

**The Investment Association
Association for Financial Markets in Europe**

**Electronic Trading Equities Questionnaire
Working Group
EEA Equities Electronic Order Handling Questionnaire**

Preamble:

- This Equities Electronic Order Handling Questionnaire ('Questionnaire') has been created through the collaborative effort of the members of The Investment Association (IA) and the Association for Financial Markets in Europe (AFME) ('Associations').
- The purpose of the Questionnaire is to establish a common, non-exhaustive, framework for the request for information from clients to their electronic trading service providers.
- The scope of the Questionnaire is limited to equity/equity-like European Economic Area ('EEA') securities which are traded through a firm based in the EEA that is a regulated firm under the Markets in Financial Instruments Directive 2014/65 EU (MiFID) and associated national laws, unless otherwise specified.
- The responses refer to the securities mentioned above which are traded through electronic trading systems only.
- The information provided in response to this questionnaire is strictly confidential and for the benefit of the recipient firm and its affiliates only.
- The responses to these questions are valid for professional clients, unless otherwise specified in the specific response.
- The information is valid at the point in time when it is provided.

- The liability regime for the Questionnaire is established by the Disclaimer included in Annex II, which is provided by the responding electronic trading service provider. Neither Association makes any representation or warranty, express or implied, in relation to the Questionnaire, including without limitation as to its suitability, completeness or fitness for purpose. Under no circumstances shall either of the Associations be liable for any loss or damage, whether direct or indirect, arising out of or in connection with the use of this Questionnaire.

AFME: represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia.

AFME is listed on the EU Register of Interest Representatives, registration number: 65110063986-76.

The Investment Association: represents investment managers. It has over 240 members who manage more than GBP 6.9 trillion for clients around the world, helping them to achieve their financial goals. Its aim is to make investment better for clients, companies and the economy so that everyone prospers.

The Investment Association is listed on the EU Register of Interest Representatives, registration number: 5437826103-53.

QUESTIONNAIRE:

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A. General:

1. Please list all countries that are covered by the responses to the Questionnaire.
2. Are client orders advertised on the day of trading? (Y/N)
3. If client orders are advertised on the day of trading, please explain the procedures around this?
4. In relation to how the firm's orders are advertised please answer Q.1 of Annex 1.
5. Are client trades advertised on the day of trading? (Y/N)
6. If client trades are advertised on the day of trading, please explain the procedures around this?
7. In relation to how the firm's trades are advertised please answer Q.2 of Annex 1.
8. Do you operate tiering in determining which clients see which IOIs? (Y/N)
9. If you operate tiering in determining which clients see which IOIs, please answer Q.3 of Annex 1.

B. Best Execution and Venue Selection:

10. Please provide a summary of your best execution policy and any further detail about how you deliver best execution.

11. Do you have an in-house algorithmic trading solution, or do you utilise (white label) third-party products?
12. If you utilise third party products please describe which ones and how they are used?
13. Is your Smart Order Router (SOR) developed in-house? (Y/N)
14. If your SOR is not developed in-house, please explain what customisation you have over its behaviour logic?
15. Please provide a categorised list of all execution venues (RMs, MTFs, SIs, market makers, other liquidity providers) that your algorithmic strategies and/or SOR currently access.
16. List all the execution venues you access where you are not a member and access via a third party or via affiliates.
17. Please explain how your SOR controls the timing of child orders when sending orders to multiple venues.
18. Describe how you monitor that your SOR delivers best execution.
19. Please describe some of the factors you consider when evaluating the likelihood of execution on a venue when choosing which venue to route orders to.
20. Please describe how your SOR routes orders (including but not limited to timing, sequencing and price reversion).
21. Specify how your SOR accesses internal and external sources of liquidity, and if you preference any source.
22. Do you delegate any routing decisions to third parties?
23. Do you route orders to Systematic Internalisers (SIs) and will this be house or client flow?
24. If you intend to connect to SIs, under what circumstances might orders be routed to external SI liquidity?
25. Do you intend to connect to SIs, which you do not currently route to, by end of Q2 2018?
26. To what extent will clients be able to control onward routing to SIs by both your algo and SOR?
27. Does your firm internally match two cash orders?

