



28 February 2019

## Eurex Exchange Readiness Newsflash | EnLight Enhancements

Dear Eurex participant,

today we would like to inform you about updates to EnLight. Eurex plans to introduce the following enhancements to the existing Eurex EnLight functionality on 4th of March 2019.

1. New Eurex EnLight Negotiation Model - Working Delta
2. Additional Countdown for Liquidity Providers
3. Eurex EnLight Whitelist Enhancements
4. Eurex EnLight Views Enhancements

### 1. New Eurex EnLight Negotiation Model – Working Delta

#### Current situation:

Currently, in the cases where the underlying Delta/Hedge is not exchanged between the involved counterparties, responders (typically the Liquidity Providers) have no clean possibility to hedge before fully committing to the deal.

#### Future situation:

In the future, the requester (typically the Broker) may grant responders more flexibility to hedge themselves. This is required mainly due to the hedge being illiquid; its availability on a different venue or a combination of the two. To facilitate this requirement, a new Eurex EnLight negotiation model called *Working Delta* will be introduced. In this model, the responder can hedge the underlying and may provide a new reference (underlying) price and / or option quantity as a part of the deal update request. Based on the new reference price, Eurex EnLight will calculate a new option price using the agreed delta and disseminate it to the counterparties. Once the responder has managed to hedge all (or some) of the agreed quantity, he can then update and later on finalize the deal. This functionality can be accessed via GUI and ETI.

#### Working Delta Principles:

1. *Working Delta* is only available for options instruments. Asset classes in scope are Equity, Equity Index and Fixed Income.
2. This functionality is not applicable for Option Volatility Strategies hence Delta Exchange is not supported, but negotiation of underlying delta or / reference price is still possible as part of the Request For Quote (RFQ). All Standard and Non-Standard Options Strategies are in scope.
3. Negotiation type *Working Delta* will be communicated to the targeted responders at the beginning of the negotiation process when the Request For Quote (RFQ) is sent out.
4. *Working Delta* functionality is allowed only for negotiation type 'indicative'.

- The requester can allocate the deal only to one responder at a time.

**Workflow:**

- The requester initiates a negotiation event by sending an RFQ with the *Working Delta* flag set to TRUE. Eurex EnLight will create the negotiation event of type *Working Delta* and notify all the counterparties via broadcast.
- Responders can respond to the RFQ by sending a quote.
- On receiving the quote from the responder, the requester can answer to this quote by either sending a HitQuote, which results in a deal with the deal status 'pending' or may also choose not to respond to the quote.

Additionally, the requester can also define an Underlying Price Boundary (Underlying Limit Price) while sending the HitQuote, which is then communicated to the responder. If the Underlying Price Boundary is above the reference price, it can only be further increased at a later point, if it is below the reference price it can only be further decreased. The requester can modify this Underlying Price Boundary as long as the deal is not final and only in favour of the responder.

- The responder can respond to the pending deal with one of the following actions:

Action	Description	Deal Status
<i>Working</i>	Possibility to update the deal in this mode.	WORKING
<i>Reject</i>	The responder rejects the deal.	REJECT
<i>Accept</i>	The responder accepts the deal.	FINAL

- The Working mode allows the responder to make adjustments to two parameters (optional) of the deal:
  - Reference(Underlying) price
  - Options quantity

The modified reference price can be higher or lower than the initial one and must satisfy the Underlying Price Boundary validation if provided by the requester.

**Underlying Price Boundary (Underlying Limit Price) Validation**

The reference price entered by the responder while modifying the deal is validated against the Underlying Price Boundary. The new reference price cannot be below the Underlying Price Boundary if the Underlying Price Boundary was below the initial reference price of the deal/quote and cannot be above Underlying Price Boundary if the Underlying Price Boundary was above the initial reference price of the deal/quote.

The option quantity can only be equal or lower than what was initially agreed and cannot be below the Eurex EnLight Minimum Block Trade Size. If the responder has modified the option quantity, the responder should not be able to reduce this quantity with any further modifications, but only increase it.

- Based on the new reference price, Eurex EnLight will calculate the new option price. The new option price is calculated as

$$\text{NOP} = \text{OOP} + \text{Buy/Sell Flag} * \text{Delta} * (\text{New Reference Price} - \text{Old Reference Price})$$

Whereby NOP = New Option price,

OOP = Old Option Price,

Buy/Sell Flag = 1, if the options strategy is bought and Buy/Sell Flag = -1 in case the strategy is sold from

the requester perspective.

