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SATURN – CLEARED OTC TRADE FACILITY

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PREFACE

PURPOSE

This document describes how Saturn works with Cleared OTC Trade Facility.

ASSOCIATED DOCUMENTS

This document must be read in conjunction with the documents below:

- MiFID II - Euronext APA/ARM - Functional overview;
- MiFID II - Euronext Global Reporting Solution - Saturn Web Service Specifications.

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WHAT'S NEW?

The following lists modification made to this revision/version.

VERSION NO.	DATE	AUTHOR	CHANGE DESCRIPTION
1.0	November 2017	Euronext	Initial version
1.1	December 2017	Euronext	Inclusion of readiness of the Saturn GUI for Cleared OTC Trade Facility for members that did not subscribe to APA or ARM services. Add Price currency as a mandatory field.

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1. SOLUTION OVERVIEW

With MIFID I in 2007, Euronext has developed an offer allowing Members and non-Members to fulfil their reporting obligations. In addition to this, a clearing facility has also been made available for Members on Euronext's instruments through a dedicated TCS operation type 'OTC Trade' (K).

With MiFID II, this clearing facility held on TCS will be available on Euronext new tool: Saturn.

Saturn is a new and dedicated tool which allows to monitor and manage the activities of reporting and publication, including clearing routing facility to the relevant clearing house.

The Services covered by Saturn are the following:

- Transaction Reporting on Euronext Markets by Euronext members including Euronext Members not subject to MIFIR;
- Transaction Reporting as an ARM for trading outside Euronext trading venues;
- Trade Reporting as an APA for post and pre-trade publication;
- Position Reporting on commodities;
- Management of the short/long codes for Euronext obligation as a trading venue for order storage;
- Routing facility for OTC clearing purpose (as detailed in this document).

For more detailed information on how to access Euronext services on Saturn, Market participants should refer to the 'MiFID II - Euronext Global Reporting Solution - Saturn Web Service Specifications', available on Euronext website.

The Cleared OTC Trade Facility allows to submit a trade done with another Euronext member on OTC, for clearing purpose. When both legs of the trade, or cross trade, are received and validated, Saturn will send a clearing message to LCH SA or EuroCCP (according to the instrument).

This facility will become available for all Euronext Members on Euronext instruments for which they have in place clearing arrangement with the relevant Clearing House.

The Cleared OTC Trade Facility will be managed in Saturn and could be used as a dedicated service or in conjunction with transaction reporting or trade publication services.

This documentation describes the rules to apply and the checks performed in Saturn when clearing is required by a Euronext member in conjunction or not with Transaction Reporting or Trade Publication services.

The two schemes below provide an overview of the flow related to the Cleared OTC Trade Facility when used either for clearing purpose only or used in conjunction with transaction reporting or publication purposes.

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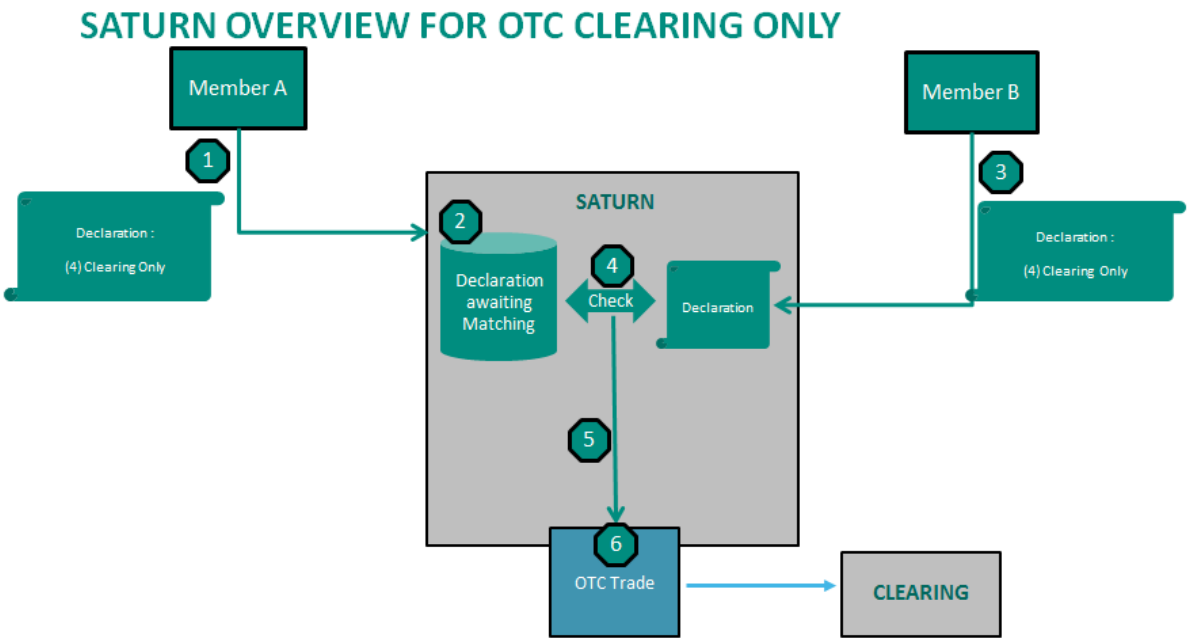
Important notice:

