



Nasdaq Commodities Europe

Upcoming Functional Changes

Genium INET 5.0.0201



Revision 1.2
17 Oct 2017

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Nasdaq Commodities Europe - Genium INET 5.0.0210 – Upcoming Functional Changes v1.2

Document History

Revision	Published	Author(s)	Summary of Changes
1.0	15.09.2017	Nasdaq Commodities	Initial version
1.1	17.10.2017	Nasdaq Commodities	Multiple Changes to Trade Report Types. Current Trade Report Types kept, and introduction of new Trade Types as part of the MiFID II upgrade. Fix tag corrected from 20200 to 20202.
1.2	18.10.2017	Nasdaq Commodities	Correction of typo of Trade Type F04. F04 = EFP.

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1 Introduction

The Genium INET 5.0.0201 release introduces several updates to business functionality available for the commodities derivatives market. All functional changes and updates to business parameters will be described in detail in the upcoming version of the market model document, effective 20 Nov 2017. Several features will be activated in Jan 2018 rather than in connection with the technical upgrade.

This document outlines planned functional changes focusing on updates to business logic for the purpose of facilitating implementation and testing of the new release. The information provided in this document is preliminary and may be subject to change pending, *inter alia*, completion of or further guidance in MiFID II related level 2 and 3 texts, and in some cases ongoing discussions or regulatory approvals.

2 Off Order Book Trading

2.1 Minimum Block Trade Size Regime

The exchange will have pre-trade transparency waivers in place to allow block trades to be negotiated outside the electronic order book. A minimum block trade size regime will be implemented as to ensure that trades reported to the exchange comply with regulatory transparency thresholds.

The minimum number of contracts in respect of each derivatives sub-class that can be negotiated outside the order book as a block trade will be determined by the exchange from time to time based on the regulatory LIS pre-trade threshold value. Trade reports not satisfying this volume condition will be rejected. Some products may qualify for the illiquid waiver in which case the minimum block trade size will be one (1) contract.

Applicable block sizes will be appended to the market model document and available in the exchange's reference data. Illiquid products will be flagged in the reference data accordingly.

Block trades in packages (strategies) shall be reported using the new multi-leg trade report messages. Such trade report will be accepted if at least one leg satisfies the minimum volume condition. See further details on package transactions in the section below.

2.1.1 Implementation

Minimum block trade size validations will apply from Jan 2018.

Indicative block sizes will be configured in the member test environment to facilitate implementation and testing. Final levels will be communicated in an exchange notice closer to go-live and appended to the market model document.

2.2 Deferred Trade-Publication

The exchange will continue to provide for deferred trade-publication until end of day, for dry freight and fuel oil contract, prevailing regulatory approval.

Subject to regulatory approval, for other commodity derivatives contracts in respect of each derivatives sub-class required to qualify a trade for deferred publication will be determined by the exchange from time to time based on the relevant regulatory waiver. To prevent manual errors, a trade requested to be deferred but not satisfying the relevant waiver, the trade will be rejected rather than immediately published.

Block trades in packages (strategies) shall be reported using the new multi-leg trade report messages. Pending regulatory approval, it will be possible to defer the publication of all components in the package transaction if at least one leg satisfies an applicable deferral waiver. See further details on package transactions in the section below.

Applicable waivers will be appended to the market model document and values will be available in the exchange's reference data.

2.2.1 Implementation

Revised deferral levels will apply from Jan 2018.

Indicative levels are configured in the member test environment to facilitate implementation and testing. Final levels will be communicated in an exchange notice closer to go-live and appended to the market model document.

2.3 Package Transactions Regime

A package transaction means a Block Trade transaction involving the execution of two or more component transactions and which fulfils the following criteria;

- (a) the transaction is executed between two or more counterparties;
- (b) each component of the transaction bears meaningful economic or financial risk related to all the other components; and
- (c) the execution of each component is simultaneous and contingent upon the execution of all the other components.

To support the new package transaction regime and comply with trade flagging requirements, the exchange will require members to report package transactions as multi-leg block trades.

