



## FIA MiFID II Exchange Readiness Questionnaire

**Note: The Responses to this questionnaire have been answered with reference to the London Stock Exchange Derivatives Market ("LSEDM") only.**

Content	Questions	Exchange
<b>Communication and Collaboration</b>	<b>A.1</b> What are your plans for communicating MiFID II updates to your members and participants during 2017?	<i>The consultation period for the LSEDM rulebook amendments has commenced and will end on 1 September. Similarly the updated exchange guidance and trading services description will be communicated via market notice. We have also launched a MiFID II microsite for LSEG as a whole but including derivatives (<a href="http://www.lseg.com/resources/mifid-ii">www.lseg.com/resources/mifid-ii</a>). Client events have been held in London and Milan in June and further events will be scheduled for Q3 2017. Additionally, standard communication channels will also be used such as direct bilateral interaction with customers.</i>
	<b>A.2</b> How are you collaborating with cross exchange groups to develop a consistent approach to the solutions required by MiFID II?	<i>We are following the FIX community's proposed approach for MiFID II message information. We are happy to input into further as industry needs dictate.</i>
	<b>A.3</b> How are you providing Independent Software Vendor's with MiFID II specific updates & workshops?	<i>ISVs and customers have dedicated Technical Account Managers to support client readiness. Technical Specifications were published in March/April 2017 and the test environment for equity derivatives has been upgraded to be MiFID II ready and the upgraded test environment for interest rate derivatives will follow on 7 September 2017. All technical notices can be found here: <a href="http://www.lseg.com/derivatives/lse dm/technical-notice s">http://www.lseg.com/derivatives/lse dm/technical-notice s</a></i>
	<b>A.4</b> Can you provide your time table for the rollout of the MiFID II changes?	<i>The consultation period for the LSEDM rulebook changes has commenced and will end on 1 September 2017. The Trading Services Description and other updated guidance and documents will be published in Q4 2017. As noted above, from a technical perspective documentation has been published in March/April 2017. Equity Derivatives CDS is now live and Interest Rate Derivatives CDS is going live on 7 September 2017. A Deployment Guide for MiFID II has recently been published which provides the roadmap for technical and functional changes to LSEDM's trading system. The production go-live is scheduled for 13 November 2017.</i>
	<b>A.5</b> Which firms will fall within the definition of market maker?	<i>A market maker will be any firm that has signed a market making agreement, per the updated rules. This may happen in one of two ways: (1) a member opts to become a market maker by joining one of the LSEDM incentive schemes; OR (2) a member notifies LSEDM it is trading algorithmically pursuing a market making strategy, and then will be required to sign a market making agreement.</i>
	<b>A.6</b> If a firm signs up to a market agreement, would it need to be regulated?	<i>Not necessarily. Only Market Makers sign a market making agreement, and only Member Firms may become Market Makers. Most Member Firms will be regulated, and therefore most Market Makers will be regulated. However it is possible for certain Member Firms to be unregulated and be a Market Maker e.g. 3rd country proprietary trading firms. In short, it is not a requirement in the LSEDM rules for a Market Maker to be regulated, although in practice we expect this to be the case most of the time.</i>
	<b>A.7</b> When is will the Exchange Rule Book be updated?	<i>The consultation period for the LSEDM rulebook amendments has commenced and will end on 1 September. We will review any responses after the consultation period ends and update the rules as necessary. The final rulebook will be published in October 2017 with an effective date of 3 January 2018.</i>
<b>Exchange Readiness</b>	<b>B.1</b> What efforts are you making towards an industry standard on your approach to MIFID II?	<i>We are constantly engaging with Member Firms on MiFID matters both bilaterally and multilaterally (for example, LSEG held a number of client forums in March). If FIA is aware of industry wide issues that still require further discussion, LSEG would be happy to input.</i>



