



FWB FRANKFURTER  
WERTPAPIERBÖRSE

# Order-Transaction Ratio (OTR)

Methodology and parameter

January 2020



# Overview

|                                |   |
|--------------------------------|---|
| <p><b>Legal basis</b></p>      | <ul style="list-style-type: none"> <li>▪ Directive 2014/65/EU*, Article 48 (6), (12 b) and the related Commission Delegated Regulation (EU) 2017/566</li> </ul>   |
| <p><b>Legal framework</b></p>  | <ul style="list-style-type: none"> <li>▪ Trading venues shall calculate the ratio of unexecuted orders to transactions (OTR) effectively entered into the trading system by each investment firm ( ) at the level of each financial instrument in the following two ways:             <ul style="list-style-type: none"> <li>▪ in terms of volume: inserted and executed volume</li> <li>▪ in terms of numbers: amount of inserted orders and transactions</li> </ul> </li> <li>▪ The OTR shall be deemed to be exceeded if at least one of the two ratios exceeds the maximum ratios set by the trading venue</li> </ul> |
| <p><b>Objective</b></p>        | <ul style="list-style-type: none"> <li>▪ Mitigation of risks of disorderly trading on exchanges and MTFs</li> </ul>   |
| <p><b>Scope</b><br/>(I/II)</p> | <ul style="list-style-type: none"> <li>▪ OTRs are calculated per investment firm, aggregating all related members.</li> <li>▪ The concept considers all instruments and participants on the markets Xetra, Börse Frankfurt and Börse Frankfurt Zertifikate</li> <li>▪ OTR parameters are set per market and per segment</li> <li>▪ Higher limits apply for market makers, designated sponsors and specialists</li> <li>▪ Indicative Quotes are exempt</li> </ul>  |

\* Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014

\*\* Commission Delegated Regulation (EU) 2017/566 of 18 May 2016

# Overview

## Scope (II/II)

- Compliance with OTR provisions needs to be achieved per day and per instrument
- Trading Surveillance Office (TSO) monitors member's compliance with OTR and reports violations to the Management Board of the FWB