28. Do you provide industry standard values for tag 29, 30 and 851 for each child order execution and if not please explain why? (Y/N)
29. If not, please explain why not?
30. Post the implementation of MiFID II, which new FIX tags will you offer or require from your clients and please confirm which ones are currently sent back to our Firm?
31. If you trade with another firm's SI do you provide that MIC Code in Tag 30 rather than the generic XOFF?
32. If you do not use MIC codes please explain why and provide a list of codes used.
33. Which of the venues you access aggregate orders to fulfil minimum quantity.
34. If you access venues which may aggregate competing orders to fulfil minimum quantity, what impact might this have on your order routing decisions?
35. Do clients have the option to opt out of the functionality described in Question 33, or to opt-out of the firm aggregating their orders their orders to fulfil minimum quantity?
36. If clients have the option of opting out of the functionality of aggregating orders to fulfil minimum quantity, please answer Q.4 of Annex relating to how the firm is treated.
37. Does any venue you access receive or transmit order information to other destinations or participants via liquidity indications or IOIs?
38. Please describe your minimum fill size criteria – is there a default?
39. Are your minimum fill size criteria dynamic per venue?
40. Are minimum fill size criteria customisable per client request?
41. If minimum fill size criteria are customisable per client request, please answer Q.5 of Annex 1 in relation to how our firm is treated.
42. Are there venues you connect to but where your firm either do not post or do not take liquidity?
43. Please explain the process for enabling or disabling connectivity to a venue.
44. Please explain how frequently connectivity to venues is enabled or disabled from the list of venues your firm trades on.

45. At what point would your client be notified of a venue being switched on or off? In relation to how the firm is notified, please answer Q.6 of Annex 1.
46. Can venues be switched on or off per individual client request?
47. If you neither add nor remove venues, please explain why.
48. Is your SOR contingent on primary market availability?
49. Have you ceased trading on a venue for a period of greater than 1 month in response to execution quality concerns in the last 5 years?
50. If you have ceased trading on a venue on a temporary or permanent basis in response to execution quality concerns in the last 5 years, please explain why.
51. Do you in any way preference one venue over another?
52. If you in any way preference one venue over another, please explain why.
53. Do you have any ownership stakes or interests in trading venues which may cause a conflict with your routing practices and decisions.
54. How do you monitor latency of order routing and market data connectivity to exchanges?
55. Please explain how latency of order routing and market data connectivity to exchanges impact routing?
56. How do you ensure prompt processing of incoming electronically transmitted orders received by your desks?
57. Please describe how you regularly maintain analysis of client "tiers" and how often changes are made.
58. Do you place any restrictions or caps on the percentage of your client flow that is eligible for routing to a particular venue?
59. If you place any restrictions or caps on the percentage of your client flow that is eligible for routing to a particular venue, what are the determining factors for those restrictions or caps?

C. Algorithmic Trading:

60. List all the algorithmic strategies currently available to the client, including material drivers, and briefly describe their purpose. Please attach brochure/provide link.
61. Do your algorithmic strategies reference primary or consolidated volume data?

62. How do you calculate consolidated volume data? What do you include and exclude?
63. Do you offer trading algorithm customisation? (Y/N)
64. Do high-touch traders use the same trading algorithms listed under Question 60 when executing client orders? (Y/N)
65. If your high-touch traders do not use the same trading algorithms listed under Question 60 when executing client orders, please elaborate the differences.
66. Without client customisation request, do any of your algorithms in any way behave differently based on commission rates or the client? (Y/N)
67. Within algorithmic trading do you offer different speeds to market depending on the client type, commission paid or volume traded? (Y/N)
68. If yes, please explain.
69. Please describe the inbuilt controls that would protect the client from external negative events (flash crash, fat-fingers by 3rd parties etc.) and how these differ between strategies/material drivers (internal negative events covered in risk & controls)
70. Does your firm support inbound and outbound conditional order types? (Y/N)
71. If your firm supports inbound and outbound conditional order types, in what circumstances are they used?
72. Explain the process for maintaining and improving an algorithmic strategy or SOR's performance, including how regularly you make changes to the variables/factors driving the algorithmic strategy?
73. Explain the process for communicating material changes of variables / factors driving the algorithmic strategy / SOR to clients. In which circumstances would you communicate changes?

D. Liquidity Sources:

74. Do you operate an MTF? (Y/N) (If not, please go to Q. 83)
75. How does your MTF measure the best bid/offer and any other reference price or benchmark?
76. Please describe the governance framework for monitoring your MTF.
77. Can your clients collocate close to your MTF?

- 78. If a client can collocate close to your MTF, what are the advantages?
- 79. Please list all order types used on your MTF?
- 80. How does your MTF's minimum order size functionality work?
- 81. Are you able to apply restrictions to the trading of a participant in your MTF as a result of execution quality concerns? (Y/N)
- 82. If yes, please explain how?