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<b>Regulatory Data and Data Management</b>	<b>C.1</b> Will you follow short codes on your FIX or native interfaces and will it cover the following fields:	
	<b>C.1.1</b> Member/Participant	<i>No. Member / participant information will be retrieved from the available configuration on market access interfaces, so it will not be necessary to submit this data in order entry messages.</i>
	<b>C.1.2</b> Client ID codes	<i>Yes, a short code for Client ID will have to be provided in order entry messages. The mapping of Algo IDs, National IDs and Client IDs will take place in the Member Portal. The Member Portal will be an online portal through which Members will be required to update short codes and other relevant information. We will be communicating more on this later this year.</i>
	<b>C.1.3</b> Investment Decision ID	<i>Yes. A short code for Investment Decision ID will have to be provided in order entry messages.</i>
	<b>C.1.4</b> Execution Decision ID	<i>Yes, a short code for Execution ID will have to be provided in order entry messages.</i>
	<b>C.2</b> Will you provide an interface (separate to the order interface) to allow participants to enter confidential personal client information?	<i>Personal confidential information regarding identity of clients, decision makers and traders will not be explicitly required in order entry messages (see question C1). We will require participants to provide 'short codes' in order entry messages, to be mapped against 'long codes', containing personal information, through a separate and secure web interface called the Member Portal (as noted in C.1.2), with 'short-long codes' mappings to be provided in advance of order entry, or post trade (with some time limit, likely end of day), at clients' choice.</i>
	<b>C.3</b> Will confidential personal client information be encrypted and secured during transit?	<i>See C2.</i>
	<b>C.4</b> Can you confirm that confidential personal client information will not be leveraged for commercial purposes?	<i>Personal client information will be used solely for regulatory purposes.</i>
	<b>C.5</b> What is the format for short codes? Will they be supporting ISINs? If yes, then when will they be available?	<i>Short codes must be unique at the Member level. The format that will be used in the member portal will be a 32 bit integer ((with values 0,1,2,3 being reserved) so customers can use 0000000004 to 4294967295).</i>
	<b>C.6</b> If short codes will not be used, how will this information be provided?"	<i>Short codes will be required for Client ID, Investment Decision ID and Execution ID. All other information will be required in long code per the technical specifications on the LSEDM document library <a href="http://www.lseg.com/derivatives/document-library">http://www.lseg.com/derivatives/document-library</a></i>
	<b>C.7</b> Will members be able to define their own short codes that could be used across multiple venues or will you assign values unique to your venue?	<i>Yes, Members will be able to define their own short codes (subject to the requirements stated in C.5). Members will be responsible for short code vs. long code mapping via the Member Portal.</i>
	<b>C.8 Provision of data from Exchanges to investment firms</b>	
	<b>C.8.1</b> What are your plans for providing market participants with passive/aggressive flags?	<i>This field is already provided back to clients of LSEDM markets (this is field "Liquidity Status" in execution notices via SOLA native protocol SAIL; it is Tag 1057 in FIX protocol).</i>
<b>C.8.2</b> What are your plans for providing market participants with the Waiver ID on executions?	<i>This new field will be provided back to clients in execution reports.</i>	