Access to the Cleared OTC Trade Facility through GUI for members that did not subscribe to APA or ARM will not be possible on 3 January 2018. Only access through API will be possible to use this functionality for members that did not subscribe to APA or ARM.

GUI access for Cleared OTC Trade Facility will be possible early Q1 2018.

In order not to impact users aiming to use the GUI for this feature, the TCS operation 'K', called 'OTC Trade' will remain available on TCS, until implementation of the Saturn GUI functionality. This facility is for clearing only and the associated new fees will apply as of 3 January 2018.

1.1 SCHEMA



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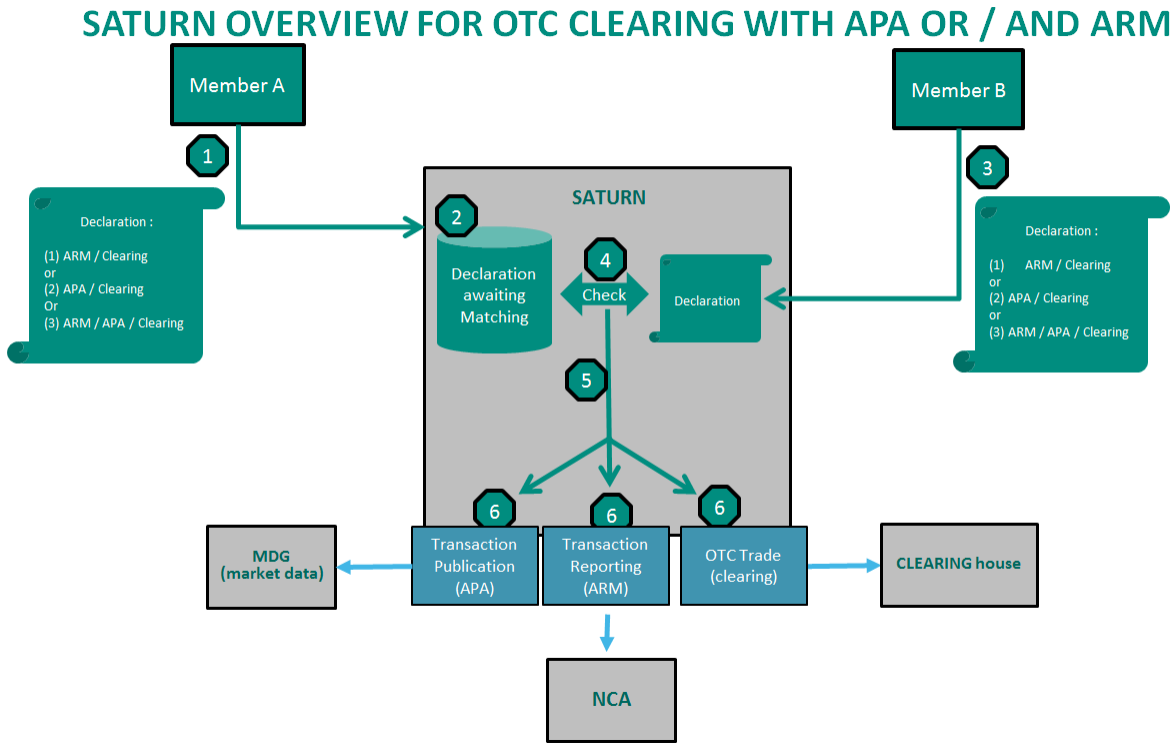

