Market Model for the Electronic Trading System of the Irish Stock Exchange: ISE Xetra

Xetra Release 17.0

Effective Date: 20th November 2017

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1   Introduction

The electronic trading system Xetra was developed for the German market in 1997 by Deutsche Börse AG. In July 2017, ISE Xetra will migrate to ISE T7 for order book trading in equities and ETFs. Off order book trade reporting in these securities will continue to be available in ISE Xetra until 4th December 2017, when it moves to a new MIFID II compliant system, ISE OBOE.

This market model document serves as a detailed guide for member firms to the trade reporting of equities and ETFs on ISE Xetra and complements the Rules of the Irish Stock Exchange (hereafter referred to as the Rulebook) and the Market Parameters. Member firms should also refer to the Rulebook which has more detailed rules in relation to trading on ISE Xetra, including the responsibilities of those with access to the system.

Release 17.0 will be introduced on **20th November 2017.**

In this document, Xetra refers to the overall trading platform which is applicable to both the Deutsche Börse and to the ISE, and ISE Xetra refers specifically to the control segment of the Irish Stock Exchange.

Questions regarding ISE Xetra functionality can be e-mailed to isexetra@ise.ie.

2 Fundamental Principles of the Market Model

The trading day can be separated into three distinct phases on ISE Xetra:

● Pre-trading: 6:30–7:50 (Irish time)

● Main trading: 7:50 – 16:30 (Irish time)

● Post Trading: 16:30 – 17:15 (Irish time)

Member firms can trade by way of off order book trades through all of the trading phases.

The following are the fundamental principles for the ISE Xetra Market Model for off order book trade reporting:

1   There are three phases to the trading day; a pre-trading phase, a main trading phase and a post trading phase. Trading is available during all phases for off order book trades in order book securities.

2   The tick size for off order book trade reports is set as 0.0001 for all equities and ETFs.

3   ISE Xetra provides one-sided entry for off order book trades i.e. once the trade is entered with an appropriate counterparty member ID, the trade is automatically approved.

4   Off order book trades may be entered with trade indicators, where relevant, to comply with MiFID I and with up to three trade flags specific to ISE Xetra.

5   The following principles apply in order to ensure price and volume reasonability of off order book trades:

   • Price and volume validation checks are applied to off order book trades

   • The trader is alerted if an off order book trade report fails the price and/or volume validation check

   • The market is alerted if the trade is outside the applied reasonability checks

6   The delayed publication of off order book trades is supported by the use of a block trade delay indicator which is based on the ADT (average daily turnover) value. The minimum qualifying value that a trade must meet to be eligible for delay is outlined in the Market Parameters document. For securities admitted to trading on the ISE's Main Securities Market this information is published by ESMA.

7   Trade confirmations are disseminated immediately after the respective trade to the market (unless it is an off order book trade which has met the criteria for delayed publication) and to each member firm which was a party to the trade.

3   Access to ISE Xetra

Prior to having access to the off order book trade reporting facility in ISE Xetra, a member firm has to fulfil the authorisation, suitability and other membership requirements outlined in the Membership chapter of the Rulebook. Approval is granted by the ISE and access to ISE Xetra is enabled by the Market Supervision Department in Deutsche Börse.

Each member firm is granted a member firm ID. A member firm ID consists of an institutional ID (e.g. "ABC" for the ABC bank) and a location ID (e.g. "DB" for Dublin).The same ID will be used for trading on ISE T7. Each member firm ID is unique and forms part of an individual user's ID in a member firm. Each user ID is also unique within each member firm. Users of the system can be categorised as follows:

● **Traders**

Traders are individuals admitted for trading on ISE Xetra. Xetra defines a number of trader types - "senior traders", "traders" and "trading assistants" which can be matched to the structure of a member firm's trading department. A trader can act as an agent trader (account A), or as a proprietary trader (account P). Trades will be identifiable accordingly, within the ISE Xetra system.

● **Other users**

Other users generally includes administrators which are not admitted or authorised for trading but assign and maintain authorisation rights for the member firm's personnel. This category also includes personnel in settlement, operation and compliance as well as information users.