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	<b>C.8.3</b> Will you identify if the participant's order triggered a circuit breaker in order for firms to meet RTS 6 Article 16(5)?	<i>LSEDM already disseminates information related to a triggered circuit breaker through dedicated messages indicating the change of 'status' in an instrument (this information is available through trading and market data protocols). Where a circuit breaker is triggered in an instrument, the instrument status is automatically set to 'Suspended' (code 'S') and this information is disseminated. At the moment, LSEDM is not planning to change this existing behaviour.</i>
	<b>C.8.4</b> What circuit breakers have you implemented?	<p><i>LSEDM operates the following rules to trigger circuit breakers:</i></p> <ul style="list-style-type: none"> <li>• <i>Trade Price vs. Static Control Price ("Y Validation")</i></li> </ul> <p><i>Prior to effectively executing a trade, the trading system validates its potential execution price. The potential execution price is validated against the Static Control Price plus/minus the percentage defined by the "Y" parameter.</i></p> <p><i>If the potential trade price is outside such interval, then the trade is not executed.</i></p> <p><i>Where the potential trade would be executed during the Opening Phase:</i></p> <ul style="list-style-type: none"> <li>- <i>no trade is executed at the Opening Price;</i></li> <li>- <i>the Instrument Series State is changed to "Reserved";</i></li> </ul> <p><i>Where the potential trade would be executed during regular trading hours:</i></p> <ul style="list-style-type: none"> <li>- <i>the incoming order is rejected;</i></li> <li>- <i>the Instrument is temporarily suspended.</i></li> </ul> <p><i>In both cases, the Instrument Series State returns to its normal behaviour after a period of time defined by market rules.</i></p> <ul style="list-style-type: none"> <li>• <i>Trade Price vs. Last Trade Price ("Z Validation")</i></li> </ul> <p><i>Prior to effectively executing a trade, the trading system validates its potential execution price. The potential execution price is validated against the Dynamic Control Price plus/minus the percentage defined by the "Z" parameter.</i></p> <p><i>If the potential trade price is outside such interval, then:</i></p> <ul style="list-style-type: none"> <li>- <i>the trade is not executed;</i></li> <li>- <i>the incoming order is rejected;</i></li> <li>- <i>the Instrument is temporarily suspended;</i></li> </ul> <p><i>The Instrument returns to its normal behaviour after a period of time defined by market rules.</i></p>
	<b>C.8.5</b> Are you considering altering these or adding new ones	<i>LSEDM is not planning to introduce new circuit breakers in addition to the ones already in place.</i>
	<b>C.8.6</b> How will you support members monitoring DEA or algorithmic orders triggering circuit breakers?	<i>DEA orders will be flagged in order to be identified. Additionally, as set out in C.8.3, LSEDM will communicate the instance of a circuit breaker triggering. LSEDM may directly contact the Member Firm responsible for triggering the circuit breaker (including where this has been triggered by a DEA client).</i>
	<b>C.8.7</b> How are you unbundling your market data products? For instance, to publish independently instrument trading stats and phases (e.g. auction data vs continuous phase data)?	<i>LSEDM will offer additional, more granular disaggregated data products on a commercial basis. In addition, we will provide further bespoke disaggregation on-demand. Disaggregated products will be available to both direct customers and those subscribing through a vendor.</i>



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	<b>C.8.8</b> What MiFID II specific changes are you introducing to your market data feeds - additional static data fields, real-time data fields, format changes, tick sizes?	<i>The message format for SOLA 11 will be modified to support the following fields: Timestamp granularity expressed in UTC, Liquid vs Not Liquid Instruments, Order entry parameters expressed in Notional, Manual acceptance of Bilaterally Negotiated Trades, Post Trade transparency for execution messages, Deferred Publication, Pre-Trade Algo and DEA Flags, Transaction reporting flags, Market Making obligations during 'stressed market conditions', Orders and Trades record keeping and PTV Call/Put management.</i>
	<b>C.8.9</b> Do you plan to include the ISO requirement in your market data?	<i>HSVf will be compliant with the ISO requirement in RTS 2.</i>
<b>C.9</b>	Is there any additional order/trade/control information you expect from participants?	<i>From an order entry perspective, we will also require:</i> <ul style="list-style-type: none"> <li>• <i>An Algo flag: a 'True / False' binary flag to indicate whether the order was inserted in the trading systems using algorithm (the 'Execution ID' short code will have to be mapped to an algorithm 'long' code, when provided)</i></li> <li>• <i>A DEA flag: a 'True / False' binary flag to indicate whether the order was inserted by a DEA client of the market Member / participant</i></li> <li>• <i>A Liquidity provision flag</i></li> </ul> <i>From a control perspective we will ask Members from time to time for information about their control environment. We already run a Member systems and controls questionnaire; this will be augmented to take account of further MiFID II requirements.</i>
<b>C.10</b>	<b>Halting of Algorithms:</b>	
	<b>C.10.1</b> Would you consider supporting the withdrawal or halting of algorithms according to the Algorithm ID sent and if so, how will this work?	<i>There will be no control applied on short code values provided for Execution ID at order entry that could trigger an order rejection.</i>
	<b>C.10.2</b> Would you consider you having a kill switch at the Algorithm ID level and how would it work?	<i>LSEDM will not introduce kill switch functionality at the level of individual algos. However, kill switch functionality will be available at a Trader ID and User ID (logical connectivity) level. Market participants will be able to set up dedicated Trader IDs (or User IDs) to segregate order flow from specific algorithms, if deemed necessary.</i>



