

**DESTINATION:** Montréal Exchange (MX) Participants

**FROM:** Market Access Manager

**OBJECT:** New Anti-Wash Trade Functionality & A9 Protocol Requirements

**DATE:** April 10, 2015

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As part of its market evolution strategy, the Montréal Exchange (MX) is pleased to announce an Anti-Wash Trade functionality. This functionality will prevent Participants and their customers from involuntarily trading with orders or quotes that are resting in the MX central limit order book that would result in a "Wash Trade". This system control will be applied only to orders and quotes that specifically request for it using an Anti-Wash ID.

This new optional feature will be available to all MX Participants on *Friday, July 10 2015*.

### Anti-Wash Trade Functionality Overview

Incoming orders will be prevented from trading with the same firm participant's orders and quotes, as long as both sides contain the same Anti-Wash ID. If an incoming order is executable against an order or a quote of the same firm with the same anti-wash ID, then the system will overstep the resting order or quote and look for a match or partial match at the same price against another firm or different anti-wash ID. If a match is not possible by overstepping time priority at the same price, then the anti-wash instructions will apply. The inbound order's anti-wash trade instruction determines the behaviour. The instruction can indicate one of the following three scenarios:

- **Cancel Inbound Order (I)** - If a new incoming order would result in a wash trade with a resting order or quote, the incoming order will automatically be eliminated.
- **Cancel Opposite Resting Order (O)** - If a new incoming order would result in a wash trade with a resting order, the resting order will automatically be eliminated.
- **Cancel Both Inbound and Opposite Resting Order (B)** - If a new incoming order would result in a wash trade with a resting order, both the incoming and resting orders will automatically be eliminated.

### Participant Considerations Overview

- If an order or quote is overstepped due to the wash trade functionality, then a NO (*Overstepped Order/Quote Notice*) message is sent to the participant of the overstepped order or quote.
- Incoming quotes are not subject to the wash trade restriction.

- Resting quotes will not be cancelled. The incoming order instruction on how to handle a wash trade situation only applies when the trade is prevented against an order. When a trade is prevented against a quote, it is always the incoming order that is cancelled. The wash trade situation instructions are ignored.
- When in presence of a wash trade situation during the pre-opening phase, it is always the incoming order that is cancelled (the wash trade instructions on the incoming order are ignored).
- The Anti-Wash Trade functionality will not apply to implied orders.

Please refer to the SAIL or FIX protocol Business Design Guides for additional behaviours that apply to the Anti-Wash Trade functionality.

MX welcomes its Participants and ISV's to develop to this new functionality. Consequently, MX plans to introduce a significant fee for the cancellation of wash trades involving futures or options on futures contracts. Participants and software vendors that plan to support this new feature will be required to go through a standard certification test.

Approved Participants are encouraged to utilize Anti-Wash Trade Functionality at a level that is appropriate to the nature of their trading operations and organizational structure. This new functionality can assist participants in preventing violations of wash trading prohibitions. Please refer to Rule 6 Trading Article 6306 "*Manipulative or Deceptive Methods of Trading*" and the National Instrument 23-101 trading rules. ([http://www.m-x.ca/f\\_regles\\_en/06\\_en.pdf](http://www.m-x.ca/f_regles_en/06_en.pdf))

To support this new functionality, a new version of the SAIL protocol is available. In addition, a new version of the Drop Copy feed is available to support all additional messages related to the Anti-Wash functionality. To obtain the new specifications, please contact the Technical Help Desk (see below) or [mbourcier@m-x.ca](mailto:mbourcier@m-x.ca).

## SAIL Technical Impacts

Anti-Wash Trade will be available in version "A9" of the SAIL protocol.

In addition to the new Anti-Wash Trade fields and in anticipation of a Legal Entity Identifier, the MX is introducing a 20 character long field, represented by a filler in the specifications.

Message type	Field Name	Change
BD: Bulk Quote Data	AntiWashID	New Field (X) (8)
	Filler	New Field (X) (20)
OE: Order Entry OM: Order Modification	AntiWashID	New Field (X) (8)
		New Field (X) (1)
	AntiWashInstruction	Possible values B: CancelBothInboundOrderAndOppositeRestingOrder I : CancellnboundOrder O: CancelOppositeRestingOrder
	Filler	New Field (X) (20)
OX: Cross Entry	Filler	New Field (x) (20)
	Filler	New Field (x) (20)
NO: Overstepped Order/Quote Notice		New Outgoing message  This message is a notice sent to a Participant when its quote or order has been overstepped by the Anti-Wash Trade Protection feature.  Refer to the SAIL specification guide for message structure
ER: Error Notice	Error Code	New values: 0517: Anti Wash Protection Is Forbidden For This Price Type 0518: Anti Wash Protection Is Forbidden For This Quantity Term
KE: Order Acknowledgement		New values:
KM: Order Modification Acknowledgement	Status	F: Order eliminated due to Wash Trade Prevention
KZ: Order Cancellation Acknowledgement		N: Order eliminated due to Wash Trade Prevention In Non trading State
		Q: Order eliminated due to Wash Trade Prevention against Quote
NZ: Order Cancellation Notice (by system)		T: Order eliminated due to Trade Limit exceeded <sup>1</sup> U: Eliminated due to Unpriced Leg <sup>1</sup>

