



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 and Cash Equity asset classes
 - ■ Includes DEA and Sponsored Access
 - ■ All order messages checked, whether or not a control has been set by the Risk Manager
 - ■ Extension to more advanced risk analytics features
- ■ **Real-time monitoring** services integrated within the core or the Matching Engine
 - ■ Available through **FIX 5.0 API** web-based User Interface **GUI**
 - ■ Web-based **User Interface GUI** available in **Q1 2021**

RISKGUARD BENEFITS

General Clearing Member (GCM)

- Monitor risk on the trading activity of its NCM client
- Applies to all activity by the NCM (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) or 1 to N Logical Accesses and Short Codes
- Scope of instruments: all markets on which the firm 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's 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



Daily Position Management

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



Email Alerts

Linked to risk control: will allow users to receive an alert email for certain risk controls (available Q1 2021)



Direct Electronic Access

All risk controls available to Direct Electronic Access and Sponsored Clients

THE 'KILL SWITCH' FACILITY



KILL SWITCH

- **Suspend** command that stops the trading activity of a risk-monitored entity and prevents it from submitting any further orders while still logged in
- Applies to a member code
 - ✓ Status of the risk-monitored entity on the Optiq® segment is 'Suspended'
 - ✓ All open orders including GTCs and quotes are pulled
 - ✓ Impacted users receive relevant pull orders notifications indicating the reason for rejection. Although they are not logged off, they are unable to submit orders in the markets concerned
- 'Suspend' remains in place until the Risk Manager re-authorises order entry by the risk-monitored entity by sending an **Unsuspend** command (at Optiq® segment level)
 - ✓ The risk-monitored entity is given an 'Unsuspected' status on the Optiq® segment
 - ✓ Impacted users are notified through their trading interface
 - ✓ They can begin submitting orders again in the relevant markets

CONTROL THE MAXIMUM ORDER VOLUME



ORDER SIZE LIMIT (OSL)

Maximum Order Quantity for Buy and Sell outright orders

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

Expressed in number of lots per outright contract (min value = 1)
Applies at contract or trading subscription level

- By default, no OSL is set
- An OSL 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 Trading Firm's Risk Managers

- Orders are always rejected based on the most restrictive limit

PREVENT TRADING IN A CONTRACT



CONTRACT RESTRICTIONS

- **Block** command that prevents 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 contract level:
 - ✓ Option to pull active orders
 - ✓ Impacted users are not logged off and can trade in all other contracts
 - ✓ Order submissions in the specified contract are rejected and the impacted user notified by a relevant message
- '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 Electronic Access

- Risk Managers at Trading Member Firms can use the Client Identification Short Codes to risk-monitor their DMA or DEA flow.
- Risk Managers will be able to select which DMA / DEA clients they want to risk-monitor through the User Interface (available Q1 2021).
- Such limits can be independent from the limits set at the firm level.
- The same applies to **Sponsored Clients**. For further information on sponsored clients, please contact Client Support on clientsupport@euronext.com or your Sales representative.



Email Alerts

- Risk Managers can define a list of email addresses to which RiskGuard alerts should be sent
- The Risk Manager can select the risk controls for which emails will be generated



Additional Features (TBC)

- RiskGuard service for Cash Equities market
- Credit limit
- Wholesale risk controls

ONBOARDING PROCEDURE

1

- Risk Manager **Service Agreement** to be signed by Clearing Members or Euronext Trading Members.

2_A

GCMs

- Clearing Firms wishing to use the service to monitor their NCM are required to sign a **'Statement of Authority'** with each client they intend to risk monitor.
- Access to risk control for the NCM will only be granted after signature of this document

2_B

NCMs

- Trading Members willing to use the service are required to sign a **'Statement of Authority'**
- Access to the service will only be granted after the signature of this document

3

- A **mandatory conformance test** is required for firms prior to using the Euronext RiskGuard Service in production

For further information, please contact Client Support at clientsupport@euronext.com

THANK YOU

For more information
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