**AFME MiFID II Exchange Questionnaire**

**Executive Summary:**

This MiFID II Exchange Questionnaire (“Questionnaire”) has been created through collaboration between AFME and major European Equities Exchanges[[1]](#footnote-1). The purpose of the Questionnaire is to provide a standardised set of questions which can be sent from investment firms to Exchanges that fall under the scope of MiFID II. Exchanges responding to the Questionnaire should note that six questions have been selected as high priority issues and should be addressed in detail, these questions have been underlined.

The Questionnaire is to be sent bilaterally from investment firms to their Exchange counterparts. The information provided in response to the Questionnaire by Exchanges to investment firms is strictly confidential and for the benefit of the recipient firm and its affiliates only. Furthermore, the information provided is valid at the point in time when it is provided. The liability regime for the Questionnaire is established by the Disclaimer included in Annex I, which is provided by the responding Exchange.

The Questionnaire is made available to any party to use in a Microsoft Word format. However, in order to maintain the integrity of the document, we ask users to recognise and respect the numbering and wording of all questions.

The Questionnaire is subject to change and may be updated.

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AFME does not make any representation or warranty, express or implied, in relation to the Questionnaire, including without limitation as to its suitability, completeness or fitness for purpose. Under no circumstances shall AFME be liable for any loss or damage, whether direct or indirect, arising out of or in connection with the use of this Questionnaire.

**About AFME:**

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia.

AFME is listed on the EU Register of Interest Representatives, registration number: 65110063986-76.

**Questionnaire**

**Table of Contents**

[A. Communication and Collaboration 2](#_Toc472608276)

[B. Treatment of Confidential Information 2](#_Toc472608277)

[C. Due Diligence 3](#_Toc472608278)

[D. Regulatory Data and Data Management 3](#_Toc472608279)

[E. Algorithms and Algorithmic Testing 5](#_Toc472608280)

[F. DEA Impacts 6](#_Toc472608281)

[G. Order to Trade Ratio/Market Making 6](#_Toc472608282)

[H. High Frequency Trading 7](#_Toc472608283)

**Name of Exchange:**

**Name and contact details of the person completing the Questionnaire:**

# **Communication and Collaboration**

* 1. What are your plans for communicating MiFID II updates to your members and participants during 2017?
  2. How are you collaborating with cross exchange groups to develop a consistent approach to the solutions required by MiFID II?
  3. How are you providing Independent Software Vendor’s with MiFID II specific updates & workshops?
  4. When do you plan to have your changes for MiFID II requirements ready? Will these become mandatory on Jan 3rd 2018 or earlier?

# **Treatment of Confidential Information**

* 1. **High Priority Question -** Can you confirm that confidential personal client information can be sent and received over an interface separate to the order interface, thus will not require encryption being on the same private data circuit, can be sent post trade and will not be leveraged for commercial purposes?

# **Due Diligence**

* 1. What efforts are you making towards an industry standard on your due diligence approach?
  2. Will your due diligence be standardised every year?

# **Regulatory Data and Data Management**

* 1. **High Priority Question -** Will you follow short codes on your FIX or native interfaces and will it cover the following fields:
     1. Member/Participant
     2. Client ID codes
     3. DEA Orders
     4. Investment Decision ID
     5. Execution Decision ID
  2. Provision of Regulatory Data:
     1. What are your plans for collecting regulatory data pertaining to Trading Capacity - (e.g. AOTC, DEAL, MTCH)?
     2. What are your plans for collecting regulatory data pertaining to on/off venue post-trade indicators for trade reports?
     3. What are your plans for collecting regulatory data pertaining to non-executing brokers?
     4. Will you return any/all of these details back on order and/or execution events?
  3. Provision of data from Exchanges to investment firms:
     1. **High Priority Question -** What are your plans for providing market participants with passive/aggressive flags?
     2. What are your plans for providing market participants with the Waiver ID on executions?
     3. **High Priority Question -** What are your plans for providing market participants with event time and to what precision/format?

