

EURONEXT BLOCK

Helping you execute blocks safely

MiFiD II has resulted in a significant shift in today's liquidity landscape and has created **new opportunities to source block liquidity**.

Euronext Block is a fully MiFiD II compliant MTF, offering trading in over 3,200 European equity instruments, as well as proactive liquidity seeking messaging. Rather than passively waiting for orders to match in the dark, Euronext Block allows institutional investors to **proactively connect and trade** with counterparties in a **secure environment**.

Liquidity seeking orders can trigger an Invitation-to-trade (ITT), which in turn attracts other orders that can be matched at a single execution price. **Users have control** over **message content** and **who receives ITTs**.

Euronext Block brings **upstairs market mechanisms to low touch trading across 15 pan-European market segments**.

Trading model

- **Designed for blocks:** all orders must be Large in Scale (LIS).
- **Multiple order types:** orders can be firm or conditional. Market, limit and pegged orders are accepted.
- **Maximise liquidity via continuous randomized auctions** using a pro-rata volume distribution algorithm designed to match the largest number of shares possible at a single execution price.
- **Price discovery:** execution price can be at the Primary Bid, Mid or Offer, or even outside of the PBBO if that is where buy and sell interest meet.
- **Proactive Invitation-to-Trade (ITT) messaging:** users can reach out to potential counterparties by indicating liquidity through proactive messaging.
- **Controlled disclosure:** to minimise information leakage, users can select specific counterparty groups to whom trading interest is disclosed.
- **Best Execution:** Euronext Block assists members in achieving best execution via controlled messaging and a robust matching mechanism.
- **Governance model:** Advisory Board with independent market structure specialists to review performance of the platform.

Access and technology

- **Broker algorithms / SOR:** brokers can build block seeking strategies.
- **Buy side access via a sell-side member:** preserves existing buy side / sell side relationships.
- **DMA:** order entry via Direct Market Access where supported by member.
- **Standard FIX 4.2 API:** primary matching engine in Basildon data centre.

Post trade

- Trades published to vendors and direct subscribers. MMT compliant.
- MIC code: XSMP.
- **Interoperable clearing:** EuroCCP, SIX X-clear & LCH Ltd (phased delivery).

Analytics and safeguards

- **Transaction Cost Analysis (TCA) designed for block trading:** robust post-trade analytics to evaluate block quality. With an independent third-party TCA provider LiquidMetrix.
- **Evaluate price formation:** pre and post trade analysis to continually monitor market behaviour.
- **Scorecarding:** participants are evaluated for their ability to firm up conditional orders.
- **Historical liquidity analysis:** a plan to introduce analysis to support ITT distribution choices.

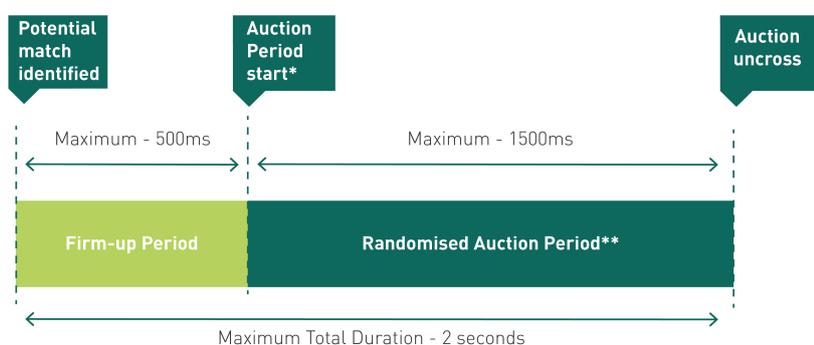
Commercials

- **Competitive pricing, members are charged just 0.3bps of notional traded.**

Workflow

Pricing mechanism

- A liquidity seeking algorithm routes a block-size order (large-in-scale or above) to Euronext Block, as either a firm order or a conditional order.
- Limit, market and pegged orders are accepted. Pegged orders can be at the Primary Bid, Mid or Offer, including offsets.
- Euronext Block continuously scans for matches for all orders residing on the book that meet price and quantity minimums.
- If a potential match is found for a conditional order, a firm-up message is sent to the conditional order originators and the conditional orders must be replaced with a firm order to participate in the upcoming auction.
- All firm market and pegged orders are priced and submitted into an auction pricing model that calculates a single execution price that maximises volume traded. The execution price of the match can be within the PBB0 spread or even outside of the spread if that is where buy and sell interest meet. Pre-determined price collars are in place to prevent erroneous order entry.



*Auction period starts the moment the last firm-up response has been received or after 500ms, whichever is the sooner.

** During this period the auction uncross is triggered at a randomised moment. Firm orders can participate in the auction as long as they arrive before the uncross is triggered.

Invitation-To-Trade (ITT) mechanism

- Any order sent to Euronext Block can optionally generate an ITT which will subsequently be published through standard IOI networks. It is also possible to control both the content and distribution of an ITT.
- ITT recipients can then route firm orders to Euronext Block to participate in the auction.
- The content of the ITT can be designated by the order sender and can be either "blind" (default) or "disclosed". Blind means that the ITT shows symbol and size only (small/medium/large). Disclosed means that the ITT will show symbol, side, size and price (in-line/away).
- Distribution of an ITT can be designated by the order sender and can be sent to "all" (default), "buy side only" or "sell side only".
- If a match is found with a resting order that was sent outside of the selected ITT distribution group, Euronext Block will still carry out matching of all orders on the book to ensure maximum volume of shares traded.
- Once firm orders are received, Euronext Block generates a match using the auction methodology described above. All shares matched are reported via standard trade reporting facilities.

Disclaimer

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