7. The deal will be adjusted with the new option price and option quantity and the adjusted deal is broadcasted to the involved requester and responder.
8. The responder can accept the deal, reject the deal, or continue to update the deal in this *Working Delta* negotiation model.
9. When the responder accepts the deal,
  - a. The resulting NOP (if any) is rounded to the closest tick or subtick in case the subtick factor is greater than 1. If sub tick is enabled then EnLight will first assign nearest subtick and validate the deal split, if validation fails then NOP is rounded to the nearest tick.
  - b. In case the new option price and new option quantity are missing, then Eurex EnLight will verify the deal split for the initially agreed deal price and quantity.
  - c. Finally, Eurex EnLight will generate the new deal (or split deals) with new deal ID (s), deal status FINAL, and notify the counterparties about deal finalization.
10. Possibilities of deal rejection by the requester for the negotiation type *Working Delta*:
  - a. The requester shall be able to reject a deal as long as it is in status pending or the deal can become expired due to a time out.
  - b. The requester shall not be able to reject a deal if it is in working or final.
  - c. The requester shall not be able to close the RFQ session as long as the deal is in working.
11. The relevant changes and updates to the deal will be captured in TE600 Eurex EnLight Maintenance and TE610 Eurex EnLight Best Execution Summary reports.

## 2. Additional Countdown for the Liquidity Providers

### Current situation:

Currently while entering an indicative order, the requester can determine how much time the responder should have to finally agree on the deal. The requester can define an *ExpireTime* via the *Eurex EnLight Deal Entry* view, which is translated into an expiry time in CET and displayed in the *Eurex EnLight Deals* view for the responder as a countdown.

### Future situation:

This expiry time will be enhanced with a countdown. The requester can configure the countdown using *ExpireTime* field in the *Eurex EnLight Deal Entry* view. All requested responders that received the order would be able to see the countdown via *ExpiresIn* field in the *Eurex EnLight Deals* view for the responder. The requester can also see this countdown in the *Eurex EnLight Deal Entry* view for the submitted deals.

## 3. Eurex EnLight Whitelist Enhancements

### Current situation:

When Market Supervision deletes and/or adds a new target responder via the Control GUI, no mechanism exists which automatically propagates these changes into requester's already saved *Favourites Lists*.

### Future Situation:

In order to significantly decrease the administrative burden on individual users and reduce potential errors, Market Supervision will be given three actions relating to responders within a product groups white list.

Action	Description
<i>Add</i>	In order to add a new Liquidity Provider into the White List, Market Supervision can use the <i>Add</i> action. This creates a new target Trader Id, which is then added to the White List and is made available to all requesters. These will not automatically be added to any existing favourites list of a requester.
<i>Modify</i>	This is the most important new function for Market Supervision, to be used if a Liquidity Provider target Trader Id changes. The <i>Modify</i> action allows Market Supervision to specify which current target Trader Id needs to be changed and to what. The result is that all Trader Ids that need to be changed will be found in all the users Favourites Lists and then automatically modified to the new Trader Id.
<i>Delete</i>	In order to remove a Liquidity Provider completely from the White List, Market Supervision can use the <i>Delete</i> action to delete the Liquidity Provider's Trader Id from the White List. It also does the same for any saved Favourites Lists that have been defined by a User.

Additionally, the requester will be offered an "all responders" list for the selected product that includes all listed responders in the SRQS Liquidity Provider list. This list will be generated by the system and updated if there has been any changes in profiles for all products.

## 4. Eurex EnLight Views Enhancements

To keep the requester in no doubt about what exactly he is about to submit to the Liquidity Providers, Eurex EnLight views in Trader GUI will be extended with more information.

Enhancements	View	Action
a) If the requester specifies the total quantity, a new field called <i>EffVol</i> for complex instrument is displayed below the ratio field to display the effective volume, also for the underlying leg if present. b) If the requester specifies the side he wants to trade, a new field called <i>EffSide</i> is displayed below the side field to display the effective side, also for the underlying leg if present.	Eurex EnLight Request Details	Before submitting the Request For Quote

a) An additional field <i>EffSide</i> is displayed next to the existing <i>EffVol</i> field to display the effective side, also for the underlying leg if present.	Eurex EnLight Request Details	After submitting the Request For Quote
a) An additional field <i>EffSide</i> is displayed next to the existing <i>EffVol</i> field to display the effective side, also for the underlying leg if present.	Eurex EnLight Deal Entry	Deal Entry

**References:**

1. For more information related to ETI and Report layout changes, please refer to the Eurex website under the following path: **Eurex Exchange > Technology > T7 Trading Architecture > System Documentation > [Release7.0](#)**
2. For GUI related changes please follow the **What's New** window available in all the T7 GUIs.
3. For general information related to Eurex EnLight, please refer to the Eurex website under the following path: **Eurex Exchange > Trading > [Eurex EnLight](#)**

If you have any questions or need further information please contact your Key Account Manager Trading.

Kind regards  
Your Customer Readiness Team

For more updates on all our product and company news, please follow us on Twitter [@eurexgroup](#) and [LinkedIn](#) or visit our [newsroom](#).

---

[customer.readiness@eurexchange.com](mailto:customer.readiness@eurexchange.com) | [Disclaimer](#) | [Privacy Policy](#) | [Imprint](#)

---

If you are currently receiving e-mails from Eurex and would like to unsubscribe, please send an e-mail to [customer.readiness@eurexchange.com](mailto:customer.readiness@eurexchange.com). Please title the subject "UNSUBSCRIBE".