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## EURONEXT RISKGUARD (PRE-TRADE RISK MANAGEMENT SERVICE) – FAQ

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### WHAT IS THE EURONEXT RISKGUARD SERVICE?

Over recent years, the focus on pre-trade risk management provided by both exchanges and their members has significantly increased in Europe. As recognised by the FIA and the ESMA, pre-trade risk management is not the sole responsibility of exchanges or members, but rather a partnership between all participants of the financial community.

The Euronext RiskGuard service is part of Euronext's Risk Management tools. Euronext RiskGuard aims to provide Risk Managers at Clearing Members and Trading Members with the ability to set pre-trade risk controls in order to manage their customers' or trading firm's risk exposure in real-time. This complements the Members' and Clearing Members' own pre-trade risk management system in place.

Pre-trade risk controls as part of Euronext RiskGuard service are available for Euronext Derivatives Markets through a FIX 5.0 API and a web-based User Interface (UI).

Euronext RiskGuard not only covers MiFID II regulatory requirements but also offers extended risk control and analysis features.

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### WHO CAN USE THE EURONEXT RISKGUARD SERVICE?

The service is available for use by Clearing Members as well as Euronext Trading Members.

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### WHAT ARE THE PRE-TRADE RISK CONTROLS AVAILABLE?

The following pre-trade risk controls are available for Euronext Derivatives Markets.

- **The Suspend Function or “Kill Switch”**

The 'Kill Switch' or so-called '*Suspend*' feature provides Clearing Members' Risk Managers with a fast and efficient way to halt trading activity at the Exchange level in the event that a trading firm breaches its obligations to its clearer.

All open orders and quotes of the impacted entity will be pulled. Any attempt to submit further orders will be rejected until the Clearing Member explicitly reinstates the trading status of the trading firm by sending an 'Unsuspend' command.

- **Order Size Limit**

The 'Order Size Limit (OSL)' control gives Risk Managers the ability to set a maximum number of contracts that can be bought and/ or sold per order. The limits can be set at different levels:

- All Futures and/ or Options contracts of a specific Exchange Code
- At the contract level

It is also possible to set a different limit for Buy and/or Sell orders as well as setting specific factors (expressed as a percentage of the OSL) for Spot Month and strategies.

- **Contract Restriction**

The 'Block' or so-called '*Contract Restriction*' functionality provides Risk Managers the ability to prevent the risk monitored trading entity from submitting orders in a specific contract when the Risk Manager is aware that the 'trader does not permission to trade a specific financial instrument'.

When triggering the 'Block' command, Risk Managers can choose among the different actions:

- Block only without pulling any open orders in the contract (default action).
- Block and pull open Day orders in the contract (GTCs / GTDs remain in the book)
- Block and pull all open orders in the contract

As the result of the Block command, risk-monitored traders are not logged off but further order and quote entry in the contract is rejected (trading in other contracts of the risk monitored entity's is not impacted).

The risk-monitored entity is excluded from trading in that contract until the Risk Manager explicitly reinstates it through the 'Unblock' functionality.

- **Daily Maximum Exposure Position (MEP) management**

The 'Daily Maximum Exposure Position (MEP)' control provides GCMs and Trading Members the ability to prevent the risk monitored trading entity to increase its daily position on Euronext markets beyond a set limit.

The MEP Limit can be set either at a contract or at the 'ExchangeCode + ContractType' level. It is expressed as a number of lots. The MEP Limit applies to both Long and Short Positions. Throughout the trading day, a MEP Long and MEP Short is maintained in parallel by the Trading Engine. The MEP can therefore be breached either by an excessive Long or Short position.

In addition to the MEP Limit, Risk Managers are provided with the ability to set preventive actions at set thresholds in order to prevent the risk monitored entity from breaching the MEP Limit. Up to 3 thresholds can be defined. Thresholds are expressed in percentage of the MEP Limit as an integer value (max = 99).

A MEP Limit can be set without any threshold.

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## DO YOU PROVIDE EMAIL ALERTS?

