

# Euronext RiskGuard Service for Derivatives markets



# 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 and Commodities markets – as well as Cash markets (Equities, Bonds & ETFs)



Includes Direct Electronic 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<sup>®</sup> Matching Engine**

**Available through OEG FIX 5.0 API and dedicated Logical Accesses**

**Web-based User Interface available through MyEuronext portal**  
*(for Derivatives)*

# 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 & ICMs<sup>1</sup>

## Position Management

Allow GCMs and Trading Members to monitor their clients' positions on Euronext by setting a position limit<sup>2</sup>

## Order Size Limit

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

## Email Alerts

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

## Contract Restrictions

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

## Direct Market Access

Possibility for a trading member to risk monitor DMA clients through Logical Access or 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**

**At FirmID / Logical access / Short Codes**

Applies to new orders and order revisions,

Specific OSL values can be set for COB, Wholesales and RFC

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

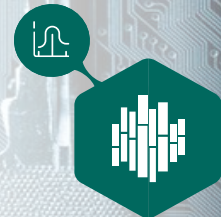
**Applies at Contract level**

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

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

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





# Daily Maximum Exposure Position

- **The Maximum Exposure Position (MEP)** command allow Risk Managers to set at a **Firm** (i.e. Member Code) or **Logical Access** level a limit on the daily exposure position in a **Contract**
- Expressed in Quantity (standard contracts or, for equity derivatives, underlying shares) at a Contract level
- Risk Managers can define asymmetrically a Long and a Short Exposure
- The Exposure is not carried between trading days, and at start of day only includes GTC / GTD orders

## ORDERS AND TRADES INCLUDED

- COB Orders, Quotes and Trades
- Executed Wholesale transactions (except "Against Actuals")
- Temporary trades for TRFs traded under the TAIC model
- Strategy orders and trades (for Delta Neutral, the Cash leg is not included). No implied orders are included.
- Executed RFC transactions





# MEP thresholds and actions

Preventing MEP Limit to be breached

RiskGuard provides Risk Managers with the ability to setup **MEP thresholds and MEP actions** based on the risk profile of each of their risk-monitored clients

## MEP Threshold

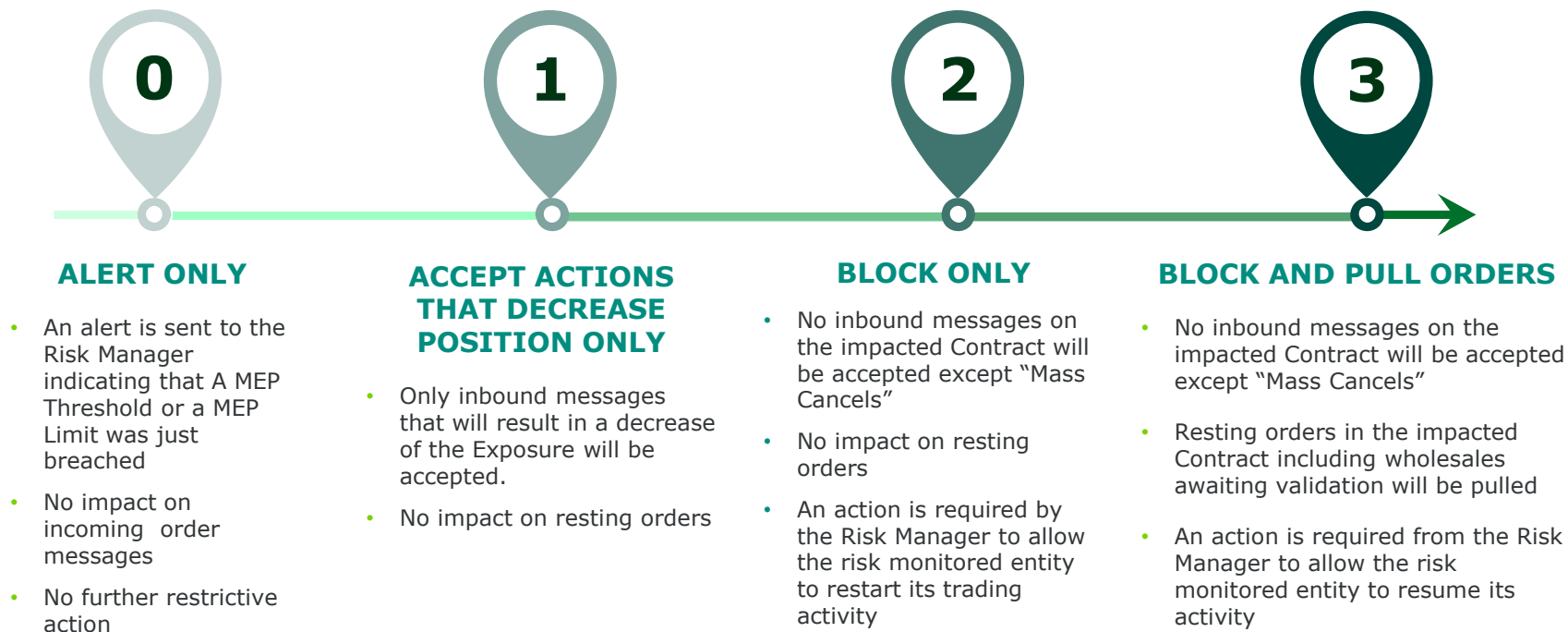
- Optional
- Up to three (3) thresholds can be set
- Expressed as a percentage of the MEP Limit