4   Off Order Book Trade Reporting Functionality

Order book securities traded off the order book but under the Member Firm Rules and reported into ISE Xetra are considered to be on Exchange trades. General characteristics of off order book trades are as follows:

- Off order book trades may be between:

    — a member firm and a non-member firm

    — an in-house cross between two counterparties of the member firm

    — two member firms at a price agreed off the order book

- Off order book trades are entered using the Xetra Open OTC Trading functionality

- Once an off order book trade has been entered, a trade confirmation will be generated by ISE Xetra and forwarded to both counterparties to the trade and relevant information about the off order book will be disseminated to the market

- It is possible to specify both the settlement date and the type of settlement for off order book trades

- Off order book trades are validated for price and volume reasonability

- Off order book trades can be entered with one of the trade indicators (as described in Section **Error! Reference source not found.**) to comply with MiFID I where relevant

- Each off order book trade report may be entered with up to three trade flags from the eleven available trade flags (more detailed information of trade flags is available in Section 7.3.2)

- The publication of off order book trades may be delayed by applying the Block Trade Delay indicator to the trade report, which can be used in the event that the firm deals on its own account, i.e. on a principal basis, and the size of the trade is equal to or exceeds the relevant minimum qualifying size outlined in the Market Parameters document

- Off order book trades should be trade reported as close to real time as possible and in any case within 3 minutes of the trade being entered into if entered into during market hours or before the commencement of the continuous trading phase the next trading day if the trade was entered into after market hours

- Off order book trades may determine the official closing price and are included in the ISE's traded volumes

- Each counterparty to an off order book trade is equally responsible for ensuring the timeliness and accuracy of an off order book trade report

- One-sided entry of off order book trades is provided

- Unless otherwise agreed with the counterparty to a trade prior to execution, off order book trades must be settled according to standard settlement of two trading days after the date of the transaction i.e. T+2 (with the exception of trading in entitlements to rights which have a standard settlement of T+1). Trades which are dealt by prior agreement for non-standard

settlement must specify the settlement terms when trade reported. The maximum settlement period is 20 trading days after the date of the transaction i.e. T+20

4.1 Trade Indicators and Trade Flags

The following indicators should be used where relevant to comply with MiFID I in relation to off order book trades.

Name of Trade Indicator	Code for Trade Indicator	Description
Other than current market price indicator	OthMktPrc	an indicator for when the price is determined by factors other than the current market valuation.
Negotiated price indicator	NegoPrc	an indicator for when the price was negotiated privately but is considered to be on Exchange.
Block Trade Delay indicator	DelayInd	an indicator for when the trade was dealt on a principal basis and meets the delayed reporting requirements. This should only be applied where the member firm wishes to delay the publication of the trade.
Portfolio trade indicator	PortTrd	an indicator for when the trade was part of a portfolio trade. Portfolio trades are considered to be trades that may be subject to conditions other than the current market price. As a result when using this indicator the "other than current market price indicator" should also be used.

The following trade flags should be used in relation to off order book trades on the ISE where relevant.

	Name of Trade Flag	CODE
1	After Hours Trade	AH
2	Agency Cross	AX
3	Broker to Broker Trade	BB
4	Connected Party Trade	CP
5	Late Trade	LT
6	Ordinary Trade	OT
7	Protected Principal Trade	PP
8	Riskless Principal	RP

9	Special Settlement	SS
10	VWAP Trade	VW
11	Worked Trade	WT

Up to three of the trade flags listed in 1-11 above can be entered simultaneously in relation to any off order book trade reported. The two-digit trade flag will be validated by the electronic trading system. The trade flags assigned to off order book trades will be disseminated to the market at the time of trade reporting.