1.2 FLOW OVERVIEW AND STEPS

1. Member A sends his declaration (leg) or a cross to Saturn and chooses the service(s) required.

2. Saturn stores Member A's declaration waiting for Counterparty's declaration, and for a cross goes directly to step 5.

3. Member B (Counterparty) sends his declaration to Saturn.

4. Saturn checks and validates the trade from both declaration.

5. Trade is stored in a 'ready-to-send' format depending on the service(s) needed (OTC, OTC-ARM, OTC-APA, OTC-ARM-APA).

6. **When OTC** service is selected in Saturn and when the trade is validated, Saturn sends

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immediately to the Clearing House a dedicated clearing message.

When OTC & APA services are selected in Saturn and when the trade is validated, Saturn sends immediately to the Clearing House a dedicated clearing message and publishes the trade following the deferral rules in place.

When OTC & ARM services are selected and when the trade is validated, Saturn sends immediately to the Clearing House a dedicated clearing message, stores the trade up to the relevant cut-off time the same day and sends it to the relevant National Competent Authority.

When OTC, ARM & APA services are selected and when the trade is validated, Saturn sends immediately to the Clearing House a dedicated clearing message, publishes the trade following the deferral rules in place, stores the trade up to the relevant cut-off time the same day and sends it to the relevant National Competent Authority.

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2. CLEARED OTC TRADE FACILITY

This section describes how the clearing facility works when a Euronext member selects the indicator '4 – OTC Trade – Clearing Only' .

For more information related to the Saturn specifications and messages to be used in Saturn, please refer to the '*MiFID II - Euronext Global Reporting Solution - Saturn Web Service Specifications*'. The 'Clearing Section' in Chapter 6 also describes the required fields.

2.1 [OTC TRADE] DECLARATION ENTERING

Euronext members wishing to use the Cleared OTC Trade Facility should submit in Saturn the required information.

Members are able to send either a declaration that will be confirmed by the counterpart to be cleared, or a cross trade where no confirmation is required.

2.1.1 Common mandatory fields

Regardless the service selected, Clearing, APA or ARM, the same message is used.

The list of the mandatory common fields is indicated below.

Name	Type	Data Type	Required	Values
ARM APA Indicator	Attribute	Int	Yes	1 Transaction Reporting 2 APA 3 Both Transaction Reporting and APA **4 OTC Trade – Clearing Only**
Tradereport	Attribute	Int	Yes	1 – NEW *2 – AMEND (not applicable for OTC clearing only)* 3 – CANCEL
TradeRef	Attribute	{ALPHANUM – 52}	Yes	No restriction
TradeID	Attribute	{ALPHANUM – 52}	Under conditions	No restriction *(only applicable for trade performed on a trading venue, i.e. not for OTC clearing*)
Side	Attribute	Int	Yes	1 Buy 2 Sell 3 Cross
Venue	Attribute	{ALPHANUM-4}	Yes	■ MIC (EEA) MIC Code ISO 10383 ■ MIC (Non EEA) MIC Code ISO 10383 ■ **'XOFF'** ■ 'XXXX' ■ 'SINT'

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Name	Type	Data Type	Required	Values
Executing firm	Attribute	LEI	Yes	LEI of the executing firm

Any missing field(s) on the above list for a transaction **will lead to a rejection**, regardless of the 'Tradereport' indicator (i.e: New, Cancel or Amend).

The transaction won't be integrated into Saturn.