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	<b>C.10.3.</b> What are your plans with respect to supported "kill switch" functionality?	<p><i>LSEDM already operates the following functionalities:</i></p> <ul style="list-style-type: none"> <li>• 'Global cancellation' message: allows users to simultaneously cancel all quotes resting in the order book. The Global Cancellation message allows users to specify the Trader ID and the instrument (e.g. FTSE 100 futures, or stock options on a specific underlying, physically settled, European style) where quotes must be cancelled. When a Global Cancellation message is sent to the trading system, quote entry with the specified Traded ID and instrument is NOT suspended;</li> <li>• 'Kill Switch' functionality under the PTVS service, allows users to cancel all resting orders and quotes submitted by an individual Trader ID or market member / participant, at the same time preventing submission of new orders and quotes. LSEDM is planning to extend the Kill Switch functionality to all users. In order to control its usage within the member firm, the message to trigger the Kill Switch functionality will be available on a dedicated logical connectivity, separated by normal order entry functionalities.</li> </ul>
<b>C.11</b>	What are the procedures on how kill functionality will be invoked?	<i>See answer to C.10.3. In addition, direct calls may be made to Market Supervision by Member Firms. Market Supervision will only take such request from Registered Persons.</i>
<b>C.12</b>	<b>Tick sizes:</b>	
	<b>C.12.1</b> How much notice will firms be given prior to the application of new tick size changes?	<i>The MiFID II tick size regime isn't relevant to derivatives, so LSEDM is not planning to amend its existing ticks; any future plans to do so would be on a case-by-case basis.</i>
	<b>C.12.2</b> How much notice will firms be given prior to the application of new tick size changes?	<i>See C12.1</i>
	<b>C.12.3</b> How much notice will firms be given prior to the application of new tick size changes?	<i>See C12.1</i>
<b>C.13</b>	Do you intend to inform members of the pre-trade transparency waivers available per instrument on each given trading day and whether the use of any particular waivers has changed compared to the previous day?	<i>No - for LSEDM we are planning to retain the existing nomenclature as much as possible. For example, "Block Trades" will remain; the minimum threshold will either be the EU minimum (or higher where deemed appropriate), or as low as 1 lot on illiquid products. For package transactions, we are looking to simplify the very complex requirements into an easy-to-understand guide of rules and minimum thresholds.</i>
	<b>C.13.1.</b> What will be the procedure for availing of a PTT waiver on a negotiated trade?	<i>See above - Members will need to meet the block/package minimum on each trade (and legs where relevant).</i>
	<b>C.13.2.</b> Will you provide a GUI interface to allow individual trades using a PTT waiver to be "reported" to you (since they cannot be reported to an APA)?	<i>The Trade Reporting of Bilaterally Negotiated Trades will not change with MiFID II. As now, Trade Reporting will take place either via direct entry by the Member into the SOLA platform using available functionalities or through a manual process using pre-defined templates.</i>
	<b>C.13.3.</b> Do you need to be a member of your venue to avail of your PTT waivers?	<i>No. Members and non-Members can benefit from the waivers - this is because the waivers will in effect be integrated into the block minimums and ancillary rules. However Members are required to comply with other Bilaterally Negotiated Trade rules (as specified in Chapter 5 of the LSEDM rulebook).</i>