For firms registered as/connecting to SIs (other firms please move to Section E):

- 83. What is your SI's quoting policy for price and size?
- 84. If you operate an SI, how do you manage any conflicts of interest in relation to your SI?
- 85. What information (e.g. including but not limited to client name, side, size, price, instrument, limit) do you disclose to your SI?
- 86. Is this information made available to clients? (Y/N)
- 87. Do you monitor and disclose fill, firm up and/or hit rates internally and/or externally?
- 88. If you do monitor and disclose fill, firm up and/or hit rates internally and/or externally, please answer Q.7 of Annex 1.
- 89. Do you provide customised tags alongside the MIC code in Tag 30 to identify the type of liquidity our client orders have interacted with?

E. Transaction Cost Analysis / Post-trade Analysis:

- 90. Do you have capability to offer TCA? (Y/N)
- 91. Can TCA be provided in real time? (Y/N)
- 92. Do you provide post-trade analysis detailing the venues you have traded with? (Y/N)
- 93. If you do not provide post-trade analysis detailing the venues you have traded with, please explain why not?

F. Client Confidentiality:

94. Which part of the firm is tasked with monitoring the electronic order flow?
95. Do you execute orders with any affiliates? If yes, what additional controls do you have in place to ensure conflicts are managed?
96. What information (e.g. including but not limited to client name, side, size, price, instrument, limit) do you disclose to external SIs?
97. Please describe what controls, processes and procedures are in place to ensure client anonymity?
98. Which departments of your firm have the ability to see orders (and related execution information) traded via the electronic trading channel?
99. Can any other desks see client execution order flow which is not routed to that desk for execution? (Y/N)
100. If other desks see client execution order flow which is not routed to that desk for execution, what can they see and what is the rationale?
101. Are there any controls in place to restrict cash traders acting/trading on client order flow? (Y/N)
102. If there are no controls in place to restrict cash traders acting/trading on client order flow, how is this policed?
103. How is permission monitored to ensure that when an employee changes their role within your firm, their privileges are reviewed as well?
104. If someone leaves the department are all their system permissions automatically removed? (Y/N)
105. Are Client ID's internally abbreviated or coded for anonymity? (Y/N)
106. If Client ID's are internally abbreviated or coded for anonymity, please answer Q.6 of Annex 1.
107. Is any of your clients' information accessible to parts of your operations based outside the EEA?
108. What is your firm's approach to communicating internally and/or externally, aggregated information about client electronic orders and trading activity intra-day, whether via reports or via data feeds?

109. How does your firm determine which subset of clients or internal desks/individuals receive this data?

G. Risks and Controls:

110. Please describe the team structure for electronic trading including roles and responsibilities.
111. Please specify who is our firm's primary contact for algorithmic trading should we need to contact them (name, phone number and email address).
112. What standard hard reject checks do you carry out on client orders?
113. What standard soft hold checks do you carry out on client orders?
114. If any standard soft hold checks are carried out on client orders, please answer Q.9 of Annex 1.
115. Please describe the fair value mechanics built into your algorithmic strategies/SOR?

ANNEXES

ANNEX I – Client Specific Questions

The information included in this Annex is related to the trading activity of the specific client

1. Further to Q.4, Section A, please explain how our firm's orders are advertised on the day of trading.
2. Further to Q.7, Section A, please explain how our firm's trades are advertised on the day of trading.
3. Further to Q.9 of Section A, if you operate tiering in determining which clients see which IOI's, please confirm which tier is our firm currently residing in?
4. Further to Q.36 of Section B, if clients have the option of opting out of functionality of aggregating orders to fulfil minimum quantity, please confirm how our firm is treated.
5. Further to Q.41 of Section B, if minimum fill size criteria are customisable per client request, please confirm how our firm is set up.
6. Further to Q.45 of Section B, if your firm switches off an existing venue or starts routing to a new one, how will our firm be informed?
7. Further to Q.86 of Section D, if your firm operates an SI and monitors, fill, firm-up and/or hit ratios, please confirm whether this information is provided to our firm, how and at what frequency.
8. Further to Q.104 of Section F, if Client ID's are internally abbreviated or coded for anonymity, please confirm how our firm's name appears in your systems?
9. Further to Q. 114 of Section F, please list any soft hold checks you have applied to our order flow.

ANNEX II – Disclaimer

Electronic Trading Service Provider's specific disclaimer to be inserted here.

ANNEX III – Abbreviations

Abbreviation	Explanation
AFME	The Association for Financial Markets in Europe
EEA	European Economic Area
FIX	Financial Information eXchange Protocol
IA	The Investment Association
IOI	Indication of Interest
MIC Code	Market Identifier Code
MiFID II	Markets in Financial Instruments Directive II
MTF	Multi-Lateral Trading Facility
RM	Regulated Market
SI	Systematic Internaliser
SOR	Smart Order Router
TCA	Transaction Cost Analysis
XOFF	Venue identification code used to indicate a transaction is made off venue