



FWB FRANKFURTER
WERTPAPIERBÖRSE

Guidelines DMA on FWB

March 2023



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

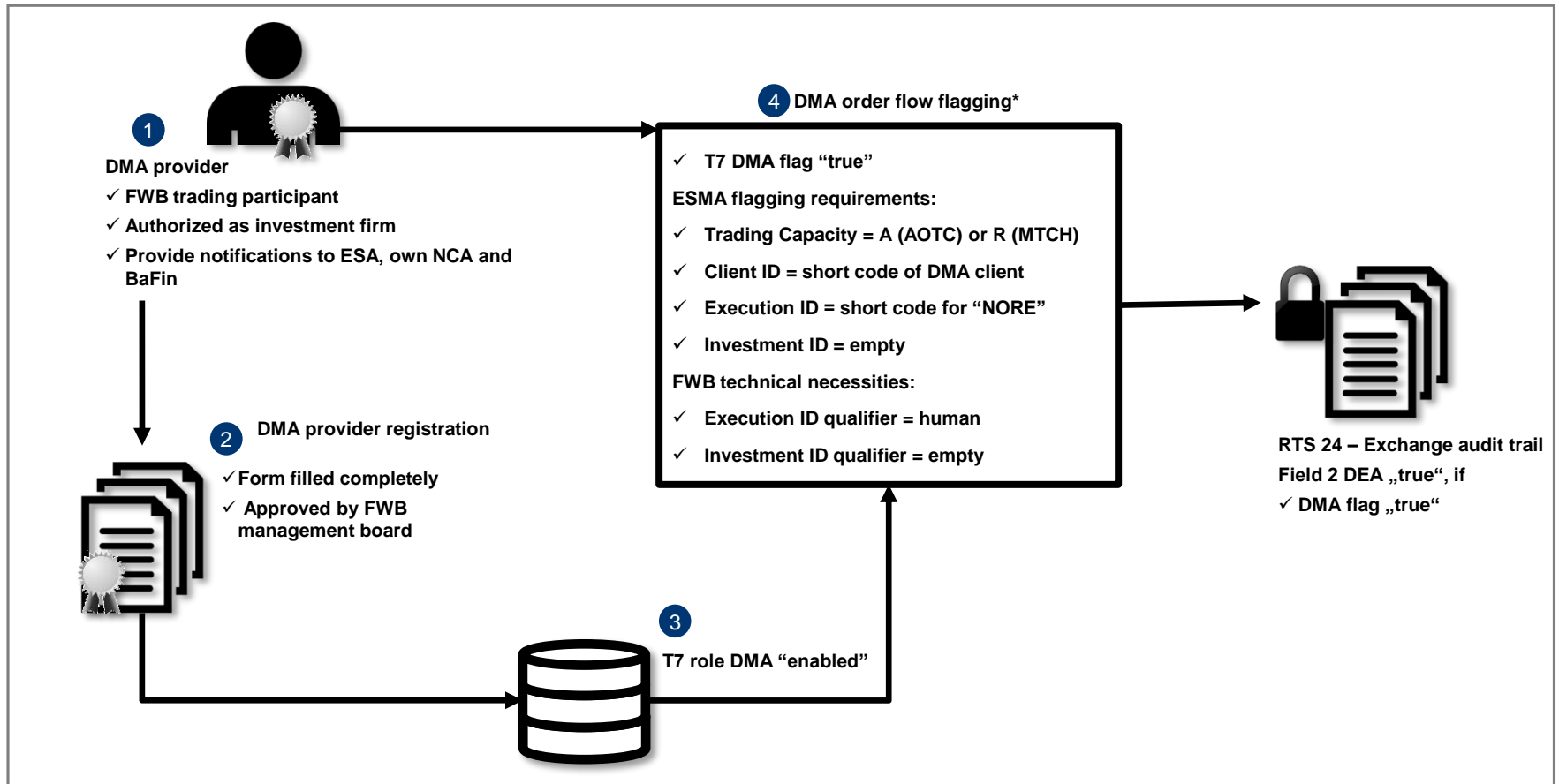
Regulatory prerequisites

- 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 and 5)**
 - **Apply for authorization of DMA systems to FWB using the application form (see slide 6)**
 - **Adhere to the DMA flagging requirements as set out in the FWB exchange rules § 38 (see slide 7 and 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) in the home jurisdiction (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:

[Application form](#)

- Please provide the completed application form to:
Federal Financial Supervisory Authority (BaFin)
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:

Application form

- 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:

- Please request from your key account manager (KAM) the form “Application for Authorisation of Systems granting Direct Market Access (DMA system) according to §2 (9) of the German Exchange Act”.
- Please provide the completed application form to your KAM.
- The registered DMA provider will be enabled for DMA trading in the trading system T7, i.e. enabled for using the DMA flag in the order request.
- The trading system T7 needs an overnight batch in order to enable the role “DMA”.

Please note: The DMA flag is available 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.