2.1.2 Dedicated fields for Cleared OTC Trade Facility

In order to benefit from the Cleared OTC Trade Facility, even without subscribing to any other services, the member needs to select in the 'ARM APA Indicator' the value '4 – OTC Trade – Clearing Only' corresponding to the service for clearing without ARM or APA.

The following **mandatory** fields have to be filled in :

- Entering Counterpart
  - This code can be the same as the one of the member that submits the trade to be cleared in case of a cross.
- Price
  - Please note that no price control will be applied in Saturn, except when the Clearing option is associate to a trade to be published (APA service), as described in section 4 of this document.
- Price currency
  - note that in order to be cleared price currency must be the price currency used on Euronext markets to trade this instrument.
- Quantity
- Security ID
  - This field can only be a security admitted to trading or listed on Euronext trading venue.
- Guarantee Flag
- Settlement Period
  - Between 2 days and 30 days
- Account Type, where possible values are the following:
  - 1 = Client
  - 2 = House
  - 3 = Retail Liquidity Provider
  - 4 = RO
  - 6 = Liquidity Provider
  - 7 = Related Party

The following fields are **optional**:

- Account Number
- Client ID
- Clearing Firm ID

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- **Conditional** field:

  Note that the 'Settlement indicator' field does not need to be filled in when the 'ARM APA Indicator' is set to '4 - OTC Trade – Clearing Only'.

  Saturn assumes by default that the flag is Yes.

  In the case the value is 1,2 or 3, and the member wants to benefit from the clearing facility, the 'Settlement indicator' needs to be filled in with the value '1' Yes.

2.2 [OTC TRADE] DECLARATION CHECKS – FOR REJECTION :

This section describes cases where an incoming declaration for a clearing request is rejected based on checks that are performed when the trade/declaration is submitted to Saturn.

In addition to the cases mentioned above, the following additional checks are performed:

Check #1 : Security ID = Euronext Instrument

If the instrument is not a Euronext instrument, clearing can't be done and an error code is sent to the member :

1006	ISIN Code not eligible for clearing

Check #2 : User sending the declaration is authorized for clearing on this Instrument

If the declaring member is not allowed for clearing on this instrument, the full declaration is rejected and the following error code is sent :

1009	You are not authorized to request clearing on this instrument.

Check #3 : Counterparty in the declaration is authorized for clearing on this Instrument

If the counterparty in the declaration is not allowed for clearing on this instrument, the full declaration is rejected and the following error code is sent :

1010	Counterparty is not authorized to request clearing on this instrument.

Check #4 : Opening hours for clearing.

Opening hours for Saturn are different from opening hours for clearing. If an ARM and/or APA declaration is received with 'Settlement indicator' activated, or an OTC trade with an ARM APA indicator set to '4' then a check on clearing opening hours is done.

The entire declaration is rejected when the declaration is received after the clearing facility cut-off time, which is currently set at 07:00 PM CET and the following error code is sent :

1011	Please send your submission before the Cut-off time.

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2.3 [OTC TRADE] DECLARATION VALIDATION :

The following reconciliation process is performed only if the results of the checks detailed in the previous section are positive.

The following criteria enables to know if the counterpart declaration is already sent.

If it hasn't been sent, the incoming declaration is stored and displayed with a specific status 'Awaiting matching'.

If it has been sent, the triggered declaration process is complete and the global report is validated.

The list to reconcile incoming declaration with an existing declaration (Status : 'Awaiting Matching') is detailed below:

Criteria #1 :

- If side = '3 – Cross' then the incoming report is considered as complete, there's no need to pursue with others criteria (see section 2.3.2)

Criteria #2 :

- If side = '1 – Buy' or side ='2 – Sell' from the incoming declaration, an existing pending declaration with side = '2 – Sell' or side = '1 – Buy' have to be found.

