

DEPARTMENT: Group Regulation  
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### Document type

## EURONEXT NOTICE 1-01

### Document subject

ENTRY INTO EFFECT OF THE EURONEXT RULE BOOK

## INTRODUCTION

1. The new Rule Book shall enter into force on and from 03 January 2018 .
2. The present Notice supersedes and replaces Notice 1-01 as amended and issued on 30 June 2017.

## DETAILS

3. Euronext intends to revise its Euronext Rule Book – Book I Harmonized Rules (hereinafter the “Rule Book”) to include the requirements brought by the so-called “MiFID II Regime”, i.e. Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and its implementing measures (hereinafter “MiFID II”) – which repeals the Directive 2004/39/EC (hereinafter MiFID I) - and Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 and its implementing measures (hereinafter “MiFIR”). The modifications mainly deal with Definitions of terms, Trading Venue Membership, Trading Rules , Admission to listing rules and propose changes to the Rule Book in order to bring it in line with MiFID II Regime.
4. Main Proposed changes deal with:

### **Chapter 1 General provisions**

MiFID II Regime scope is enlarged compared to MIFID I, new terms included in the EU texts have to be taken into account in the Rule Book. Other definitions have to be removed (harmonisation between Block Trades and Large In Scale); and others have to be updated (reference to the MIFID II Regime instead of MIFID I).

New definitions included in relations to MIFID II Regime Scope:

- Algorithmic Trading

Terms beginning with a capital letter used in this Notice have the same meaning as defined in Book I, Chapter 1 of the Euronext Rule Book.

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- Commodity Derivatives
- Direct Electronic Access
- Market Maker
- Market Maker Agreement
- Market Maker Scheme
- MIFIR
- Long code definition included
- Short Code definition included;
- Update of the Liquidity provider programme;
- Update of the Market Making Agreement;
- Update of the Market Making Scheme.

Euronext refers to the Protection of Personal Data Regulation as the nature of the data collected under MIFID II Regime, for order storage and transaction reporting, can be considered as personal (Rule 1704

### **Chapter 2 Euronext Membership**

Given that the MIFID II Regime requirements differ little from those established by MIFID I, minimal changes are required to ensure consistency with the new text. In particular, the language relating to non-MIFID firms (Rule 2201/1(ii)) has been aligned with the language of Article 53(3) of MiFID II, and a new rule (Rule 2201/5) has been introduced to reflect the new arrangements for equivalence tests on regulatory frameworks in third countries.

The additional provisions (Rules 2401 and 2402) are about

- data to be collected by the trading venue in order to fulfil its obligations as regards order data storage and
- transaction reporting on behalf of its Non-MIFID members;
- a specific provision for algorithmic traders is included to require them to certify that their algorithm are tested accordingly of the MIFID II Regime requirements.

We also propose to combine the two different rules (Securities and Derivatives) for the extension of Membership into a single one (Rule 2601).

### **Chapter 3 Market access arrangements**

Euronext take into account the requirements from MIFID II Regime on eligibility to offer Direct Electronic Access (Rule 3201/1) and Sponsored Access (Section 3.3)

Based on article 7.1(d) of Delegated Regulation (EU) 2017/584, an additional provision (Rule 3201/1) is about the requirement for members to have a policy concerning the use of kill functionality.

### **Chapter 4 Trading Rules for Securities**

The Chapter 4 of the Rule Book still includes Trading Rules for Financial Instruments such as bonds and warrants as well as cash equities.

There are mainly three aspects of Chapter 4 which are updated in order to comply with the MIFID II Regime requirements:

- Distinction between mandatory Market-Making agreements, Market Making schemes and Liquidity Provider Programmes (Rule 4107)

- Minimum indications for orders as required by Article 25(2) of MiFIR (Rule 4202/1)
- Pre- and post-trade transparency : Update of Equity, Equity like, Bonds and Structured Products pre-trade and post trade transparency rules according to MiFID II Regime requirements. The proposed Rules take into account MiFID II Regime requirements on:
  - Iceberg order minimum size
  - Pre trade Transparency waivers
  - Post-trade deferred publication

#### **Chapter 5 Trading rules for Derivatives**

There are mainly three aspects of Chapter 5 of Rule Book which are updated in order to comply with the MIFID II requirements:

- Distinction between mandatory Market-Making agreements, Market Making schemes and Liquidity Provider Programmes (Rule 5105)
- Minimum indications for orders as required by MiFIR article 25.2 (Rule 5301/2)
- Pre- and post-trade transparency : Derivatives pre-trade and post trade transparency rules according to MiFID II/ Regime requirements.

#### **Chapter 6 Admission to listing and continuing obligations of Issuers**

According to ESMA texts concerning referential data, we conclude that an “active” LEI is mandatory (Rule 61004A/1)

Rule 6704/1 of Rule Book is completed in order to be compliant with Article 4(1) of Commission Delegated Regulation (EU) 2017/568 to ensure when admitting units or shares of a collective investment undertaking to trading, that those units or shares are permitted to be marketed in the Member State of the regulated market.

Euronext has decided to add in its Rule Book article provision (Rule 6706/4) to only admit to listing/trading of Structured Derivatives products with a commodity underlying with a maximum total quantity of 2.5 million securities per ISIN.

#### **Chapter 8 Rules of conduct**

Delegated Regulation (EU) 2017/580 in its Annex list all the data to be stored. Euronext will align its requirements on order storage to the MIFID ones (Rule 8301/3).

As grouping orders or offsetting of orders is allowed under MIFID II Regime, Euronext will delete Section 8.2 of its Rule Book.

#### **Chapter 9 Measures in case of violation of the rules**

The purpose is to harmonise the wording of Rule Book with MiFID II Regime through the inclusion of the notion “fair orderly and efficient” in Rule 9103 on immediate measures.

## **CONTACT**

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