*AFME preference would be a concise, faster format.* *AFME are in support of the FIX proposals on the formatting of market data.*

* + 1. What are your plans for providing market participants with triggered circuit breaker flags?
  1. Is there any additional order/trade/control information you expect from participants? Will you pass back any information not listed above?
  2. Halting of Algorithms:
     1. Will you support withdrawal or halting of algorithms according to the Algorithm ID sent and how will this work?
     2. Will you have a kill switch at the Algorithm ID level and how would it work?
  3. Will there be a way for firms to extract all their order and execution details for the day to feed into their surveillance systems and how will it work?
  4. Will you require a registered list of people to contact to invoke kill functionality?
  5. What are your plans for harmonising instrument tick sizes against a central standard and will you still have your specific tick size rules?
  6. Will you continue to publish your own data with regards to tick sizes?
  7. How are you unbundling your market data products? For instance, to publish independently instrument trading stats and phases (e.g. auction data vs continuous phase data)?
  8. What MiFID II specific changes are you introducing to your market data feeds - additional static data fields, real-time data fields, format changes, tick sizes?
  9. Do you plan to include the ISO requirement in your market data?
  10. Do you intend to inform members of progress (per instrument, per waiver) towards the 4% volume cap and if so, how?
  11. When an instrument is suspended due to exceeding the 4% or 8% cap, will you continue to accept the reporting of negotiated trades provided the size exceeds LIS?
  12. How will negotiated trades be rejected for instruments which have been suspended due to the dark volume caps?
  13. For any instruments prevented from trading under the Double Volume Cap constraints, will you be informing members of an expected date at which trading will be re-enabled?
  14. Do you intend to inform members of the waivers available per instrument on each given trading day and whether the use of any particular waivers has changed compared to the previous day?
  15. What are your plans with regard to formalising and making public the instruments traded on your venue(s) (particularly with regard to explicitly identifying the admission of multi-listed instruments from non-EEA markets)?

*Where the admission/listing of such instruments will drive participant and investor obligations in respect of the Trading Obligation and trade/transaction reporting.*

* + 1. Will you rely purely on RTS 23/FIRD notification, or will you publish lists of instruments in a publicly available place?

# **Algorithms and Algorithmic Testing**

* 1. **High Priority Question -** What certification will be required for algorithms and can you confirm that you will not block new Algorithm IDs before retrospective self-certification?

*AFME preference would be the self-certification of algorithms which can be retrospectively validated.*

* + 1. What will be the grace period for retrospective self-certification?
  1. Testing Environments
     1. What are your plans for supporting test instruments on the market?
     2. Will you provide test symbols in the live market?
     3. Do you plan any enhancements to your existing testing environment and how will these work?
  2. Many members may use third party vendors for market data. How will testing of market data consumption be tested in regards to algorithmic trading?
  3. Stress testing
     1. Will testing environments mirror production to enable high volume stress testing?
     2. Will you be providing a test system to facilitate your own and investment firms stress testing requirements?
     3. How often will the stress testing cycle occur? (*Available daily? Repeated every hour?)*
     4. Will there be any auto order generators or other tools deployed, if so how will they operate?
  4. How will maximum order volume checks work, will these be security specific or generic?
  5. What post trade checks, if any, will you implement?
  6. What circuit breakers have you implemented?
     1. Are you considering altering these or adding new ones?
     2. How will you support members monitoring DEA or algorithmic orders triggering circuit breakers?
  7. **High Priority Question -** What are your plans with respect to supported “kill switch” functionality?
  8. What precautionary/absolute measures will venues operating a dark pool put into effect to ensure trading remains below the double volume cap?

# **DEA Impacts**

* 1. What information regarding trading controls and organisation will you require from members in relation to sponsored access and how will you provide real time alerts?
  2. For DEA/SMA trading, what additional enrichment will you be making to exchange drop copies to facilitate new data requirements for MiFID?

# **Order to Trade Ratio/Market Making**

* 1. What are your plans for collecting regulatory data pertaining to liquidity provision flags?
  2. How will you monitor compliance with the market making measures? Will this monitoring also include alerting for when market making levels are being approached? If so, how will you inform members of a need to register as a Market Maker?
  3. What are your plans for implementing OTR controls?
     1. At what level will you set these and how will you apply the controls?
     2. Will OTR be applied at a trader, session or membership level?
     3. What tools/MIS will you produce for members to monitor OTRs and will you plan for daily as well as monthly reports?
     4. What obligations will the you put on members (if any) to monitor the OTR?
     5. Do you have any access linked to OTR that would block trading or prevent access to the market?

# **High Frequency Trading**

* 1. Will you define where a member is using infrastructure intended to minimize network and other types of latencies, and what level will this definition be at (i.e. member, connection etc)?
  2. Will you monitor firms for use of HFT trading technique?

*This will help firms to assess HFT status.*

* 1. What are your plans for providing monthly estimates of the average messages per second taking into account the preceding 12 months?

**Annex**

**Annex I – Disclaimer**

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| Exchange’s specific disclaimer to be inserted here. |

1. The Questionnaire has been shared with but not necessarily endorsed by individual Exchanges as well as the Federation of European Securities Exchanges and the Futures Industry Association. [↑](#footnote-ref-1)