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, 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

* Sponsored access will be provided as part of the Borsa Italiana migration to Optiq – more information will be provided on due course

- 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 & ICMs

**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 limit

**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

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1 ICN = Individual Clearing Member
2 More information about availability of this functionality will be communicated in due course
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**

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

**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 limit

2 More information about availability of this functionality will be communicated in due course
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 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
How to access to RiskGuard

To be signed by the firm using the service i.e. GCM or NCM

Statement of Authority (SOA) to be signed by the NCM to risk monitor its own activity (per FirmID)

Mandatory to be signed to get access to RiskGuard through the User Interface

Risk Management Service Agreement

NCM

MyEuronext Terms & Conditions

GCM

1

2A  2B

3

4

Request Access

➔ For the User Interface: Create Risk Agents and define their roles through the Connect Portal

➔ For the FIX API: Order Logical Access

Statement of Authority (SOA) to be signed by the GCM to risk monitor the activity of its NCMs

One SOA per NCM & FirmID
THANK YOU

For more information about RiskGuard, contact ClientSupport@euronext.com or visit RiskGuard | Connect (euronext.com)