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	<p><b>C.14</b> What are your plans with regard to formalising and making public the instruments traded on your venue(s) (particularly with regard to explicitly identifying the admission of multi-listed instruments from non-EEA markets)? Where the admission/listing of such instruments will drive participant and investor obligations in respect of the Trading Obligation and trade/transaction reporting.</p>	<p><i>LSEDM is already disseminating, before start of the trading day, reference data messages for any instrument available for trading on the matching engine. In addition, LSEDM is evaluating the possibility of publishing reference data files submitted to ESMA's FIRDS system through their own website. Availability and details on this new service will be provided in due course.</i></p>
	<p><b>C.14.1</b> Will you rely purely on RTS 23/FIRD notification, or will you publish lists of instruments in a publicly available place?</p>	<p><i>See C.14</i></p>
	<p><b>C.15</b> How will you assign ISINs? Will all ISINs for known products/months be assigned at the point of creation?</p>	<p><i>ISIN codes are automatically assigned to newly created instruments by the trading system, including intraday instrument creation.</i></p>
	<p><b>C.15.1.</b> How will intraday products creation get an ISIN?</p>	<p><i>See C.15</i></p>
	<p><b>C.16</b> How do you propose to collect personal information in relation to investment decision and execution decision makers and LEI?</p>	<p><i>This information will be entered into secure web interface called the Member Portal, with 'short to long code' mappings to be provided in advance of order entry, or post trade (with some time limit, likely end of day), at clients' choice.</i></p>
	<p><b>C.17</b> How will you provide information on your business continuity plan and arrangements in relation to your trading systems?</p>	<p><i>Business continuity plans are already established and in place. We will hold Alternative Site Recovery tests annually with customers and communicate these via market notices and expect full participation.</i></p>
<b>Algorithms and Algorithmic Testing</b>	<p><b>D.1</b> How are members to certify that the algorithms they deploy have been tested to avoid contributing to or creating disorderly trading conditions?</p>	<p><i>Members will be required to confirm that their algorithms have been properly tested and state the means of testing. This confirmation will be provided via a Member Portal. There are no plans to prevent orders generated by new algorithms; rather, the LSEDM rules will stipulate that the entry of an order with an algo ID will be taken as confirmation that such algorithm has been tested. However an end of day process will capture discrepancies vis-a-vis notifications in the Member Portal, and clients will be notified of any outstanding self-certification issues. Further guidance will be provided on this process in due course.</i></p>
	<p><b>D.2</b> How are members to explain the means used for that testing?</p>	<p><i>See D.1</i></p>
	<p><b>D.3</b> Do you permit new Algorithm IDs to be used prior to being self-certified?</p>	<p><i>See D.1</i></p>
	<p><b>D.3.1</b> What will be the grace period for retrospective self-certification?</p>	<p><i>See D.1</i></p>
	<p><b>D.4 Testing Environments</b></p>	
	<p><b>D.4.1</b> What are your plans for supporting test instruments on the market? Will you provide test symbols in the live market?</p>	<p><i>Test instruments are supported in our Customer Development Service. Additionally, a CDS legacy environment is planned for launch during Q1 2018 to ensure at least one of our test environments is always aligned with the current production release.</i></p>
	<p><b>D.4.2</b> Do you plan any enhancements to your existing testing environment and how will these work?</p>	<p><i>See D.4.1</i></p>



