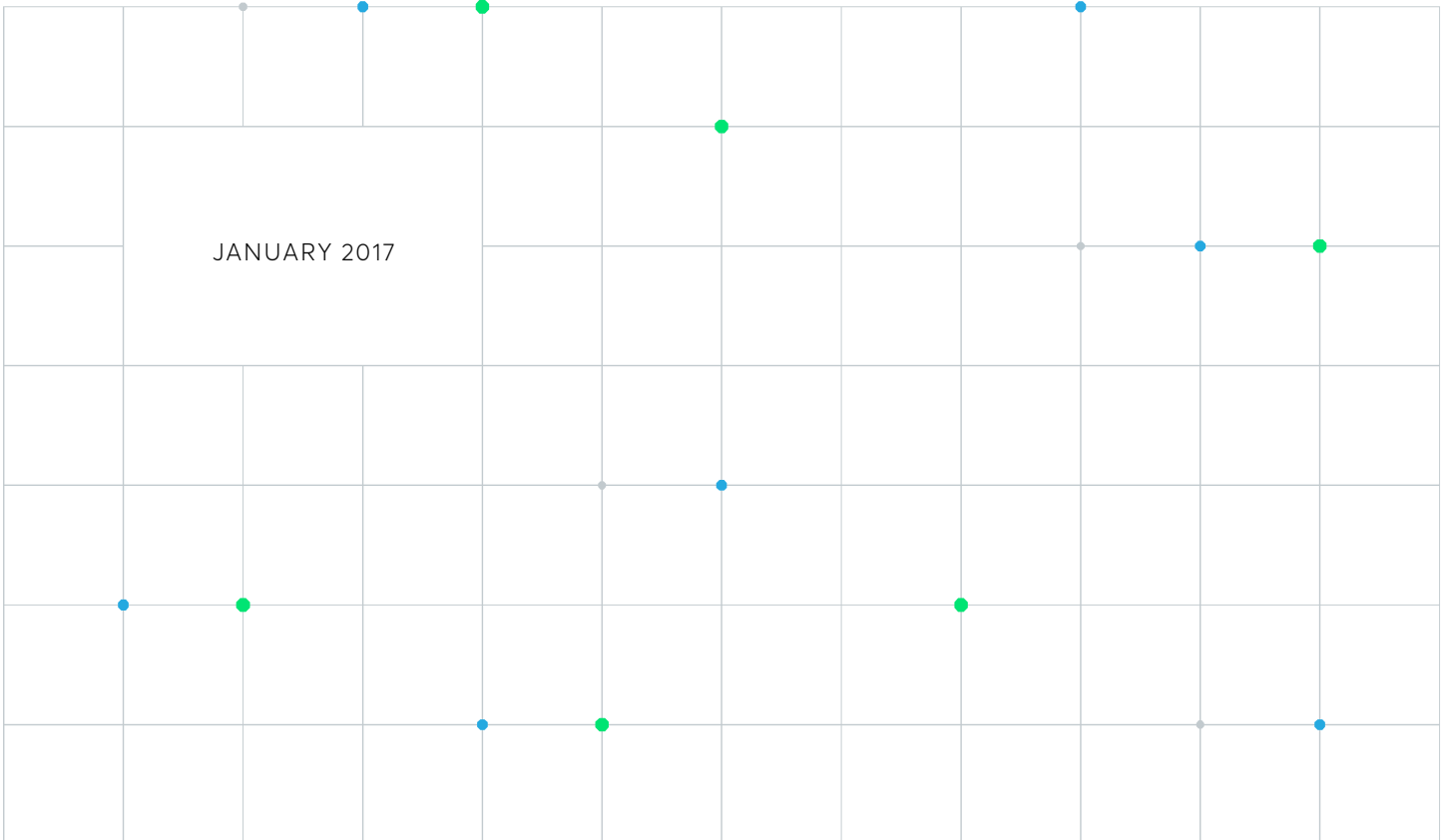


# Unexecuted Orders to Transaction Thresholds for the EBS MTF

Version 1



# Contents

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1.	Introduction	3
2.	Legal Framework	ERROR BOOKMARK NOT DEFINED
3.	Approach Taken to Determine Thresholds	3
	Appendix: Unexecuted Order to Transaction Ratio Analysis	4

# 1. Definitions and Interpretation

MiFID II sets out requirements for Multilateral Trading Facility (“MTF”) operators and members aimed at ensuring the orderly functioning of markets in normal, volatile and even disorderly conditions through Article 48 and associated Regulatory Technical Standards (“RTSs”). This includes managing system capacity, messaging throughput and monitoring the behaviour of algorithmic trading members on venues.