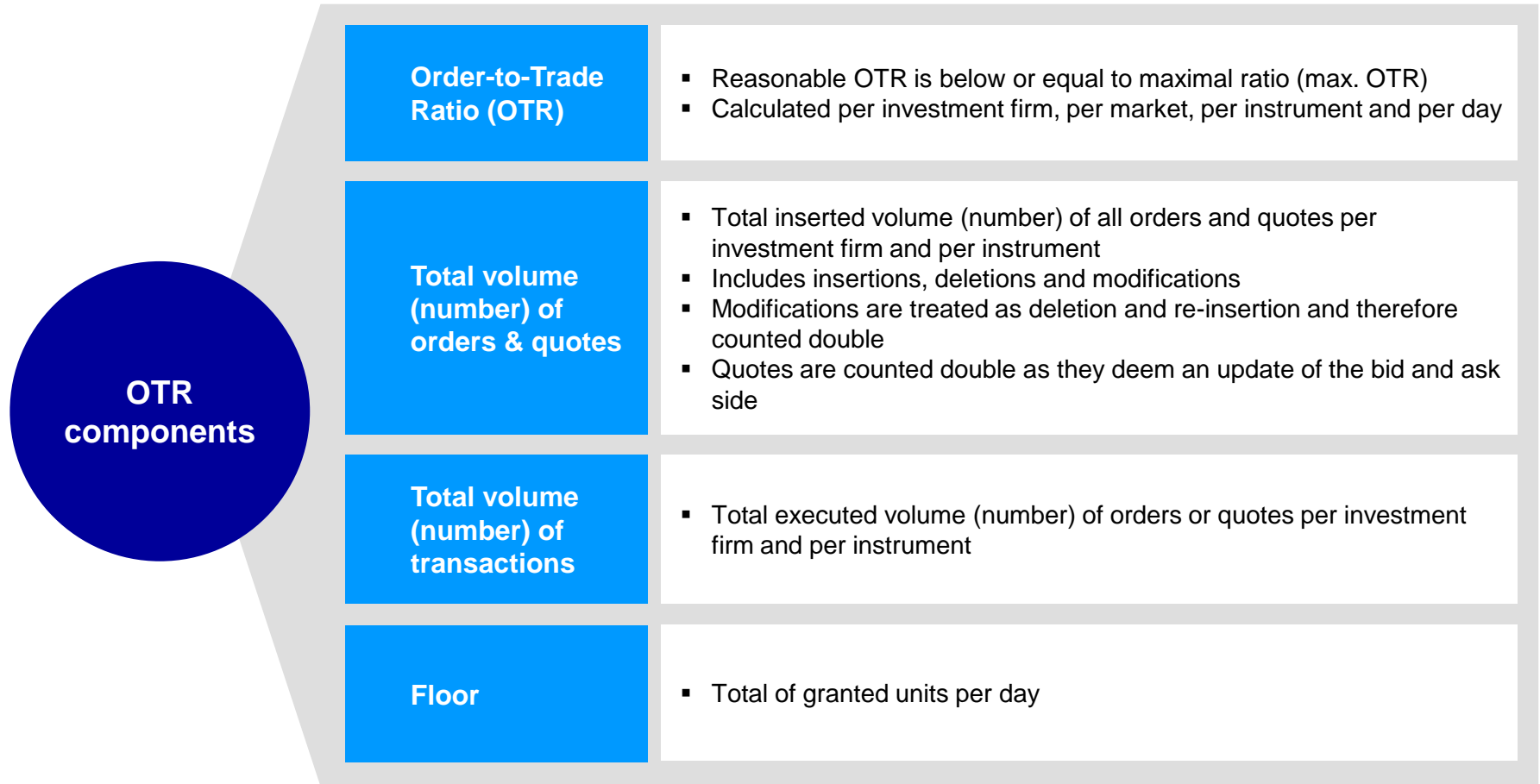
## Report provision

- OTR report: TR101 – MiFID II OTR Report
- For the backends XETR and XFRA on T7 members receive three intraday reports and one final report per day in text- and XML-format. The reports are available on the Common Report Engine

## Penalties

- If a trading participant or an employed person violate (either intentionally or negligently) exchange rules and regulations, which are meant to ensure orderly trading on the exchange the following penalties are possible and decided by the sanctions committee:
  - Reprimand
  - Fine up to €1,000,000
  - Exclusion of trading up to 30 trading days
- The management board can in addition to the measures outlined above order that the admission be suspended for a period of no more than six months if a trading participant fails to comply with the order-transaction ratio
- If a trading participant repeatedly fails to comply with the order-transaction ratio, the management board may revoke the admission

# OTR Components



# OTR Calculation method

## MiFID II OTR regime

- Calculation and assessment on a daily basis
- Two OTR measures based on volumes and on numbers
- Contains granted floor

## Volume based OTR formula

$$OTR_{vol} = \frac{\text{Total volume of orders \& quotes}}{\text{Total volume of transactions} + \text{Floor}} - 1$$

## Number based OTR formula

$$OTR_{no} = \frac{\text{Total number of orders \& quotes}}{\text{Total number of transactions} + \text{Floor}} - 1$$

# Parameter for number based OTR

|      | Segment                                   | Floor | Max. Ratio RM <sup>1</sup> | Max. Ratio MM <sup>2</sup> |
|------|---|-------|----------------------------|----------------------------|
| XETR | DAX<br>MDAX, SDAX, TECDAX<br>Other German | 1     | 100.000                    | 1.000.000                  |
|      | Americas<br>Europe<br>Other               | 1     | 500.000                    | 5.000.000                  |
|      | ETFs & ETPs                               | 1     | 500.000                    | 5.000.000                  |
|      |   |       |                            |                            |
| XFRA | Equities, other unit quoted               | 1     | 10.000                     | 10.000                     |
|      | Structured Products                       |       |                            |                            |
|      | Bonds                                     |       |                            |                            |

1) RM – Regular Member

2) MM – Market Maker

# Parameter for volume based OTR

|      | Segment                                   | Floor  | Max. Ratio RM <sup>1</sup> | Max. Ratio MM <sup>2</sup> |
|------|---|--------|----------------------------|----------------------------|
| XETR | DAX<br>MDAX, SDAX, TECDAX<br>Other German | 1.000  | 200.000                    | 2.000.000                  |
|      | Americas<br>Europe<br>Other               | 10.000 | 2.000.000                  | 20.000.000                 |
|      | ETFs & ETPs                               | 10.000 | 2.000.000                  | 50.000.000                 |
|      |   |        |                            |                            |
| XFRA | Equities, other unit quoted               | 10.000 | 10.000                     | 10.000                     |
|      | Structured Products                       |        |                            |                            |
|      | Bonds                                     |        | 1.000.000                  | 1.000.000                  |

1) RM – Regular Member

2) MM – Market Maker

\* Floors are stated in number of shares (Exemption: Bonds and other per cent quoted structured products, stated in nominal value).