A multi-leg trade report will need to hold at least two different series and may contain up to 10 component trades

2.3.1 Implementation

With the Nov 2017 release, new multi-leg trade report messages are implemented supporting both one- and two-sided reporting modes. These messages become mandatory in Jan 2018.

The new multi-leg trade reports will be validated as a whole with regards to pre- and post-trade transparency thresholds and the resulting trade legs will be assigned the relevant package transaction flag as well as a unique ID linking the legs together.

2.4 Trade Report Types & Attributes

When reporting trades to the exchange via the Block Trade Facility, members are required to identify block trades using the relevant trade report type and attributes as prescribed in the market model document.

To support the new transparency regime a new set of trade report types will be implemented. Details are found in the tables below. In addition, it will become mandatory to submit the time of agreement.

2.4.1 Trade Report Types - Power, Natural Gas, Electricity Certificates, Allowances and Renewables

Trade Report ID	01	02	03	04	05
Description	Block - Standard	Block - Standard outside spread	Block - Combination	EFP	Block - Internal
Asset Class	Commodities	Commodities	Commodities	Commodities	Commodities
On/Off Exchange	On	On	On	On	On
Single- Instrument / Multi-Leg Use	Both	Both	Both	Both	Both
One-/Two-Sided Reporting Mode	Both	Both	Both	Both	Both
OMnet ext_t_state_c	181	182	3	4	5
FIX OffBookType (20202)	181	182	3	4	5
Updates Trade Statistics	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty
Applicable During Order Book States	PREOP;OPEN;PRE CL	PREOP;OPEN;PRE CL	PREOP;OPEN;PRE CL	PREOP;OPEN;PRE CL	PREOP;OPEN;PRE CL

Trade Report ID	06	07	08	09	10
Description	Portfolio transfer	Block - Correction	B and S no Clearing fee	Buyer no Clearing fee	Seller no Clearing Fee
Asset Class	Commodities	Commodities	Commodities	Commodities	Commodities
On/Off Exchange	On	On	On	On	On
Single- Instrument / Multi-Leg Use	Both	Both	Both	Both	Both
One-/Two-Sided Reporting Mode	Both	Both	Both	Both	Both
OMnet ext_t_state_c	6	7	8	9	190
FIX OffBookType (20202)	6	7	8	9	190
Updates Trade Statistics	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty
Applicable During Order Book States	PREOP;OPEN;PRE CL	PREOP;OPEN;PRE CL	PREOP;OPEN;PRE CL	PREOP;OPEN;PRE CL	PREOP;OPEN;PRE CL

Trade Report ID	11	12	13	14	15	16
Description	EFP No fee	Matched by exchange, manually	Matched by exchange, combination	FUT/DS FUT combo	Block – Non-financial counterparty	Exchange for Swap and Options (EFS/EOO)
Asset Class	Commodities	Commodities	Commodities	Commodities	Commodities	Commodities
On/Off Exchange	On	On	On	On	On	On
Single- Instrument / Multi-Leg Use	Both	Both	Both	Both	Both	Both
One-/Two-Sided Reporting Mode	Both	Two-Sided	Two-Sided	Both	Both	Both
OMnet ext_t_state_c	11	12	13	14	15	16
FIX OffBookType (20202)	11	12	13	14	15	16
Updates Trade Statistics	Volume, TR Price, TR Qty	High, Low, Last, Close, Volume, TR Price, TR Qty	High, Low, Last, Close, Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty
Applicable During Order Book States	PREOP;OPEN; PRECL	PREOP;OPEN; PRECL	PREOP;OPEN; PRECL	PREOP;OPEN; PRECL	PREOP;OPEN; PRECL	PREOP;OPEN; PRECL

