

IDEM

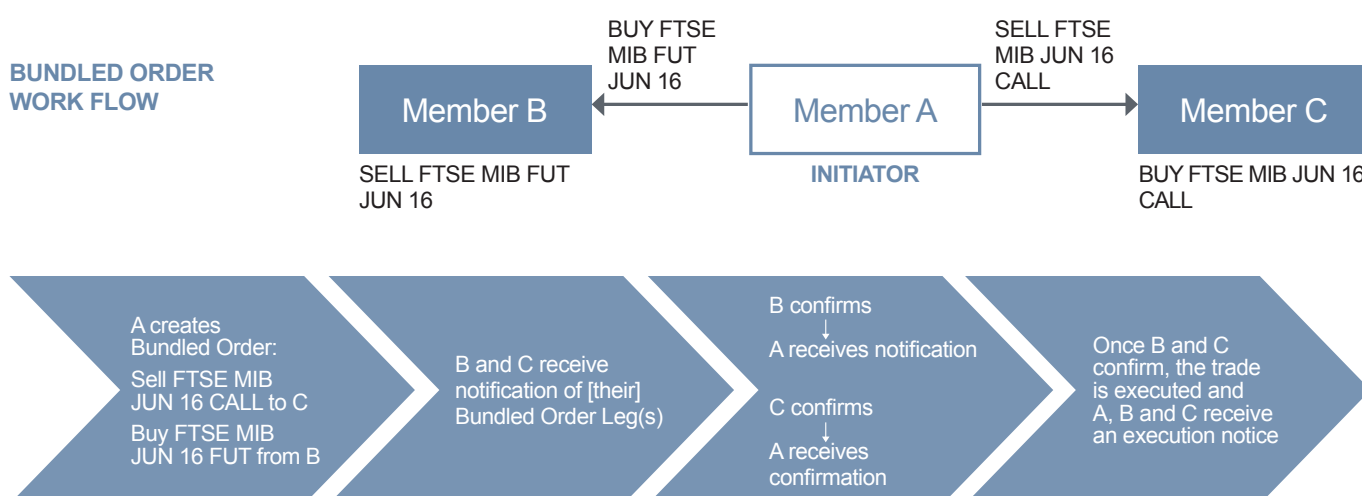
SOLA[®] Trading Functionalities

Extension of FLEXCOs up to 4 legs

Ability to get executed against strategy orders or against liquidity in the order book of each leg of the strategy. A unique price for the strategy must be inserted. The system creates implied orders allowing to maximize the probability of execution against the single legs' order books.

Bundled orders

- Grouped multiple committed/cross orders with simultaneous execution
- Up to 4 legs, specifying the price for each leg
- The legs of the bundle order have one “initiator” counterparty, and can be sent to the same or different counterparties for the same or different financial instruments
- Each counterparty to approve its leg against initiator counterparty before trade is processed



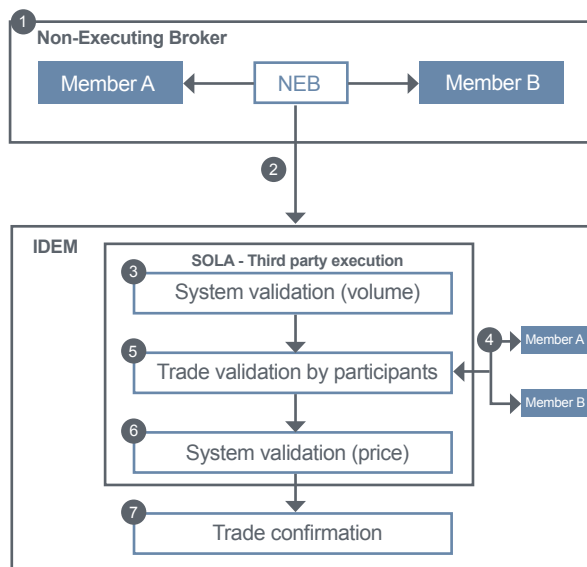
Third party order entry by Non-Executing Brokers

Non-Executing Broker (NEB): arranges block trades between two or more counterparties (not including itself); functionality to electronically initiate the execution process.

- Only members registered in the capacity of Non-Executing Brokers will be allowed to enter proposals through this facility
 - up to 4 legs
- Proposal entered by a NEB are subject to the general IDEM Equity rules for cross/block trades with regards, for example, to price and quantity validation
- NEB membership cost is waived until the end of 2016

NEB role

- 1 NEB negotiates a trade bilaterally between A and B
- 2 NEB enters proposals for execution of cross orders between A and B via SOLA® Third party execution functionality



IDEM – SOLA® Third-party functionality

- 3 SOLA validates the proposed order (price and quantity control checks)
- 4 Order details are sent to IDEM members (A and B) for acceptance
- 5 Messages are sent to the NEB for each acceptance/rejection
- 6 Once all participants accept, SOLA performs price and quantity validation checks
- 7 Trade is executed between A and B and sent to CCP (execution messages are sent back to NEB, A and B)

Self Execution Prevention

- Optional functionality available to market participants
- Allows to define sets of Trader ID Groups (composed by one or more Trader IDs) whose orders cannot cross each other (independently from order capacity)
- Possible actions:
 - Cancel Incoming Order (CIO): leaves the resting order while expiring the incoming order
 - Cancel Resting Order (CRO): expires the resting order while allowing the incoming order to aggress (and rest in the book if it is not matched)
 - Cancel Both Orders (CBO), expires both the resting order and the aggressing order
 - Reduce and Cancel (RC): cancels both orders if they are of the same size. For those not of the same size, the smallest order will be cancelled and the larger order will be reduced by the size of the smaller order
- Each Trader ID can belong to a single SEP group only
- The behavior of the SEP will be determined by the action defined for the incoming order.

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