

**Technical Notice** **14-003**

**TO:** Montréal Exchange Participants & Vendors  
**FROM:** Market Access Manager  
**SUBJECT:** Pre-Trade Validation - API new offering  
**DATE:** February 6, 2014

The purpose of this notice is to inform all participants that the Montréal Exchange Inc. (MX) will extend its risk management offering with a **Pre-Trade Validation API (PTV-API)**. The MX continues to build their risk management services to strengthen the derivatives marketplace in Canada while providing participants with essential pre-trade validation controls. The PTV-API will allow participants and/or clearing members the ability and flexibility to manage risk exposure more effectively. The activation date is planned for **Monday, May 19, 2014**.

The PTV-API is a new exchange service hosted and processed within the current trading infrastructure (SOLA). By offering this service to participants, the Exchange will provide a low-latency solution and integrate risk control functions across multiple trading platforms or order entry protocols. This implementation does not require any certification to the order entry process, although new errors code will be supported.

**PRE-TRADE VALIDATION OVERVIEW**

The MX is targeting risk management departments at both the clearing member level as well as the Foreign or Approved Participant (F)AP level. This Pre-Trade Validation will allow clearing members the ability to set specific controls to mitigate risk exposure from non-clearing member relationships - (F)AP. It will also allow participants to set specific or global pre-trade controls for internal or client order flow to MX.

This new risk management service is offered in the SAIL protocol and Participants wishing to send risk limits and receive PTV dedicated messages will have to certify to the PTV functions.

The PTV-API technical architecture was designed in a way that each single threaded message is assigned to the order priority prior to being processed by the MX trading engines. This message processing will allow for an equitable priority assignment in the Central Limit Order Book, which will not disadvantage the participants who use the PTV functions.

Pre-Trade Validation will offer the ability to set validation controls, receive alerts and configure pre-define actions when limits are reached. PTV offers three main control types which may be configured at various granularities.

Validation Control Types
Maximum Order Quantity
Position Limits (long, short or net)
Credit Controls (long, short or net)

Level of Granularity
Firm Level
Trader ID or Trader Team
Instrument Group Level

## **IMPACT ON OTHER F(AP) SAIL & FIX CONNECTIONS**

To facilitate the introduction of the PTV offering and to avoid an overall re-certification, only the Pre-Trade Validation certified connection will receive PTV specific messaging.

Any other connection will receive a generic “**Cancelled by System**” message if the cancellation is due to PTV reached limit. However new Error code will be disseminated to all connections. For the SAIL protocol, please refer to the document history change description of version 1.15. For detailed Error Codes, please refer to Section 6 of the MX SAIL Specifications Guide.

For the FIX protocol, please refer the document history change description of version 2.10, and Section 4 for the detailed error code of the MX SOLA FIX Specification Guide.

MX SAIL Business Design Guide (BDG) and the SAIL Specifications Guide have been updated and are now available. The SAIL Specification includes all new messages specific to PTV. Section 4 in the BDG is exclusive to the PTV function.

To obtain the new specifications, contact the Technical Help Desk (see below) or [mbourcier@m-x.ca](mailto:mbourcier@m-x.ca).

## **GENERAL TEST ENVIRONMENT (GTE) and PREPARATION**

Pre-trade validation will be available in the test environment on **Friday, February 28, 2014**. Customers that plan to develop to PTV will need to schedule a certification.

Application testing and support is available Mondays through Fridays, from 8:00 AM (EST) to 16:30 PM (EST). After-hours testing is available without support on Mondays through Fridays, from 16:30 PM (EST) to 22:30 PM (EST).

## **CONTACT INFORMATION**

For additional information on this notice or if you require technical assistance, please contact the Technical Help Desk.

<b>TECHNICAL HELP DESK</b>	
<b>Toll-Free</b>	<b>1- 877-588-8489</b>
<b>Local</b>	<b>514-877-7872</b>
<b>E-mail</b>	<a href="mailto:samsupport@m-x.ca">samsupport@m-x.ca</a>

We thank you for your cooperation.

Market Access Manager