<sup>1</sup> unrelated to Anti-Wash Trade

## FIX Technical Impacts

Anti-Wash Trade will be available in the current version of the FIX protocol (A4) and does not require an update in the profile configuration. However, a mandatory certification is required for all FIX participants.

Message type	Tag Name	Change
D: New Order - Single G: Order Cancel/Replace Request	Tag 7927 AntiWashId	New tag (x) (8)
	Tag 7928 AntiWashInstruction	New tag (x) (1) Possible values B: CancelBothInboundOrderAndOppositeRestingOrder I : CancelInboundOrder O: CancelOppositeRestingOrder
8: Execution Report	Tag 7927 AntiWashId	New tag (x) (8)
	Tag 7928 AntiWashInstruction	New tag (x) (1) Possible values: B: CancelBothInboundOrderAndOppositeRestingOrder I : CancelInboundOrder O: CancelOppositeRestingOrder
	Tag 7929 Order Action	New tag(x) (1) Possible value: O: Overstepped Due To Wash Trade Prevention
	Tag 39 OrdStatus	New values: F: Eliminated Due to Wash Trade Prevention N: Eliminated Due to Wash Trade Prevention In Non Trading State Q: Eliminated Due to Wash Trade Prevention Against Quote U: Eliminated Due to Unpriced Leg
	Tag 103 OrdRejReason:	New values: 0517: Anti Wash Protection Is Forbidden For This Price Type 0518: Anti Wash Protection Is Forbidden For This Quantity Term

## Drop Copy Technical Impacts

Anti-Wash Trade will be available in version "A9" of the Drop Copy and certification is mandatory.

Message type	Field name	Change
KE: Order Acknowledgement KM: Order Modification Acknowledgement KZ: Order Cancellation Acknowledgement NZ: Order Cancellation Notice (by system)	PreviousRemainingQuantity	New field (N) (8) <sup>1</sup>
	AntiWashId	New field (X) (8)
	AntiWashInstruction	New field (X) (1) Possible values: B : CancelBothInboundOrderAndOppositeRestingOrder I : CancellInboundOrder O : CancelOppositeRestingOrder
	Filler	New field (X) (20)
	Status	New values: F: Order eliminated due to Wash Trade Prevention N: Order eliminated due to Wash Trade Prevention In Non trading State Q: Order eliminated due to Wash Trade Prevention against Quote T: Order eliminated due to Trade Limit exceeded <sup>1</sup> U: Order eliminated due to Unpriced Leg <sup>1</sup>
NT: Execution Notice NL: Leg Execution Notice NX: Execution Cancellation Notice	Filler	New field (X) (1)
NY: Leg Execution Cancellation Notice	Filler	New field (X) (20)
NO: Overstepped Order/Quote Notice		New outgoing message  This message is a notice sent to a Participant when its quote or order has been overstepped by the Anti-Wash Trade Protection feature.  Refer to the Drop Copy specification guide for message structure

<sup>1</sup> new field unrelated to Anti-Wash Trade

## General Test Environment (GTE) and Certification Preparation

Participants are invited to test this new feature in the MX Test environment at their convenience. The new function will be available in the test environment on Friday, May 15, 2015.

Certification is mandatory for the Anti-Wash Trade mechanism for SAIL, FIX and Drop Copy. Customers that plan to develop Anti-Wash Trade will need to request the certification test cases and request form to schedule a certification.

Application testing and support is available Mondays through Fridays, from 8:00 a.m. EST to 4:30 p.m. EST. After-hours testing is available, without support, on Mondays through Fridays, from 1:00 a.m. EST to 8:00 a.m. EST and from 4:30 p.m. EST to 10:30 p.m. EST.

SAIL, FIX and Drop-Copy documentation have been updated and are now available. The following version includes Anti-Wash specifics:

- SAIL Business Design Guide for MX version 1.12
- SAIL Specifications Guide for MX version 1.16
- SOLA FIX Specifications Guide for MX version 2.11
- SOLA FIX Business Design Guide for MX version 1.17
- Drop-Copy SAIL Specifications and Business Design Guide for MX version 2.0.

## Contact Information

If you have any further questions or need information, please contact the Technical Help Desk.

<b>Technical Help Desk</b>
Toll-free: 1 877 588-8489
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We thank you for your cooperation.

Market Access Manager