4.2 Off Order Book Trade Entry on ISE Xetra

Off order book trades in ISE T7 order book securities are entered using the Open OTC Trading facility of ISE Xetra. The trade information is entered by one member firm on behalf of both parties to the trade. The counterparty entered for an off order book trade must be either the member firm itself or another ISE member firm. A counterparty member firm's ID is required e.g. ABCDB but the counterparty's individual trader ID is optional (if the counterparty trader ID is left blank, the trade will be assigned to the default trader account XXXXXX).

Details of the information to be provided for off order book trade reports is available in the J-Trader, ETS and FIX manuals.

4.3 Off Order Book Trade Confirmation on ISE Xetra

All off order book trades entered on ISE Xetra are subject to a price and volume validation check (these are described in further detail in 0 & 4.6). In the event that a trade entered fails the price and or the volume validation check, an alert will appear on the screen requesting the user to confirm the trade.

In this case, the trader who entered the trade should either delete and amend the trade (see Section 4.4) if the trade details submitted were incorrect, or confirm the trade if the trade entered is in fact correct.

4.4 Off Order Book Trade Deletion and Amendment on ISE Xetra

Off Order Book Trade Deletion

ISE Xetra provides member firms with the facility to self-delete and correct an off order book trade on the same business day as it was entered. Off order book trades can only be deleted by the trader who reported the off order book trade or by a senior trader in his subgroup.

Off Order Book Trade Amendment

ISE Xetra provides member firms with the facility to amend a trade by first deleting the original trade report and then entering a new amended trade using the amendment indicator.

The new amended trade report should include the original trade time but will be given a new trade ID by ISE Xetra. Please note that if the trader does not delete the original trade, it will remain published and this will result in the trade being double reported in error.

The amended off order book trade is disseminated to the market with an amendment indicator.

4.5   Price Validation of Off Order Book Trades

All off order book trades reported will be subject to a price validation check for reasonability. The price validation will be performed against the previous day's Official Closing Price (OCP).

There are two ranges for checking the price of an off order book trade. The first range is applied to all off order book trades with the exception of trades that have been reported with the "other than current market price" and/or the "portfolio trade" indicators selected. These trades will be validated against the second wider range. This wider range will be calculated by multiplying the "normal" range with a factor defined by the ISE.

If the off order book trade price is outside the respective price range the trade will be published immediately with a price alert code. At the same time the trader ID of the originator of the trade is asked to confirm the trade. If the trader then chooses to confirm the trade, a confirmation indicator is also disseminated to the market. If the price entered was in fact incorrect, the trader should delete the trade and re-enter a new trade with the correct price and the amendment indicator set.

If the price of the off order book trade lies within the respective range, the off order book trade is published immediately.

Off order book trades entered will not be price-validated, if either or both of the following conditions are fulfilled (Such trades will be disseminated to the market with an alert indicator to show that no price validation was carried out):

- The off order book trade was conducted at an "ex day" of that instrument

- The off order book trade previously entered and qualified as invalid is being confirmed

4.6   Volume Validation of Off Order Book Trades

All off order book trades reported will also be subject to a volume validation check for reasonability. The volume validation will be performed against the volume parameter defined for the instrument.

If the volume of the off order book trade exceeds this predefined volume the off order book trade is published immediately with a quantity alert code. At the same time the trader ID of the originator of the trade is asked to confirm the trade. If the trader then chooses to confirm the trade, a confirmation indicator will also be disseminated to the market. If the volume

entered was in fact incorrect, the trader should delete the trade and re-enter a new trade with the correct volume and the amendment indicator set.

Off order book trades entered will not be volume-validated, if either or both of the following conditions are fulfilled. (Such trades will be disseminated to the market with an alert indicator to show that no volume validation was carried out):

- The instrument in question does not have a volume cap

- The off order book trade previously entered and qualified as invalid is being confirmed

5 ISE Statistics

The off order book trades reported via ISE Xetra are considered in the calculation of the

- Official Closing Price (OCP)

- Last Traded Price

- Total Turnover

- Total Volume

- Market Capitalisation

- Daily High and Low Prices

on each day for all instrument traded on the ISE T7 order book.

For further information on the calculation methodology for the above, please refer to the ISE T7 Release 5.0 Market Model.