

Xetra MidPoint



Agenda



Principles of the Xetra[®] MidPoint

Matching examples

Key benefits

Xetra MidPoint

New service to attract non-displayed liquidity

Goal: Elimination of market impact for larger sized orders

Reason: Trend towards non-displayed liquidity to

- n execute larger sized orders as average trade sizes in Xetra open order book decreases
- n incur less partial executions
- n Pre-trade anonymity prevents information leakage

Solution: Xetra MidPoint

Start: November 24, 2008

Principles of Xetra MidPoint

Matching rules

- n New order type in existing Xetra set up
 - n No registration necessary
 - n Existing infrastructure remains unchanged
- n Matching of MidPoint orders only against other MidPoint orders in completely closed order book
- n Matching exclusively at Xetra BBO MidPoint during continuous trading
 - n Xetra BBO MidPoint as reference price for execution
 - n Order may be submitted with or without limits (limits serve as execution boundaries)
- n Volume time priority for order execution
 - n Execution priority is dependant upon size of initially entered order quantity
 - n Time stamp relevant if more than one order with same size
- n Minimum Acceptable Quantity (MAQ) definable per order; no minimum order size
- n Trading in a regulated and supervised market environment
 - n MidPoint matching is regarded as stock exchange trading
 - n However, does not constitute a Xetra reference prices for stop orders.
 - n Supervised by trading surveillance

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Principles of the Xetra[®] MidPoint



Matching examples

Key benefits

1. Matching of competing MidPoint Orders

1) Status Quo of Xetra MidPoint Order Book:

Xetra best bid/best ask spread at time of matching: 17.20 €– 17.24 €

MidPoint Order No.	Time stamp	Volume	Buy-Limit	Sell-Limit	Volume	Time stamp	MidPoint Order No.
3	9:03:00	10,000	17.26	17.18	10,000	9:01:00	1
				17.21	20,000	9:02:00	2

2) Action:

At 9:03:00, insertion of a buy MidPoint Order (3) with a limit of 17.26 € and a volume of 10,000

3) Execution:

10,000@17.22 € (No. 2)

4) Explanation:

Execution price is the MidPoint of the Xetra best bid/best ask spread. MidPoint Order No. 2 has priority over MidPoint Order No. 1 because of its larger order volume. The more aggressive limit and the older time stamp of MidPoint Order No. 1 is not relevant in this case (à volume/time priority)

2. Matching of competing MidPoint Orders

1) Status Quo of Xetra MidPoint Order Book:

Xetra best bid/best ask spread at time of matching: 17.20 €– 17.24 €

MidPoint Order No.	Time stamp	Volume	Buy-Limit	Sell-Limit	Volume	Time stamp	MidPoint Order No.
3	9:03:00	10,000	17.26	17.18	10,000	9:01:00	1
				17.21	10,000	9:02:00	2

2) Action:

At 9:03:00, insertion of a buy MidPoint Order (3) with a limit of 17.26 € and a volume of 10,000

3) Execution:

10,000@17.22 € (No. 1)

4) Explanation:

Execution price is the MidPoint of the Xetra best bid/best ask spread. MidPoint Order No. 1 has priority over MidPoint Order No. 2 because of both volumes are equal but MidPoint Order No. 1 has an older time stamp. (à volume/time priority)

3. Matching of MidPoint Orders under consideration of MAQ

1) Status Quo of Xetra MidPoint Order Book:

Xetra best bid/best ask spread at time of matching: 17.20 €– 17.24 €

MidPoint Order No.	Time stamp	Volume	Buy-Limit	Sell-Limit	Volume	Time stamp	MidPoint Order No.
3	9:03:00	10,000	17.26	17.18	10,000	9:01:00	1
				17.21	12,000 (MAQ 11,000)	9:02:00	2

2) Action:

At 9:03:00, insertion of a buy MidPoint Order (3) with a limit of 17.26 € and a volume of 10,000

3) Execution:

10,000@17.22 € (No. 1)

4) Explanation:

Execution price is the MidPoint of the Xetra best bid/best ask spread. MidPoint Order No. 2 has priority over MidPoint Order No. 1 but is restricted by its MAQ of 11,000 which can not be fulfilled by the incoming MidPoint Order. Thus, execution takes place against MidPoint Order No. 1.

4. No matching despite of crossed MidPoint Orders

1) Status Quo of Xetra MidPoint Order Book:

Xetra best bid/best ask spread at time of matching: 17.20 €– 17.24 €

MidPoint Order No.	Time stamp	Volume	Buy-Limit	Sell-Limit	Volume	Time stamp	MidPoint Order No.
3	9:03:00	10,000	17.20	17.18	10,000	9:01:00	1
				17.21	20,000	9:02:00	2

2) Action:

At 9:03:00, insertion of a buy MidPoint Order with a limit of 17.20 € and a volume of 10,000

3) Execution:

No execution! Incoming buy MidPoint Order will remain in the order book (hidden).

4) Explanation:

No execution takes place because the limit of the incoming buy MidPoint Order of 17.20 € is lower than the midpoint of the Xetra best bid/best ask spread. The incoming buy MidPoint Order will remain in the order book (hidden) and will be executed as soon as the MidPoint of the Xetra best bid/best ask spread is equal or smaller than the limit of the buy MidPoint Order.

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Key Benefits 1/2

- n **Increased execution quality through elimination of market impact**

- n Execution always at Xetra BBO midpoint
- n Removal of information leakage through closed order book

- n **Unique combination of visible and invisible liquidity in one system**

- n Xetra MidPoint simply new order type in Xetra
- n Use of existing infrastructure to access both, visible and invisible liquidity
- n Matching of invisible orders at a fully transparent reference price

- n **High transparency and integrity in a regulated market**

- n Supervision through trading surveillance

- n **Easy distinction of Xetra MidPoint executions**

- n Clear identification of MidPoint executions through tagging in data feed (XM)
- n Immediate display of execution via existing architecture for data dissemination

Xetra MidPoint

Key Benefits 2/2

- n **Broad range of tradable instruments**

- n Trading members can trade all stocks from DAX, MDAX, SDAX and TecDAX without being pre-trade transparent

- n **Different order attributes available**

- n Order may be submitted with or without limits (limits serve as execution boundaries)
- n Minimum Acceptable Quantity (MAQ) definable per order
- n “Fill-or-Kill” and “Immediate-or-Cancel” feasible