Criteria #3

- 'Security ID' (ISIN) from the incoming declaration equals to 'Security ID' (ISIN) in the existing pending declaration

Criteria #4 :

- Declaring member's LEI, field 'Executing Firm' from the incoming declaration equals to 'Entering counterpart' in the existing pending declaration

Criteria #5 :

- 'Entering Counterpart' from the incoming declaration equals to 'Executing Firm' in the existing pending declaration

Criteria #6 , 7, 8, 9, 10

- 'Price' from the incoming declaration equals to 'Price' in the existing pending declaration
- 'Quantity' from the incoming declaration equals to 'Quantity' in the existing pending declaration
- 'Settlement Indicator' from the incoming declaration equals to 'Settlement Indicator' in the existing pending declaration
- 'Settlement Delay' from the incoming declaration equals to 'Settlement Delay' in the existing pending declaration
- 'Guarantee Indicator' from the incoming declaration equals to 'Guarantee Indicator' in the existing pending declaration

Criteria #11 (Only applicable if 'Action' = '1 – NEW'):

'TradeReport' from the incoming declaration equals to 'TradeReport' in the existing pending declaration

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2.3.1 Unmatched Declaration

If after applying all criteria, no declaration is found in the existing pending declaration (Status 'Awaiting Matching'), the Incoming Declaration should be stored and put on hold for the counterpart declaration :

Actions to perform on Unmatched Declaration :

1- Status of Incoming Unmatched Declaration is stored with a status 'Awaiting Matching'.
2- By sending ARM APA Indicator = 4, Saturn assumes Settlement Flag = 1 and set field 'Settlement Flag' to '1'.
3- Service Get for member and counterpart is available to know that a declaration is 'Awaiting Matching'
   Note that the 'Get' functionality allowing to retrieve feed-back and status is described in section 4.6 '*Retrieve Trades or/and Transactions Details'* of '*MiFID II - Euronext Global Reporting Solution - Saturn Web Service Specifications*'.

N.B : all declarations with a status 'Awaiting Matching' are stored for the day. All these declarations are eliminated by Saturn at the end of the day and their status is modified to 'Eliminated'.

Declarations with the status 'Eliminated' are stored for 6 months.

2.3.2 Matched Declaration

If after applying all criteria, a declaration is found or if 'Side' = '3 – Cross', the Incoming Declaration has matched.

Actions to perform on Matched Declaration :

1- Status of Incoming Declaration becomes 'Checked and Ready'
2- Status of the existing matched declaration with 'Awaiting matching' status changes to 'Checked and Ready'
3- Service Get for member and counterpart is available to know that the declaration has matched

Once both declarations have matched, a daily unique key per instrument is generated for the trade. This unique key is a sequential number starting from '10000000' (10 million) and is reset every day.

- **Note 1:** for identical declarations in the database, the 'FIFO' method is applied. If the incoming declaration matches with more than one declaration, the match is done with the oldest declaration. The same process goes for a cancellation.

- **Note 2:** Regarding the current process in TCS, there is no more restriction in term of delay for the counterpart to confirm the trade through its declaration, however this needs to be done on the same day.

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3. CANCELLATION

To cancel a declaration, or request a trade cancellation, Members should send a message with the 'Tradereport' indicator set to '3 – CANCEL'.

The cancellation of a trade is only allowed during the day where the trade was sent.

The cancellation of a declaration is only possible intraday. If it's unmatched, it will be deleted by end of day and stored with the 'eliminated' status.

Note that all the fields described in section *'2.1.1 Common mandatory fields'* need to be filled in.

3.1 CANCELLATION OF AN UNMATCHED DECLARATION

Once the cancellation of a declaration is received, the existing declaration is found based on the 'Trade Ref' and 'Executing Firm' value.

The status of the existing non-matched declaration is updated from 'Awaiting Matching' to 'Declaration Cancelled'.

The new status is updated on the Saturn GUI and available through the API Service Get.

3.2 CANCELLATION OF A MATCHED DECLARATION

To cancel a trade that has been validated and sent to the relevant Clearing House, both parties need to send a request for trade cancellation.

The process is as follows:

When the trade cancellation request is received, the status of the trade is switched to 'Awaiting Cancellation'.

As soon as the counterpart sends the request to cancel it, Saturn process the cancellation of the trade and the status is switched to 'Trade Cancelled'

To cancel a Cross Trade that has been validated and sent to the relevant Clearing House, the issuer of the trade requests the cancellation which will be effective immediately.

