

**To all Xetra® Members and Vendors**

Recipients: Traders, Technical Contacts, Nominated Persons, General

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**Further Information on Implementation of single Elements of the German High Frequency Trading Act (HFT)**

Dear Sir or Madam,

With this circular, we would like to provide you with additional information on implementation of single elements of the German High Frequency Trading Act (German HFT Act):

1. Identification of algorithms (“Algo-Flagging”)
2. Order to Trade Ratio, Excessive System Usage Fee
3. Definition of “high-frequency algorithmic trading technique”.

**1. Identification of Algorithms (“Algo-Flagging”)**

The German HFT Act requires market participants to flag orders under Section 16 para. 3 of the German Exchange Act (“Algo-Flagging”). Appropriate provisions will be introduced to the Exchange Rules for the Frankfurt Stock Exchange. The Management Board will propose to the Exchange Council of Frankfurt Stock Exchange that those provisions should involve a transition period for their application by the Trading Members. The transition period shall end in the first quarter of 2014. The exact date is to be determined. Trading Members would therefore only be obliged to apply the rules regarding Algo-Flagging as of the end of the transition period. Such planned provisions are subject to approval by the Exchange Council which is scheduled for September 27, 2013 and by the Exchange Supervisory Authority of the State of Hesse.

Chairman of the  
Supervisory Board  
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Executive Board  
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## **2. Order to Trade Ratio, Excessive System Usage Fee**

As announced in Xetra circular 034/13, Deutsche Börse is in the process of implementing the Order to Trade Ratio and plans to expand the current Excessive System Usage Fee concept to include all financial instruments and markets. Both, the Order to Trade Ratio and the new Excessive System Usage Fee are expected to come into force on December 1, 2013. They are subject to approval by the Exchange Council and by the Exchange Supervisory Authority of the State of Hesse.

There will be a two months' testing phase in Xetra until November 30, 2013 for Members to take necessary actions in order to stay within the defined limits of the Order to Trade Ratio. There will be no penalties for Members during this test phase. Respective reports are expected to be available for Trading Members as of the following dates:

- September 1, 2013: in simulation
- October 1, 2013: in production (two months' testing phase)
- December 1, 2013: the regulation will come into effect

The exact limit parameters for the Order to Trade Ratio will be published after approval by the Exchange Council.

The present fee concept for Excessive System Usage continues to be applied until the new concept will come into effect. The exact parameters for the fee for Excessive System Usage will be published in a Xetra circular as amendments to the Price List for the Utilization of the Exchange EDP of FWB Frankfurt Stock Exchange and of the EDP XONTRO (Xetra Price List) in due time prior to introduction.

Regarding both elements, Deutsche Börse is in close dialogue with the Exchange Supervisory Authority regarding the necessary rule changes.


## **3. Definition of “high-frequency algorithmic trading technique”**

Further, under section 1 (1a) sentence 2 no. 4d of the German Banking Act, a high-frequency algorithmic trading technique is characterised by infrastructures that intend to minimize latency, as well as system determination of order initiation, generating, routing or execution without human intervention for individual trades or orders and by high intraday message rates which constitute orders, quotes or cancellations. With respect to high intraday message rates, the German Federal Financial Supervisory Authority BaFin has now updated its FAQ website with respect to the calculation methodology. The website can be found under the following link:

[BaFin FAQ website](#)

If you have any questions please do not hesitate to contact us.

Yours faithfully,



Sandra Bramhoff



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