As specified in RTS 9 and its Annex, EBS (in its capacity as operator of the EBS MTF) must calculate the ratio of unexecuted orders to transactions for all MTF members on an at least daily basis in both volume and number terms. EBS sets limits on these ratios and members are obliged to manage their trading on the EBS MTF within these limits as per section 9.5 in the EBS MTF Rulebook (“Rulebook”) – see <http://www.nexmarkets.com/products-and-services/legal-documentation-regulation/mifid>.

Unexecuted order to transaction ratios are monitored against the maximum limits, which have been determined taking into account the nature and liquidity of instruments on our markets and what we consider to be normal trading patterns. Members who breach these limits will be subject to sanctions as per section 8.2 of the EBS MTF Rulebook – General Terms, including but not limited to: formal warnings, member-specific order throttling and suspension from the EBS MTF.

# 2. Legal Framework

- MiFID II, Article 48(6); and
- RTS 9 Ratio of unexecuted orders to transactions in order to prevent disorderly trading conditions.

# 3. Approach Taken to Determine Thresholds

EBS has taken the following approach to determine the maximum ratio of unexecuted orders to transactions per member:

- One year’s historic data was used to calculate the two ratios as specified in RTS 9, namely:
  - (a) in volume terms:  $(\text{Total volume of orders} / \text{Total volume of transactions}) - 1$ ;
  - (b) in number terms:  $(\text{Total number of orders} / \text{Total number of transactions}) - 1$
- In cases where there were no transactions for a given day, the calculations could not be performed (you cannot divide by zero), and so these situations were not taken into account for calculating the ratios.
- The highest calculated values per currency pair were observed to find the peak for each method across all pairs, which was equal to 8 – see Appendix.
- Thresholds were derived by multiplying these peak experiences by a factor (currently 3).
- The resulting maximum volume and number ratios are therefore equal to 24, to be applied to all members for both FX Forwards and FX Swaps on the EBS MTF. The limits will be reviewed on a quarterly basis and any changes will be communicated by market notice.

## Appendix: Unexecuted Order to Transaction Ratio Analysis

Currency Pair	Maximum ratio in terms of numbers	Maximum ratio in terms of volume
AUD/CAZ	2	2
AUD/CHZ	1	1
AUD/JPZ	1	1
AUD/NZZ	0	0
AUD/USZ	3.42	4
CAD/JPZ	0	0
CHF/JPZ	0	0
CHF/SEZ	1	1
EUR/AUZ	1	1
EUR/CAZ	1.242	1.571
EUR/CHZ	1.857	1.5
EUR/CNZ	0	0
EUR/CZZ	1	1
EUR/DKZ	1	1
EUR/GBZ	3	3
EUR/HKZ	0	0
EUR/HUZ	0	0
EUR/JPZ	1.5	1
EUR/MXZ	0	0
EUR/NOZ	0	0

Currency Pair	Maximum ratio in terms of numbers	Maximum ratio in terms of volume
EUR/NZZ	0	0
EUR/OMZ	0	0
EUR/PLZ	0.370	1
EUR/ROZ	0	0
EUR/SEZ	1	1
EUR/SGZ	1	1
EUR/TRZ	0	0
EUR/USZ	3	3
GBP/AUZ	3	3
GBP/CAZ	1	1
GBP/CHZ	0	0
GBP/DKZ	0	0
GBP/EUZ	1	1
GBP/HKZ	1	1
GBP/ILZ	0.388	0.4
GBP/JPZ	1	1
GBP/MXZ	1	1
GBP/NOZ	1	1
GBP/NZZ	0	0
GBP/PLZ	0	0
GBP/SEZ	0	0
GBP/SGZ	1	1

Currency Pair	Maximum ratio in terms of numbers	Maximum ratio in terms of volume
GBP/USZ	8	8
GBP/ZAZ	0	0
NOK/SEZ	0	0
NZD/USZ	2.333	2
SEK/CHZ	0	0
SEK/EUZ	0	0
SEK/GBZ	1	1
SEK/JPZ	0	0
SEK/SGZ	0	0
SEK/USZ	0	0
USD/AEZ	0	0
USD/CAZ	5.714	4
USD/CHZ	5	8
USD/CNZ	1	2
USD/CZZ	0	0
USD/DKZ	7.820	1
USD/HKZ	1.666	1.666
USD/HUZ	3	3
USD/ILZ	0.2	0.2
USD/KWZ	0	0
USD/MXZ	2	2
USD/NOZ	3	3

Currency Pair	Maximum ratio in terms of numbers	Maximum ratio in terms of volume
USD/OMZ	0	0
USD/PLZ	1	1
USD/QAZ	0	0
USD/ROZ	0	0
USD/RUZ	2.625	3
USD/SAZ	0	0
USD/SEZ	1.992	1
USD/SGZ	1	1
USD/THZ	0	0
USD/TRZ	1	1
USD/ZAZ	1	1



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