Yes, Risk Managers have the ability to define a list of email addresses to which RiskGuard alerts will be sent. Users have the option to select the risk controls for which emails will be generated:

- Kill Switch
- Contract Restrictions
- MEP Thresholds & MEP Limit

Clearing Members' Risk Managers can define email alerts for their NCMs.

### AT WHICH LEVELS OF A RISK-MANAGED ENTITY CAN I SET CONTROLS?

Trading Members' Risk Managers can set up controls for their trading firm (at the mnemonic level), an individual ITM or a group of ITMs. RiskGuard offers Trading Members' Risk Managers the ability to create groups of ITMs that can manage risk independently from the trading firm.

Clearing Members' Risk Managers can set up controls for the NCMs with which they have signed a Statement Of Authority at firm level.

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### WILL RISKGUARD BE AVAILABLE ON THE OPTIQ® PLATFORM ?

The Euronext RiskGuard service for Derivatives Markets will be available on the Optiq® platform.

*More information will be communicated in due course.*

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### HOW CAN CUSTOMERS GET ACCESS TO EURONEXT RISKGUARD SERVICE?

Euronext RiskGuard service is available through a FIX 5.0 API as well as a web-based User Interface (UI).

- Participants accessing via the API are provided with specific ITMs (Individual Trader Mnemonics), that are connected to Euronext Derivatives Common Customer Gateways (CCGs).
- Participants who wish to use the FIX 5.0 API must ensure that they have the correct connectivity in place over the SFTI network.
- Participants accessing Euronext RiskGuard through the User Interface are provided with dedicated usernames and password. A certificate is also required.

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### WHICH EURONEXT MARKETS ARE COVERED BY EURONEXT RISKGUARD?

Euronext RiskGuard is currently available for the Euronext Derivatives Markets. The service will be expanded to cover all asset classes of Euronext Derivatives and Cash Markets on the Optiq® platform.

*More information will be communicated in due course.*

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### WHAT STEPS ARE REQUIRED TO GET ACCESS TO EURONEXT RISKGUARD?

In order to access the Euronext RiskGuard service, any Euronext RiskGuard Participant (Global Clearing Member or Euronext Trading Member, whether or not they are self-clearers) must sign a [Risk Management Services Agreement](#) with Euronext.

Clearing Members and Euronext Trading Members are also required to sign a **'Statement of Authority'** allowing the Risk Managers to access and use the Risk Management Services.

- Euronext Trading Members (self-clearers or not) who wish to make use of the Risk Management Services for their own and for clients' businesses must sign the [Statement of Authority - Member in respect of its business executed](#).
- Where a Clearing Member wishes to make use of the Risk Management Services in respect of a Member for which it provides clearing services, the Clearing Member and the Member are required to sign together a [Statement of Authority - Trading Member & Clearing Member](#).

In each case the Statement of Authority allows the Risk Managers to access and use the Risk Management services on all markets where they are authorised to trade.

These duly signed documents must be returned to [EuronextMembership@euronext.com](mailto:EuronextMembership@euronext.com).

All Euronext RiskGuard participants are provided with a specific Risk Member Mnemonic (MNE), unique for all Euronext Derivatives markets, allowing them to clearly segregate their trading activities from risk management activities.

Euronext RiskGuard Participants must contact Euronext Customer Access Services at [cas@euronext.com](mailto:cas@euronext.com) to request their ITMs or usernames & passwords (for the User Interface) for both the EUA and Production platforms.

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### IS A CONFORMANCE TEST REQUIRED?

Yes, all Euronext RiskGuard Participants are required to pass a conformance test prior to go-live.

The conformance test is required for Trading Members and for Clearing Members (including their clients).

For more information, please contact the Customer Technical Support Group at [ctsg@euronext.com](mailto:ctsg@euronext.com).

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### WHAT ARE THE COSTS ASSOCIATED TO EURONEXT RISKGUARD SERVICE?

The Euronext RiskGuard API service is free of charge.

For the User Interface, you can choose between two packages.

Additional information can be found in the [Euronext RiskGuard – Pricing Q&A](#) document available [here](#).