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	<b>D.5</b> Many members may use third party vendors for market data. How will testing of market data consumption be tested in regards to algorithmic trading?	<i>There is no certification process for consumption of market data: it is the customer's responsibility to ensure the data is received correctly. Testing for our market data feed (HSVF) remains unchanged and is focused on the software's ability to re-request data. There are no specific tests for algorithmic trading for market data.</i>
	<b>D.6</b> <b>Trading venues' capacity and stress testing</b>	
	<b>D.6.1</b> Will testing environments mirror production to enable high volume stress testing?	<i>Our testing environments are designed for functional rather than volume testing. We are interested in client feedback in making an environment available for high volume testing.</i>
	<b>D.6.2</b> Will you be providing a test system to facilitate your own and investment firms stress testing requirements?	<i>See D.6.1</i>
	<b>D.6.3</b> How often will the stress testing cycle occur? (Available daily? Repeated every hour?)	<i>See D.6.1</i>
	<b>D.6.4</b> Will there be any auto order generators or other tools deployed, if so how will they operate?	<i>An automatic liquidity generator is currently not available in the CDS environments. Liquidity can be added manually by the Market Access team to assist customer testing. The introduction of an automated generator of liquidity in predefined instruments on a daily basis is under analysis. Further details will be provided in due course.</i>
	<b>D.7</b> How will maximum order value checks work, will these be security specific or generic?	<i>For LSEDM, thresholds related to exchange level pre-trade checks can be defined at the level of each instrument group (e.g. physically settled, American-style stock options on a specific underlying). We are also planning to define "maximum order volume threshold" at a less granular level e.g. stock options on any underlying, irrespective of settlement and exercise style.</i>
	<b>D.8</b> What post trade checks, if any, will you implement?	<i>LSEDM is planning to execute an extensive set of pre-trade checks, so that no post-trade check on executed trades will be introduced (beyond the extensive market abuse / market orderliness checks already performed). Any executed trade will be immediately sent to the respective clearing house and will be cleared according to the agreements in place between the trading venue and the clearing house. Please note that such agreements are fully compliant with the definitions under article 2(1) of RTS 26, so that LSEDM is not mandated to introduce pre-trade checks by clearing members. Additionally, whilst LSEDM operates under an "open offer" clearing arrangement with LCH, LCH also applies its own risk checks prior to the Contract being recorded into a clearing account.</i>
<b>DEA Impacts</b>	<b>E.1</b> What information regarding trading controls and organisation will you require from members in relation to sponsored access and how will you provide real time alerts?	<i>LSEDM does not currently offer sponsored access and is not planning to do so at this stage</i>
	<b>E.2</b> Will you be making any changes to drop copy feed formats?	<i>We offer SAIL and FIX drop copy on LSEDM – the execution reports returned on drop copy will be updated in line with execution report changes. Details can be found in the technical specifications</i>



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	<p><b>E.3</b> Will you include in your rules reference to the regulatory status of members, DEA clients and HFT (particularly those which are third-country firms)?</p>	<p><i>There will be a general reference to the regulatory status of a Member under the eligibility for membership in line with article 53 of MiFID i.e. Members must be either MiFID firms, credit institutions, or other firms that are deemed suitable per a list of suitable criteria (experience, competence, resources, etc.). Whilst LSEDM would inquire as to the regulated status of any entity applying for Membership, we are not specifically requiring Members to be regulated as such. Nor are we requiring that non-Members be regulated - that is a matter for the end client and the due diligence assessments of the Member Firm.</i></p>
	<p><b>E.4</b> Under what circumstances will you offer DEA (if at all)?</p>	<p><i>LSEDM will continue to offer DMA and SA will not be offered.</i></p>
<b>Order to Trade Ratio/Market Making</b>	<p><b>F.1</b> What are your plans for collecting regulatory data pertaining to liquidity provision flags?</p>	<p><i>On LSEDM, dedicated Trader IDs will be configured to segregate the order flow submitted to the trading venue under a liquidity provision agreement. Please note that this approach is already in place with respect to double-sided quotes. The same approach will be extended to single-sided orders. The 'Liquidity provision' flag required as Field 8 in the Annex to RTS 24 will be internally generated and attributed exclusively to orders / quotes submitted through one of these dedicated Trader IDs. Please note that a 'Liquidity provision' flag will be added to order entry messages in native protocols for consistency with FIX messaging, but such flag will not be considered for the purposes of order record keeping requirements in RTS 24. Also, it should not be considered for the order record keeping requirement for investment firms in RTS 6. The correct information to populate Field 3 of Annex II, Table 3 of RTS 6 can be derived from the naming convention of the used Trader ID, that is reported back to clients in order acks and execution notices.</i></p>
	<p><b>F.2</b> How will you monitor compliance with the market making measures? Will this monitoring also include alerting for when market making levels are being approached? If so, how will you inform members of a need to register as a Market Maker?</p>	<p><i>LSEDM is not required to monitor the trading activity of market participant to verify whether they are obliged to sign a market making agreement according to the provisions of Art. 1 and 2 of RTS 8. Accordingly LSEDM is not planning to introduce controls or to inform market participants where they are pursuing a 'market making strategy' according to the definitions of Art. 1 of RTS 8.</i></p>
	<p><b>F.2.1</b> Can non-members be market makers? What happens if a member's DEAL flow is, a swap hedge flow, (AOTC flow)? Will there be any other liquidity provider arrangements and to whom will they be available?</p>	<p><i>Generally, no, non-Members cannot be market makers. However, under certain circumstances in certain markets LSEDM may permit members to delegate the market making obligations to another person/firm; however, importantly it is the member that will be party to the market making agreement. LSEDM plans to offer Market Making schemes as required by the regulation and may also offer supplementary market making programmes. Members will be notified of the schemes and programmes in due course.</i></p>
	<p><b>F.2.2</b> Will the market making criteria assessment be done at an entity level? If so, will you look at market making activity for an instrument across the entity or will you look only at activity that is flagged as market making thereby allowing a firm to execute both market making and non-market making activity in the same instrument dependent on trader/algorithm?</p>	<p><i>LSEDM will monitor market makers that have entered into a market making agreement purely on the trading activity from TraderIDs specifically identified to the exchange as dedicated to market making activity.</i></p>