**DEUTSCHE BÖRSE
CASH MARKET**

Application for Authorisation of Systems granting Direct Market Access (DMA system) according to §2 (9) of the German Exchange Act

FWB Frankfurt Wertpapierboerse
60 Deutsche Börse AG
Client Services Trading
60485 Frankfurt am Main
Germany
Fax Frankfurt a.M.: +49-69-211-11641
Fax Paris: +33-1-55 27 67 50

Applicant
Name FWB Trading Interaktion
Address: Street No.
City
Country: DE
Company
VAT No. (for identification number (USt. Identification))

Contact person
Name
Surname
Title

Xetra Member ID

Application for authorization to connect DMA systems to the Exchange EDP Trading pursuant to §8 of the Exchange Rules for the Frankfurt Wertpapierboerse (FWB)

We hereby apply for the authorization to connect DMA system(s) to the Exchange EDP Electronic Trading via the offered interfaces pursuant to §8 of the Exchange Rules for the Frankfurt Wertpapierboerse (FWB).

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

We declare that at all times we will uphold the conditions and instructions set out in §8 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 the DMA system by an Exchange Participant to third parties requires the respective consent of the FWB Board of Management according to §112 FWB Exchange Rules.

We guarantee that we have obtained all necessary regulatory approvals required by the competent authorities to operate the DMA System or that such competent authorities, in particular the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) have confirmed that no regulatory approval is required for our specific business offered via the DMA System. We further guarantee to immediately stop operating the DMA System and immediately inform FWB in case we do not hold all regulatory approvals necessary for operating the DMA System anymore.

Date _____ Place _____ Company stamp and authorized signature
(Company name in parentheses)

DM79 <http://www.deutschebörse.com/etm/etm-portal> 1/1

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 be flagged using the DMA flag (OrderOrigination = '5') in the order request in Trading capacity = A/R account = AOTC/MTCH.

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).

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

2. Please consider the T7 technical necessities:

- Execution ID qualifier = human
- AND**
- Investment ID qualifier = empty

*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 Market Access

- (1) Companies may, upon request of and after authorization by the Management Board, grant another person (indirect Trading Participant) direct market access via their infrastructure for the transmission of orders, provided that between the company 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 company 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. § 39 Paragraph 2 shall apply accordingly.
- (2) The company 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 company 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 company is obliged to flag orders and trades which are concluded by an indirect Trading Participant via a direct market access pursuant to Paragraph 1. Orders that are entered via an unauthorised direct market access will be rejected by the Exchange EDP. Further details in respect of flagging 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 market access, in particular violations against the Exchange Rules or the Conditions for Transactions, the Management Board may suspend or terminate a direct market 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 requirements document

XETRA Cash Market Börsen Frankfurt Contact Member Section Rules & Regulations Deutsch
18 March 2023 10:10:16 AM CET

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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 (FinanztG 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 the trading participants and their respective traders, acting for the trading participants.

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

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

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

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

FWB requires a registration of the DMA Provider. Please request the form "Application for System granting Direct Market Access (DMA) for Exchange EDP Electronic Trading (Xetra) Stock Exchange Act from your Key Account Manager.

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

- DEA notification form of the Federal Financial Supervisory Authority (BaFin)
- DEA notification form of the Exchange Supervisory Authority Hesse

17.01.2023 Factsheet: MiFID II / MiFIR Flagging Requirements - Execution decision, client ID and DMA (Download, PDF, 342,47 KB)

16.03.2020 Guidelines DMA on FWB (Download, PDF, 719,46 KB)

EUREX FWB FRANKFURTER WERTPAPIERBÖRSE

MiFID II / MiFIR Flagging Requirements

Execution decision, investment decision, client ID and DMA

Eurex and 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 algorithms, natural or legal persons of "execution within firm", the "investment decision within firm" and the "client identification code" (Article 48(10) Directive 2014/65 EU and Article 25(2)(3) Regulation 600/2014). These requirements were incorporated in the Eurex Exchange Rules §15 and §68 and FWB Exchange Rules §74 and §114.

The "short code solution" was introduced in order to populate the MiFID II / MiFIR order and quote fields Execution Decision, Investment Decision and Client ID. The short code solution is an EU wide industry solution adopted by Eurex and FWB in order to harmonise trading venues' requirements. For further details, please refer to the "Information Handbook for audit trail, transaction and other regulatory reporting" on: [Eurex.com >> Rules & Regs >> MiFID II & MiFIR >> Client & Member Reference Data](#)

Xetra.com >> Newsroom >> Current regulatory topics >> MiFID II & MiFIR

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 "NDRE" 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.¹
- 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 or left empty if the investment decision was not taken within the member firm.
- Client ID: Short code for a Legal Entity Identifier (LEI) in case the client is a legal person, or National ID in case the client is a natural person, "PNAL" for pending allocations or "AGOR" for aggregated orders.

Proprietary accounts (trading capacity DEAL)

Flagging system	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)	T7: 22 (for an algo)	Algo ID T7: 22 (for an algo)	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)	T7: 22 (for an algo)	Short code for the National ID of the trader/person T7: 24 (for a natural person)	-	-

¹ values might differ depending on the interface.

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