In both cases, a cancellation message is sent to the relevant Clearing House.

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4. CLEARING OPTION WITH APA AND/OR ARM

This section describes how the clearing works in Saturn when a member decides to use transaction reporting or publication services in addition to the clearing option.

4.1 [ARM/APA] DECLARATION ENTERING WITH CLEARING OPTION

The declaring member enters the value corresponding to the service required :

Field		Format	Values
ARM APA Indicator	✓	Int	**1 Transaction Reporting** **2 APA** **3 Both Transaction Reporting and APA** 4 OTC Trade

N.B : *Value 4 – OTC Trade is excluded in this part, please see Section 2 for clearing only.*

If a member wants to send his trade report with the OTC clearing option then the following indicator should be set to '1' when sent to Saturn :

Field		Format	Values
Settlement Flag	✓	Boolean	0 False
			1 True

4.2 [ARM/APA] DECLARATION CHECKS – FOR REJECTION :

This section describes cases where incoming reports for reporting or publication with a clearing option are rejected.

First check is on ARM APA Indicator :

- If = '4' then see Section 2
- If = 1, 2 or 3, then check is performed on 'Tradereport' field.

  If 'Tradereport' value is '3 – CANCEL', please refer to Section 3

  If 'Tradereport' value is '1 – NEW' then check on 'Settlement Flag' field :

  - If 'Settlement Flag' = '0' then checks related to APA / ARM only will apply
  - If 'Settlement Flag' = '1' then checks related to APA / ARM and checks about clearing will apply

Clearing checks are those described in section *'2.2 [OTC Trade] Declaration checks – for Rejection'.*

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4.3 [ARM/APA] RECONCILIATION OF DECLARATION:

The following Saturn reconciliation process is performed only if the checks detailed in the previous section have been performed.

The following criteria enables to know if the counterpart declaration is already sent.

If it hasn't been sent, then the incoming declaration is stored and displayed with a specific status 'Awaiting matching'.

If it has been sent, the triggered declaration process is complete and the global report is validated.

The list below details how to reconcile incoming declaration with an existing declaration (Status : 'Awaiting Matching'):

Criteria #1 :

- If side = '3 – Cross' then the incoming report is considered as complete, there's no need to pursue with others criteria (see section 2.3.2)

Criteria #2 :

- If side = '1 – Buy' or side ='2 – Sell' from the incoming declaration, then an existing pending declaration with side = '2 – Sell' or side = '1 – Buy' as to be found.

Criteria #3

- 'Security ID' (ISIN) from the incoming declaration equals to 'Security ID' (ISIN) in the existing pending declaration.

Criteria #4 :

- Declaring member's LEI, field 'Executing Firm' from incoming declaration equals to 'Entering counterpart' in the existing pending declaration.

Criteria #5 :

- 'Entering Counterpart' from the incoming declaration equals to 'Executing Firm' in the existing pending declaration.

Criteria #6 , 7, 8, 9, 10

- 'Price' from incoming declaration equal to 'Price' in existing pending declaration.
- 'Quantity' from incoming declaration equals to 'Quantity' in the existing pending declaration.
- 'Settlement Indicator' from incoming declaration equal to 'Settlement Indicator' in the existing pending declaration.
- 'Settlement Delay' from incoming declaration equal to 'Settlement Delay' in the existing pending declaration.
- 'Guarantee Indicator' from the incoming declaration equals to 'Guarantee Indicator' in the existing pending declaration.

Criteria #11:

'Tradereport' from the incoming declaration equals to 'Tradereport' in the existing pending declaration.

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4.3.1 Unmatched Declaration

If after applying all criteria, no declaration is found in the existing pending declaration (Status 'Awaiting Matching'), it means that the Incoming Declaration will be stored in Saturn and put on hold for the counterpart declaration to match it.

The process will be the same as described in section 2.3.1.

4.3.2 Matched Declaration

The process will be the same as described in the section 2.3.2 for Matched Declaration.

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