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	<b>F.2.3</b> Do you consider a firm to be in breach of MiFID II if it doesn't meet its minimum market making requirements on any single day? If so, will there be a change to the existing monthly calculations of whether a firm is meeting or failing its market maker obligations?	<i>LSEDM will monitor MiFID II market makers on the basis of their monthly activity.</i>
	<b>F.2.4</b> How should mass quote messages be handled in terms of the max message send rate pre-trade control as required under RTS 6 Article 15(1)(d) and that OTR calculation in RTS 9? That is, does a mass quote message count as one message or should each quote within the mass quote be counted separately?	<i>Each single price contained in bulk quote messages will be counted as '1', according to RTS 9 definitions.</i>
	<b>F.2.5</b> If a market maker publishes more than one quote bracket per product how should it be flagged?	<i>See answer to F.1</i>
<b>F.3</b>	What are your plans for implementing OTR controls?	<i>LSEDM will define a maximum acceptable OTR, with different max values for market makers and liquidity providers. In addition, LSEDM will consider the calculated OTR as 'non-significant' in the event the total number of 'orders' (numerator of the ratio) is below a pre-specified absolute value, or in case the number of trades (denominator of the ratio) is below a pre-specified, absolute value.</i>
	<b>F.3.1</b> At what level will you set these and how will you apply the controls?	<i>Max OTR levels / thresholds will be communicated in due course. Internal controls on the effective OTR levels for any participant and instrument will be executed on a daily basis.</i>
	<b>F.3.2</b> Will OTR be applied at a trader, session or membership level?	<i>OTR will be calculated at a membership / instrument level, as required by article 1 of RTS 9. For derivatives, the definition of 'instrument' will refer to any individual derivatives series configured in the trading system e.g. at ISIN level (such as a derivative contract with a specified expiry and strike price, on a physically settled, American style stock option on a specific underlying).</i>
	<b>F.3.3</b> What tools/MIS will you produce for members to monitor OTRs and will you plan for daily as well as monthly reports?	<i>No formal tools are planned. Members should be able to count their own order actions and executions accordingly.</i>
	<b>F.3.4</b> What obligations will you put on members (if any) to monitor the OTR?	<i>No obligations are planned at this time.</i>
	<b>F.3.5</b> Do you have any access linked to OTR that would block trading or prevent access to the market?	<i>No, LSEDM is not planning to insert controls of this kind.</i>
	<b>F.3.6</b> Will the OTR calculation include a higher floor for market makers?	<i>See answer to F.3</i>
	<b>F.3.7</b> How will mass quote and mass cancel messages be handled in OTR counts and in the max message send rate of RTS 6 Article 15(1)(d)?	<i>Cancellation messages relating to Kill functionality will not be included in the calculation of OTR as described in RTS 9. Each single price contained in bulk quote messages will be counted as '1', according to RTS 9 definitions.</i>
	<b>F.3.8</b> Will you notify firms when they are approaching OTR limits?	<i>Yes, we reserve the right to contact firms where they breach our defined OTR limits.</i>



## FIA MiFID II Exchange Readiness Questionnaire

**Note: The Responses to this questionnaire have been answered with reference to the London Stock Exchange Derivatives Market ("LSEDM") only.**