2.4.2 Trade Report Types – Freight and Fuel Oil

Trade Report ID	F01	F03	F04	F05	F07	F16
Description	Block - Standard	Block - Combination	EFP	Block - Internal	Block - Correction	Block Combination, buyer only
Asset Class	Commodities	Commodities	Commodities	Commodities	Commodities	Commodities
On/Off Exchange	On	On	On	On	On	On
Single- Instrument / Multi-Leg Use	Both	Both	Both	Both	Both	Both
One-/Two-Sided Reporting Mode	Both	Both	Both	Both	Both	Both
OMnet ext_t_state_c	201	203	204	205	207	216
FIX OffBookType (20202)	201	203	204	205	207	216
Updates Trade Statistics	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty
Applicable During Order Book States	PREOP;OPEN; PRECL	PREOP;OPEN; PRECL	PREOP;OPEN; PRECL	PREOP;OPEN; PRECL	PREOP;OPEN; PRECL	PREOP;OPEN; PRECL

Trade Report ID	F17	F18	F19	F20	F21	F22
Description	Block Combination, seller only	External portfolio transfer	EFP Combination, buyer only	EFP Combination, seller only	Block – Non-financial counterparty	Exchange for Swap and Options (EFS/EOO)
Asset Class	Commodities	Commodities	Commodities	Commodities	Commodities	Commodities
On/Off Exchange	On	On	On	On	On	On
Single- Instrument / Multi-Leg Use	Both	Both	Both	Both	Both	Both
One-/Two-Sided Reporting Mode	Both	Both	Both	Both	Both	Both
OMnet ext_t_state_c	217	218	219	220	229	230
FIX OffBookType (20202)	217	218	219	220	229	230
Updates Trade Statistics	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty
Applicable During Order Book States	PREOP;OPEN;PRECL	PREOP;OPEN;PRECL	PREOP;OPEN;PRECL	PREOP;OPEN;PRECL	PREOP;OPEN;PRECL	PREOP;OPEN;PRECL

2.4.3 Trade Report Types – Seafood

Trade Report ID	SF01	SF02	SF03	SF15
Description	Standard Trade Report, Fishpool	Standard Trade Report, Broker	Combination, Fishpool	Combination, Broker
Asset Class	Commodities	Commodities	Commodities	Commodities
On/Off Exchange	Off	Off	Off	Off
Single- Instrument / Multi-Leg Use	Both	Both	Both	Both
One-/Two-Sided Reporting Mode	Both	Both	Both	Both
OMnet ext_t_state_c	221	222	223	224
FIX OffBookType (20202)	221	222	223	224
Updates Trade Statistics	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty
Applicable During Order Book States	PREOP;OPEN;PRECL	PREOP;OPEN;PRECL	PREOP;OPEN;PRECL	PREOP;OPEN;PRECL

Trade Report ID	SF16	SF17	SF18	SF19
Description	Combination, FP buyer only	Combination, FP seller only	Combination, Broker buyer only	Combination, Broker seller only
Asset Class	Commodities	Commodities	Commodities	Commodities
On/Off Exchange	Off	Off	Off	Off
Single- Instrument / Multi-Leg Use	Both	Both	Both	Both
One-/Two-Sided Reporting Mode	Both	Both	Both	Both
OMnet ext_t_state_c	225	226	227	228
FIX OffBookType (20202)	225	226	227	228
Updates Trade Statistics	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty	Volume, TR Price, TR Qty
Applicable During Order Book States	PREOP;OPEN;PRECL	PREOP;OPEN;PRECL	PREOP;OPEN;PRECL	PREOP;OPEN;PRECL

2.4.4 Implementation

The new set of exchange trade report types will become available with the Nov 2017 release. The time of agreement field is made mandatory from Jan 2018.

3 Order Book Trading

3.1 Cross Trades

Together with the minimum block trade size regime the exchange will introduce rules and conditions for the crossing of orders in the electronic order book. Two orders which could immediately be executed against each other may under the new rules be added to the order book knowingly by one member, or following a prior understanding by two members, only if the conditions for cross orders have been fulfilled.

Such conditions will require members to first announce to the market the intention to cross by submitting a cross request including the volume of the order giving rise to the cross. The order giving rise to the cross must then be entered 1 second at the earliest, and 20 seconds at the latest after the cross request was submitted. There is no time requirement on the opposing order.