## MEP Actions

- Apply both to the MEP Thresholds and the MEP Limit
- Must always be set with increasing restrictiveness
- MEP Limit action per default : Block trading into the impacted Contract

# MEP Threshold and MEP Limit actions

By level of restrictiveness



# Additional features

## Direct Market Access

- Risk Managers at Trading Member Firms can use the Client Identification Short Codes and / or Logical Accesses to risk-monitor their DMA 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

# 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, the 'RiskGuard' logo is on the left, and 'Service open' is on the right. Below the logo, there are two tabs: 'Cleaner' and 'Member', with the 'Member' tab selected and highlighted by a red rectangle. The top right corner shows 'Risk member name 1 00099999'. Below the tabs, there are navigation links: '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 main content area is divided into two sections. The first section, 'Trading sessions and Short Codes', has a sub-header 'Logical Access' selected. It contains a table with columns 'Member name', 'Logical Access', 'EQD', 'IDD', 'CMD', and a 'Follow/switch' button. The table lists several trading firms with their respective logical access codes and status indicators. The second section, 'Trading sessions and Short Codes', also has a sub-header 'Short Codes' selected. It contains a table with columns 'Member name', 'Short Code', 'EQD', 'IDD', 'CMD', and a 'Follow/switch' button. The table lists several trading firms with their respective short codes and status indicators.

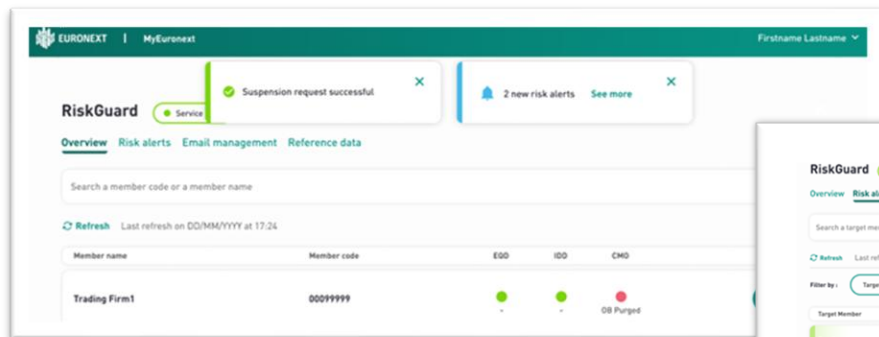
Member name	Member code	EQD	IDD	CMD	Follow/switch
Trading Firm1 00300123	0000222	●	●	●	Follow/switch

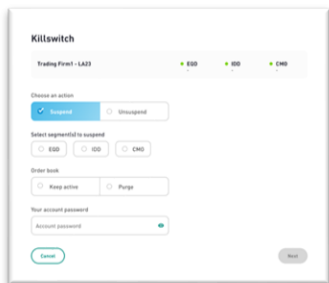
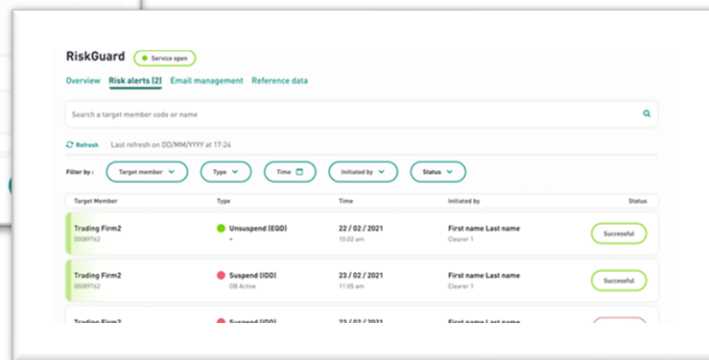
Member name	Logical Access	EQD	IDD	CMD	Follow/switch
Trading Firm1 00300123	LA23	●	●	●	Follow/switch
Trading Firm1 00300123	LA57	●	●	●	Follow/switch
Trading Firm1 00300123	LA56	●	●	●	Follow/switch
Trading Firm1 00300123	LA63	●	●	●	Follow/switch
Trading Firm1 00300123	LA63	●	●	●	Follow/switch
Trading Firm1 00300123	LA88	●	●	●	Follow/switch

