IT – INET – Reminder on Enhancement of NASDAQ OMX Nordic Self-Trade Prevention functionality, including mandatory OUCH change (76/14)

Based on member requests NASDAQ OMX Nordic and Baltic have decided to enhance the Self-Trade Prevention (STP) functionality.

The STP functionality may be used by members to avoid unintentional internal trading by preventing certain member Orders from executing against each other. The aim with the improved functionality is to facilitate members' compliance and risk management duties and needs.

Introduction video

The current STP (currently called Self-Match Prevention) is set on MPID + Trader ID and is enabled based on configuration request. If a self-match would occur, the functionality cancels the passive Order and allows the aggressive one to enter the Order book.

The enhanced STP functionality may be activated on Order instruction level without configuration. This allows greater flexibility; member may for example create protected trader groups. As the STP actions may also be expanded into multiple options the functionality may target different regulatory and compliance requirements within the member.

STP functionality will be offered over FIX and OUCH from December 8, 2014. Please note that the introduction of STP will lead to a <u>Mandatory change for all OUCH users, even if the member do not plan to use the functionality</u>.

NASDAQ OMX Nordic encourages all members to carefully evaluate the functionality.

Implementation details including a detailed time schedule about the enhanced STP can be found in an Appendix to this notice.

Questions and feedback

For further information and feedback concerning this information, please contact Ronny Thellman, +46 8 405 6313, ronny.thellman@nasdaqomx.com

Best regards,
NASDAQ OMX Nordic
NASDAQ OMX Baltic

"NASDAQ OMX Nordic" is not a legal entity but describes the common offering from the NASDAQ OMX exchanges in Helsinki, Copenhagen, Stockholm, and Reykjavik. "NASDAQ OMX Baltic" respectively refers to the common offering from the NASDAQ OMX exchanges in Riga, Tallinn and Vilnius.

Appendix –

Implementation details of improved NASDAQ OMX Nordic Self-Trade Prevention functionality

OUCH and FIX Order Entry protocol changes

Three new fields are added to the OUCH Enter Order and Order Accepted messages, FIX New Order – Single and Execution Report messages. For OUCH these fields are mandatory.

These fields are not supported by the Replace Order messages (OUCH) and Order Cancel Replace message (FIX). Any values provided on the original Order are retained if the Order is replaced.

STP Level:

STP Level indicates the scope of STP protection set on the Order. The member can choose between three levels. The idea with Specified Trader Group is that the member can decide that certain Orders should not interact. This enables varying usage of the functionality for the member. E.g. Algo engine flow A and B should not interact with each other.

Possible values:

1. MPID + Trader ID (as currently)
2. MPID
3. Specified Trader Group

STP Action:

STP Action indicates the action that should be undertaken by the trading system in case of a potential Self-trade. Possible values:
1. Cancel passive (as currently, default)
2. Cancel aggressive
3. Cancel both
4. Create a transfer transaction, which by messaging standards looking like a trade but is
   - Not an exchange trade (purely a technical information data transfer);
   - Not sent to clearing (CCP) and;
   - Not published (ITCH)

   This technical information data transfer enables the member to take the needed actions internally.

STP Trader Group:

The STP Trader Group indicates a member assigned code for Orders that should not interact, i.e. two Orders with the same code would be protected.

1. Two character field
2. Conditionally required for STP Level = 3, otherwise ignored

To prevent a Self-Trade:

To prevent a Self-Trade the following conditions must be "matched" for the respective passive and aggressive Order:

1. STP Level must be provided on both Orders and match
2. STP Level + Trader Group must have the same values

If these conditions do not match, STP will not be enabled and a trade will occur.

The STP Actions does not have to match, and in case they are differently assigned on the respective Order, the setting on the aggressive Order will be honored.

Execution Reports

Two new values are added to the Liquidity Flag of the Executed Order Message (OUCH) and Execution Report (FIX) for STP Action 4 "Create a transfer transaction":
- S = Self-Trade, added liquidity (no clear, no publish)
- T = Self-Trade, removed liquidity (no clear, no publish)

Special cases
- Reserve Orders – May lead to multiple cancel/trade messages
- Cancel/Replace – No support for changing STP fields
- STP in effect – During continues trading, In lit and dark (Nordic@Mid) Order books
- STP not in effect – Auction trades, Away Market Orders, Algo strategy Orders, Trade Reports

OUCH Drop, FIX Drop for OUCH and FIX Drop for FIX OE protocol changes

The Fields and enum values added to the OUCH and FIX Order Entry protocols are also relayed over to the respective Drop protocols.

For OUCH DROP new fields are added at the end of messages. Participants should use decoders that ignore unknown outbound (from NASDAQ OMX) message types and outbound messages that expand in length (new fields) until the member application include support for the new fields. See IT-Notice 63/14.

Protocol changes

The attached Self-Trade Prevention – Protocol changes document describes the upcoming changes for STP. Updated protocol specifications will be available at NASDAQ OMX Technical Information website under INET Nordic – Future Protocol Specifications no later than October 31, 2014.

Certification

OUCH and FIX Order Entry applications need to be re-certified for STP prior to production use. Certification test cases will be available in October 2014 and published on the NASDAQ OMX INET Nordic Certification webpage. Member/ISV applies for a certification test slot by contacting NASDAQ OMX Tech Support.

Implementation schedule

Members will have the possibility to start using the STP functionality according to the following time schedule. NASDAQ OMX will offer a migration period for OUCH users to allow early adopters to take use of the service before the change becomes mandatory for all OUCH users later.

Time schedule
- INET Test (OTF) – Nov 24, 2014
- INET Production –
    - Dec 8, 2014 (Early adopters) – OUCH and FIX users
    - Feb 2, 2015 (Intermediate OUCH adopters)
    - April 13, 2015 (Mandatory for all OUCH users)

- Current Self Match Prevention end-of-life (current functionality) – April 13, 2015

Migration strategy

OUCH users will be offered three production go-live dates, of which the last is mandatory to participate in. FIX users can go-live at their preference, but not earlier than the first production date, Dec 8, 2014.

The current Self Match Prevention cannot be used in combination with the STP functionality and must be disabled when start using the STP.

Testing and production access

The STP service will be available in test (OTF) from November 24 for testing and certification of member applications. FIX functionality is available immediately but OUCH users need to contact Member Services for reconfiguration to the new protocol version. Both FIX and OUCH users configured for current Self Match Prevention need to contact Member Service before using the new STP functionality (disable current Self Match Prevention).

The procedure described above is the same for production access except that member applications need to be certified for STP prior to using the functionality.

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Business and Legal

The STP will come without any extra charges. NASDAQ OMX Nordic encourages its trading members to consider the possibility to make use of the functionality to avoid unintended

trades.

The updated Market Model for INET Nordic will be published no later than December 8, 2014. Separate terms and conditions may apply for the functionality.

Support and Certification

For technical questions and to schedule an appointment for certification, please contact NASDAQ OMX Tech Support at: +46 8 405 6410, operator@nasdaqomx.com