This means that a member's cross request must be followed by a subsequent trade matched on the basis of the best available price, either by crossing the two orders as intended, or by matching against another order on the book.

The member with the order giving rise to the cross is responsible for announcing the cross and compliance with the rules.

3.1.1 Implementation

With the Nov 2017 release the quote request message is updated with a new value making it possible to submit a cross request to be used for announcing the intention to cross.

Cross trade rules apply from Jan 2018.

3.2 Reserve Orders ("Hidden Volume Orders")

The exchange will in Jan 2018 activate a minimum reserve order value check. The minimum notional value in local currency will set by the exchange from time to time based on the regulatory minimum, which is currently set to EUR 10,000.

Indicative levels are configured in the member test environment to facilitate implementation and testing.

3.3 Circuit Breakers

As of Jan 2018, circuit breakers will be active for certain listed commodities derivatives contracts. The circuit breaker model will use a dynamic parameter and the circuit breaker mechanism will halt trading if price conditions are fulfilled.

In connection with the Nov 2017 release, order entry interfaces are updated to always provide information during continuous trading mode to the member having triggered a circuit breaker.

3.3.1 Implementation

Detailed information on business parameters and activation dates will be communicated closer to go-live.

With the Nov 2017 release, circuit breaker triggering information will be available on both OMnet and FIX interfaces and supported for all order operations including add and update as well as quote entry.

3.4 Order Price Limits

3.4.1 Price Limits during Continuous Trading Mode

Current price limits functionality during continuous trading mode include narrow limits on the aggressive side (lower ask/upper bid) preventing erroneous executions. Ahead of Jan 2018 limits on the passive side (lower bid/upper ask) at order entry will be introduced for certain products in order to block obviously erroneous orders from being added to the book. Such limits on the passive side will be wider relative to the aggressive side allowing passive orders to be placed a bit off the best bid-offer spread.

Price limit tables are configured on the basis of traded price, Bid, Offer and the latest fixing price.

3.4.2 Implementation

Updates to price limits configuration will be made ahead of Jan 2018. Detailed information on business parameters and activation dates will be communicated closer to go-live. Configuration of price limits will be appended to the market model document.

3.5 Order Volume and Value Limits

The central max order volume limit (number of contracts) is defined on asset class level so that the same limit applies to all products. In addition to the max order volume limit a max order value check is introduced with the Nov 2017 release. With the purpose of preventing obviously erroneous orders from being added to the book, this new pre-trade control will reject orders with an exceptionally large notional value. The configuration of max value limits will be done by reference to asset class. The limits will be given in local currency.

3.5.1 Implementation

Updates to max volume limits configuration and activation of the max value control will be made ahead of Jan 2018. Configuration of volume and value limits will be appended to the market model document.

4 Market Making

The current market maker agreement is reviewed and updated to comply with MiFID II. The revised agreements will introduce a number of functional changes as described below.

4.1 Market Maker Quote Messages

As of the Feb 2017 release OMnet MO96 and FIX mass quote messages have been enhanced to support quoting of several outright series together. With the Nov 2017 release, these messages are enhanced further to include new regulatory fields, the trader ID as well as a free-text/account field.

4.2 Market Maker Quotes & Orders

Only quotes and orders flagged with the relevant capacity attribute will be accounted for in the market maker performance statistics.

4.3 Quotation Parameters during Stressed Market Conditions

The quotation parameters will be relaxed during periods for which the exchange declares stressed market conditions Exceptional Market Conditions (also known as “fast market”).

Under the revised agreement, market makers will not be required to quote continuously during periods for which exceptional market conditions have been declared. With the Nov 2017 release, new messages are introduced on market data interfaces for the communication of such conditions.

5 Pre- & Post-Trade Information

With the Nov 2017 release, market-by-level pre-trade information will be updated to include the number of orders on each side for the five best price levels.

Also with the Nov 2017 release, the Market Model Typology (MMT) trade flagging standard is implemented and will be used in post-trade information.