# The RiskGuard User Interface (2/2)

Support all RiskGuard controls available on Euronext Derivatives markets



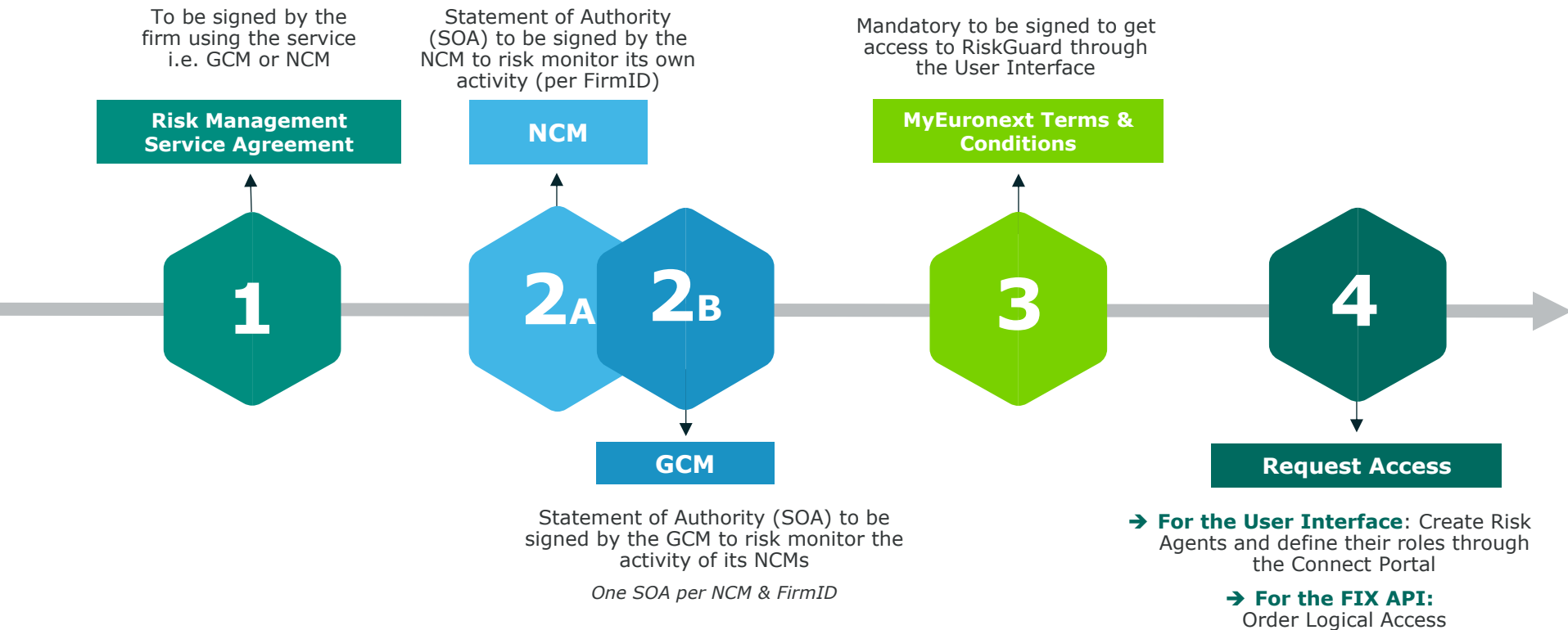
■ Risk alerts and full audit trail



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

**Kill Switch dialog box**

# How to access RiskGuard







# Thank you



**For more information about  
RiskGuard, contact**

**[ClientSupport@euronext.com](mailto:ClientSupport@euronext.com)**

**or visit**

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



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