The short code solution is an EU wide industry solution adopted by FWB and introduced to harmonise trading venues' requirements. For further details, please refer to the "Information Handbook for audit trail, transaction and other regulatory reportings" on xetra.com:

>> Newsroom >> Current regulatory topics >> MiFID II & MiFIR >> Reference data reporting

MiFID II / MiFIR fields and valid values

- Execution Decision: Algo ID (non-encrypted) in case of an algo taking the decision, or the short code for a National ID (natural person), or "NORE" if the execution decision was not taken within the member firm.
- Execution Qualifier: "22" in T7 in case of an algo; "24" in T7 in case of a natural person.
- Investment Decision: Algo ID (non-encrypted) in case of an algo taking the decision, or the short code for a National ID (natural person) or left empty if the investment decision was not taken within the member firm.
- Investment Qualifier: "22" in T7 in case of an algo; "24" in T7 in case of a natural person.
- Client ID: Legal Entity Identifier (LEI) in case the client is a legal entity, or National ID in case the client is a natural person, "PNAL" for pending allocations or "AGGR" for aggregated orders.
- Please note: You can leave the investment and execution decision blank and set the qualifiers to "human" and FWB will automatically fill in the NationalID of the trader for the audit trail records.

Proprietary account (trading capacity DEAL) and riskless principle account (trading capacity MTCH)

Flagging options	Execution Decision	Execution Qualifier	Investment Decision	Investment Qualifier	Client ID
Execution and investment decision taken by an algo	Algo ID	T7: 22 (for an algo)	Algo ID	T7: 22 (for an algo)	
Execution decision taken by an algo; investment decision taken by the trader or another person within the member firm.	Algo ID	T7: 22 (for an algo)	Short code for the National ID of the trader/person	T7: 24 (for a natural person)	