

Euronext RiskGuard Service for Derivatives markets



September 2022

RiskGuard: General Overview

Pre-Trade Risk Controls for real-time management of risk exposure



Pre-trade risk controls to complement market participant's own pre-trade risk management systems



Designed for risk managers at Trading and Clearing Member Firms



MiFID II compliant, covers all Euronext Financial Derivatives, Commodities – the service will be extended to Cash markets (Equities, Bonds & ETFs) as part of the Borsa Italiana migration



Includes DMA and Sponsored Access*



All order messages checked, whether or not a control has been set by the Risk Manager

- **Real-time monitoring services integrated within the core of Optiq® Matching Engine**
- **Available through OEG FIX 5.0 API and dedicated Logical Accesses**
- **Web-based User Interface available through MyEuronext portal**

The different types of users

General Clearing Member (GCM)

- Monitor risk on the trading activity of its NCM client
- Applies to all the NCM activity (per Member Code & Optiq Segment)
- Scope of instruments: all the subscriptions that are part of the clearing agreement between the GCM and the NCM

Non Clearing Member (NCM)

- Monitor risk on the trading activity of the firm and its clients
- Controls can be set for the entire firm (per FirmID and Optiq Segment) or 1 to N Logical Accesses or Short Codes (Execution Within Firm, Client Identification)
- Scope of instruments: all markets the NCM is entitled to trade

Derivatives Risk Controls and main features

Kill Switch

'Suspend' command to allow a GCM to pull orders and stop a NCM trading activity on one or all Optiq segments. Also available to NCMs & ICMs¹

Order Size Limit

Set a Maximum Order Quantity for Buy and Sell orders at Contract level

Contract Restrictions

Prevent order submission in a specific Contract when a trader does not have permission to trade in a given financial instrument

Position Management

Will allow GCMs and Trading Members to monitor their clients' positions on Euronext by setting a position limit²

Email Alerts

Allow Risk Managers to receive alert emails for certain risk controls (e.g. Kill Switch)

Direct Market Access

Possibility for a trading member to risk monitor DMA clients through the Client Identification short code



The 'Kill Switch' Facility



- **Suspend** command aimed at stopping the trading activity of a risk-monitored entity and prevents it from submitting any further orders while still logged in
- Applies at a member code and Optiq® segment level
 - Status of the risk-monitored entity on the Optiq segment is 'Suspended'
 - All open orders including GTCs, quotes, Wholesales awaiting validation, may optionally be pulled by the Risk Manager
 - Impacted users receive relevant 'pulled' notifications. Although they are not logged off, they are unable to submit orders in the markets concerned (order cancellation is authorized)
 - Finer granularity, i.e. Logical Access and short codes is provided to NCM Risk Manager (resulting in a partial suspension of the member)
- 'Suspend' remains in place until the Risk Manager sends an **Unsuspend** command
 - The risk-monitored entity is given an 'Unsuspended' status on the Optiq segment
 - Impacted users are notified through their trading interface
 - They can start submitting orders again in the relevant segment



CONTROL THE MAXIMUM ORDER VOLUME



Maximum Order Quantity for Buy and Sell outright orders

The Order Size Limit (OSL) is expressed in number of lots per outright Contract (min value = 1)

Applies at Contract level

OSL can be subject to a limit defined by either the GCs and/or the NCM Risk Manager

Applies to new orders and order revisions, with the exception of delta neutral wholesale trades

By default, no Order Size Limit is set

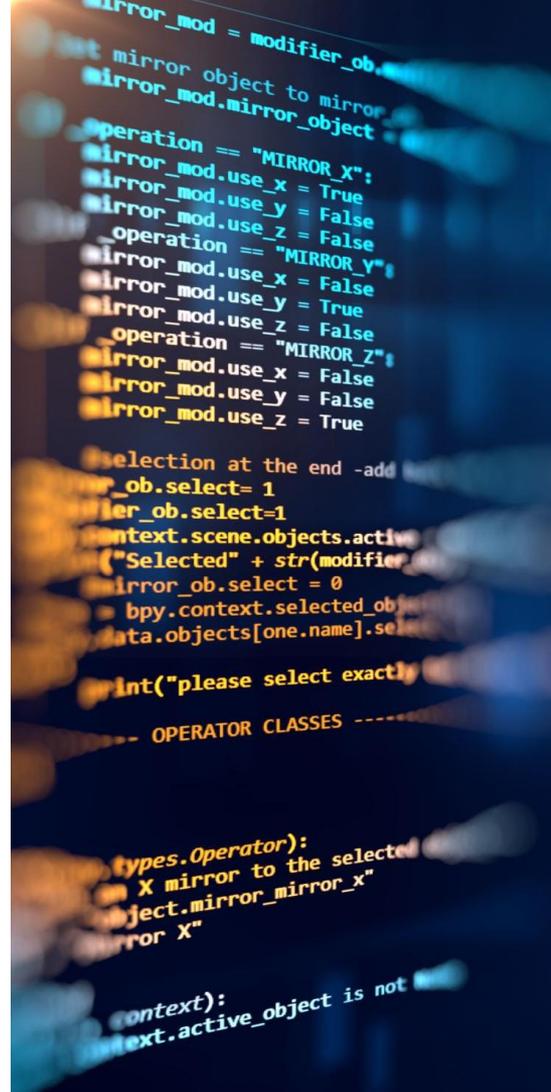
An Order Size Limit equal to 0 will result in all orders in the contract being rejected

