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

WHAT IS EURONEXT RISKGUARD SERVICE?

Over recent years, the focus on pre-trade risk management provided by both exchanges and members has significantly increased in Europe. As recognised by the FIA and 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.

Euronext RiskGuard service is part of the Risk Management Tools that Euronext intends to launch. Euronext RiskGuard is aimed at providing 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 systems already in place.

Pre-trade risk controls as part of Euronext RiskGuard service will be available for Euronext Derivatives markets through a FIX 5.0 API and a web-based User Interface (GUI).

Euronext RiskGuard will cover not only MiFID II regulatory requirements but will offer extended risk control and analysis features. It will also be expanded in time to cover all asset classes of Euronext cash and derivatives markets including AtomX, Euronext's platform for reporting off-orderbook, on-exchange trades.

WHO CAN USE EURONEXT RISKGUARD SERVICE?

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

WHAT ARE THE PRE-TRADE RISK CONTROLS AVAILABLE?

In the first implementation phase, the following pre-trade risk controls are available for the Euronext Derivatives Markets

- **The Suspend Function or "Kill Switch"**

The Kill Switch 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.

The functionality is similarly provided to Trading Members' Risk Managers to halt trading activity for their trading firm, for a group of ITMs, or for an individual ITM.

- **Order Size Limit**

The Order Size Limit control provides Risk Managers with the ability to set a maximum number of contracts that can be bought and/ or sold per order. The limit can be set for the whole trading firm, a group of ITMs or a particular ITM at different levels:

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

It is also possible to set a different limit for Buy and / or Sell orders.

Further implementation phases will include but will not be restricted to the following risk controls:

- *Contract restrictions, i.e. the possibility to block a trader from submitting orders in contracts where the Risk Manager is aware that the trader does not have permission to trade*
- *Daily Maximum Exposure Position management*
- *Email alerts.*

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 GUI.

- Participants accessing Euronext RiskGuard via the API will be provided with specific ITMs (Individual Trader Mnemonics), which will be connected to the Euronext Derivatives Common Customer Gateways (CCGs)
- Participants wishing 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 will be provided with dedicated usernames and password. A certificate is also required.

The Euronext RiskGuard GUI will also be available over the SFTI network. More information will be provided in due course.

WHICH EURONEXT MARKETS ARE COVERED BY EURONEXT RISKGUARD?

Euronext RiskGuard is available for Euronext Derivatives markets, but the service will shortly be expanded to cover all asset classes on the Euronext Derivatives and Cash markets as well as AtomX.

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

In order to access the Euronext RiskGuard service, any Euronext RiskGuard Participant (Global Clearing Members or Euronext Trading Members, 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 (whether or not they are self-clearers) who wish to make use of the Risk Management Services for their own business must sign the **‘Statement of Authority to be signed by a Member in respect of its business executed on the Euronext markets’**
- 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 to be signed by a Trading Member and its relevant Clearing Member on the Euronext Markets’**.

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

These duly signed documents must be returned to EuronextMembership@euronext.com.

All Euronext RiskGuard participants will be 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.

Participants wishing to use the FIX 5.0 API must ensure that they have access to the ‘Euronext PTRM Service’ unicast Application Service over the SFTI network. For any questions on this service, please contact Euronext Client Coverage Center at ccc@euronext.com.

Euronext RiskGuard participants must contact Euronext Customer Access Services at cas@euronext.com to request their ITMs or usernames and passwords (for the User Interface) for the EUA and Production platforms.

IS A CONFORMANCE TEST REQUIRED?

All Euronext RiskGuard participants are required to pass a conformance test prior to go-live.

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

For more information, please contact the Customer Technical Support Group at ctsg@euronext.com.

WHAT ARE THE COSTS ASSOCIATED TO EURONEXT RISKGUARD SERVICE?

The Euronext RiskGuard service and kill switch enhanced functionality are offered free of charge. Euronext reserves the right to charge for additional features and service enhancements on future releases.