Content	Questions	Exchange
<b>High Frequency Trading</b>	<b>G.1</b> Will you define where a member is using infrastructure intended to minimize network and other types of latencies, and what level will this definition be at (i.e. member, connection etc.)?	<i>No, the LSEDM rulebook will not set this kind of definition.</i>
	<b>G.2</b> Will you monitor firms for use of HFT trading technique? <i>This will help firms to assess HFT status.</i>	<i>No, LSEDM will not monitor firms for use of HFT trading technique.</i>
	<b>G.3</b> What are your plans for providing monthly estimates of the average messages per second taking into account the preceding 12 months?	<i>We will provide the required data on request, as per MiFIR / MiFID II obligation for trading venues.</i>
	<b>G.4</b> How will you monitor prop trading?	<i>We are not specifically planning any new form of control over trading activity of prop firms, in addition to existing controls on the overall trading activity of market participants.</i>
<b>Exchange GUI</b>	<b>H.1</b> What enhancements will need be made to the Drop Copy Service?	<i>We offer SAIL and FIX drop copy on LSEDM – the execution reports returned on drop copy will be updated in line with execution report changes. Details can be found in the technical specifications</i>
	<b>H.2</b> How are you planning to populate short codes onto the exchange?	<i>Short codes must be provided by participants at order entry.</i>
<b>Conformance Testing</b>	<b>I.1</b> What are your expected procedures for conformance testing?	<i>Our conformance testing policy is remaining as it is today. A guide of what's required today for conformance can be found here: <a href="http://www.londonstockexchange.com/products-and-services/technical-library/customer/customer-testing-services.htm">http://www.londonstockexchange.com/products-and-services/technical-library/customer/customer-testing-services.htm</a>. Customers will be required to test the functionalities their software supports. Once all required tests are completed, the customer will send the completed Certification Testing form to the Market Access team highlighting the tests completed and associated Order information. The Market Access team will verify the test results by looking at the message logs. Once verified the Market Access team will send a completed certification test report confirming the pass or failure of the test. If a test is deemed to be failed, the customer will be required to recertify before using the software in production.</i>
	<b>I.2</b> What is the expected frequency of when you will request conformance testing be performed?	<i>Customers will be required to perform a certification test in the following circumstances:</i> <ul style="list-style-type: none"> <li>• <i>Prior to use of a new application on the live environment;</i></li> <li>• <i>Where the customer modifies the software in any way that directly impacts any LSEDM interfaces. This includes but is not limited to Gateways, Order Management, Execution Management and Quote Management software;</i></li> <li>• <i>LSEDM upgrades its production environment to a later version of software;</i></li> <li>• <i>The customer is requested to re-certify their application by LSEDM;</i></li> </ul> <i>If a certification test has not been performed by the customer during a calendar year because any of the previous circumstances did not occur, the customer will be asked to self-certify by email that no changes have been made to their application since the last certification test.</i>
	<b>I.3</b> Will you provide results from conformance testing? How will this be provided?	<i>LSEDM will provide customers with a certification test report which details the tests taken and the results of each test case (either pass or fail). The test report is provided via email to the testing contact at the firm. The contact will then need to confirm the results of the test are in line with their expectations via email to Market Access.</i>



## FIA MiFID II Exchange Readiness Questionnaire

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Content	Questions	Exchange
	<b>I.4</b> What is your expectation of when a member should invoke conformance testing as required under RTS 6 Article 6(1) (a)? For example, would your expectation be that members only perform conformance testing prior to the deployment of a material change to the member's interface with the venue?	<i>Correct – any material change affecting your interface with us should be conformed.</i>
	<b>I.5.</b> How will member-invoked conformance testing be supported will these procedures differ from those of venue-invoked conformance testing?	<i>Our Market Access team operate the conformance test and are reactive and proactive in approach. If Members have a conformance requirement due to internal amendments or upgrades, Members can email <a href="mailto:marketaccess@lseg.com">marketaccess@lseg.com</a> to arrange the conformance test.</i>