Orders are always rejected based on the most restrictive limit

Prevent trading in a contract



- **Block** command aimed at preventing a risk-monitored entity from submitting orders in a specific contract when the Risk Manager is *'aware that a trader does not have permission to trade a particular financial instrument'*
- Applies at Member code and Contract level:
 - All open orders including GTCs, quotes, Wholesales awaiting validation, may optionally be pulled by the Risk Manager
 - Order submissions in the specified contract are rejected and the impacted users notified by relevant notifications
 - Finer granularity, i.e. Logical Access and short codes is provided to NCM Risk Manager (resulting in a partial suspension of the member)
- 'Block' control remains persistent until the Risk Manager **'Unblocks'** the risk-monitored entity
- By default, no Block control is set for the risk-monitored entity



Additional features

Direct Market Access

- Risk Managers at Trading Member Firms can use the Client Identification Short Codes to risk-monitor their DMA or DEA flow
- Such limits are independent from the limits set at the firm level

Email Alerts

- Risk Managers can define a list of email recipients within their firm as well as for their clients to which emails will automatically be generated at triggering of certain controls (Kill Switch)
- The Risk Manager can select the risk controls for which emails will be generated

Daily Position Management

- Will allow GCMs and Trading Members to monitor their clients' positions on Euronext by setting a position limit²

The RiskGuard User Interface (1/2)

- Web-based User Interface hosted on the Euronext **MyEuronext** portal
- Available to Clearing Members and Trading Members

Clearing Members also Trading Members of Euronext can use the same interface to monitor the risk of their trading firm, their clients as well as their NCMs

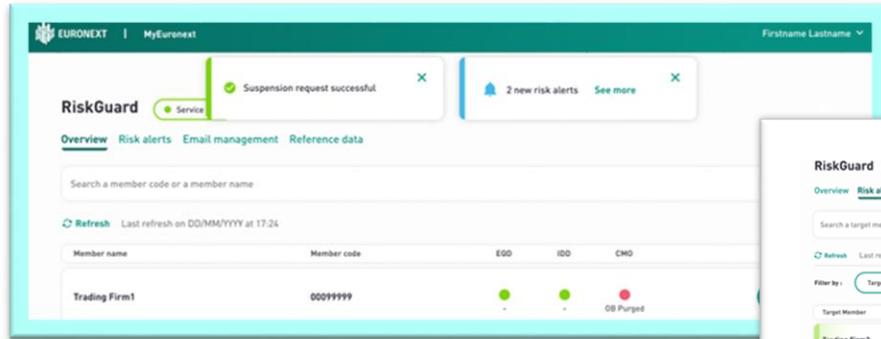
The screenshot displays the RiskGuard web interface. At the top, there is a header with the 'RiskGuard' logo, a 'Service open' indicator, and the user's name 'Risk member name 1 00099999'. Below the header, there are two radio buttons: 'Clearer' (unselected) and 'Member' (selected). A red box highlights these buttons. The main content area has a navigation bar with 'Overview', 'Risk alerts', 'Email management', 'Reference data', and 'Short codes management'. A search bar is present with the placeholder text 'Search a Short Code Name / Logical Access / Long Code'. Below the search bar, there is a 'Refresh' button and a timestamp 'Last refresh on DD/MM/YYYY at 17:24'. The interface contains two tables. The first table, 'Member name', lists trading firms with columns for 'Member code', 'FOO', 'IDO', and 'CMD', and a 'Killswitch' button. The second table, 'Trading sessions and Short Codes', has a sub-header with 'Logical Access' (selected) and 'Short Codes' (unselected). It lists trading firms with columns for 'Member name', 'Logical Access', 'FOO', 'IDO', and 'CMD', and a 'Killswitch' button. The status of each session is indicated by colored dots: green for active, grey for inactive, and red for a warning.

Member name	Member code	FOO	IDO	CMD	
Trading Firm1 0000123	0000222	●	●	●	Killswitch

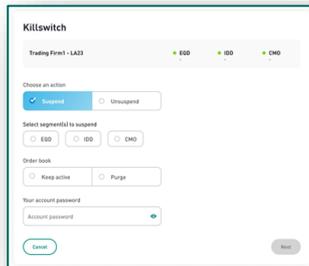
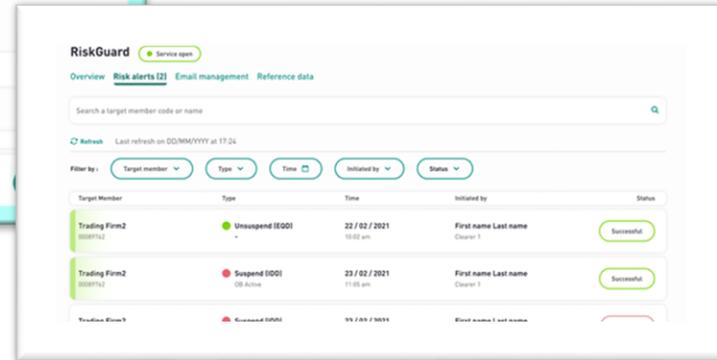
Member name	Logical Access	FOO	IDO	CMD	
Trading Firm1 0000123	LA23	●	●	●	Killswitch
Trading Firm1 0000123	LA57	●	●	●	Killswitch
Trading Firm1 0000123	LA56	●	●	●	Killswitch
Trading Firm1 0000123	LA43	●	●	●	Killswitch
Trading Firm1 0000123	LA43	●	●	●	Killswitch
Trading Firm1 0000123	LA88	●	●	●	Killswitch
Trading Firm1 0000123	LA11	●	●	●	Killswitch
Trading Firm1 0000123	LA10	●	●	●	Killswitch

The RiskGuard User Interface (2/2)

Support all RiskGuard controls available on Euronext Derivatives markets



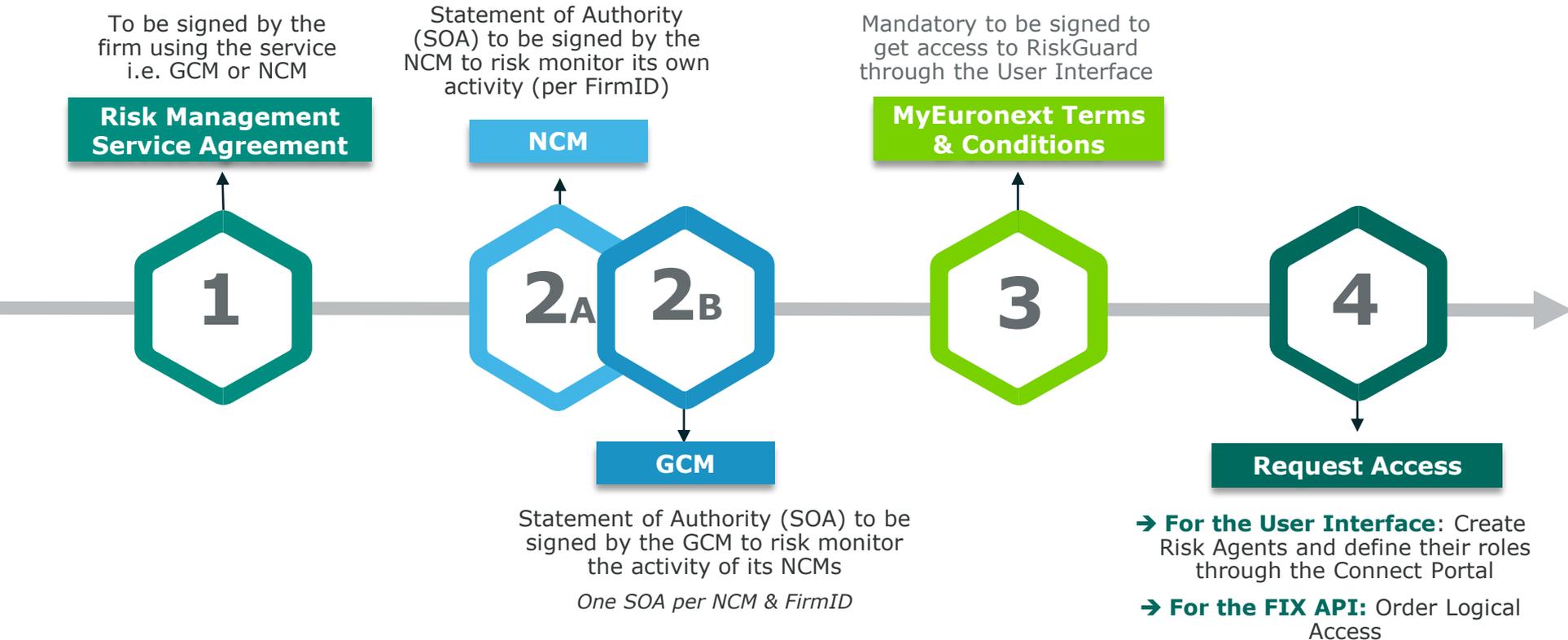
- Risk alerts and full audit trail



- Email alerts
- Short code management
- Reference data
- Export functions

Kill Switch dialog box

How to access to RiskGuard



THANK YOU

For more information about RiskGuard,
contact ClientSupport@euronext.com

or visit

[RiskGuard | Connect \(euronext.com\)](https://euronext.com/riskguard-connect)



