

## Euronext FX will default to Code-only Liquidity Pools

**Starting January 1, 2023, Euronext FX will automatically transition all anonymous Spot liquidity to pools composed of FX Global Code signatories<sup>i</sup> only, across all centres. Clients may opt out of this default setting. Our goal is to provide our clients with informed choices, based on the enhanced analytical data Euronext provides, while promoting adherence to the best practices and principles endorsed by the FX Global Code.**

We believe this new direction is in line with the preferences of our clients. Indeed, we are happy to report that more than 80% of Euronext's September Spot volume was transacted with the Code-signatory LPs we have trading on our platform.

Non-Code signatory LPs will be removed from clients' liquidity pools unless takers expressly request that such LPs (identified by their anonymous tag) remain. Additionally, all new sessions created for our takers will default to Code-only, unless takers instruct otherwise. We are confident that this decision will only strengthen the quality of service we provide.

This new operating rule is in line with Euronext FX's early support of the FX Global Code and the steps we have already taken across both Spot and NDFs through our platform disclosures to support the Code in the last 18 months, including:

1. Offering Code-only pools of liquidity at the request of a taker;
2. Supporting preferences of our LPs to participate in pools of liquidity made up only of Code signatories;
3. Providing Code-signatory information on a per tag basis upon request.

A study of trading data by Euronext Quant Research (EQR) evaluated expected execution spreads, which include expected cost of trades and expected cost of rejects, across Code signatory and non-Code signatory LPs on the platform. The EQR team ascertained a clear distinction where, collectively, Code signatory LPs yield a better cost of execution versus non-Code signatory LPs across the principal liquidity pools. They have also evidenced that in a number of cases, a subset of non-Code signatory LPs outperform the collective set of Code signatory LPs for a given taker. We continue to refine these findings and will release a comprehensive white paper to our clients.

### **Enhanced Data Reporting**

To assist our takers in their decision-making and to promote transparency, we will systematically provide our takers with data showing their LP signatory status. As part of this **enhanced data reporting**, we will break down LP RTT data in percentile format, for both fills and rejects. This additional transparency supports takers in deducing LP behaviour as it relates to hold times, and concurrently allows makers to promote their own good practices.

To assist our makers, we will inform our LPs about which tags have transitioned to Code-signatory only. With this data, LPs will be in a position to make an informed choice on whether to limit their pricing to Code or non-Code signatory pools.

### Technology Advancements

Euronext FX has always been recognised for its leading technology, flexibility and innovation. Our latest improvement to FlexMatch™ will further allow our takers to determine their own execution standards. In June 2022, we added Max Hold Time as a component to FlexMatch™. Max Hold Time is the maximum time allowed for an LP to review a trade in the LL window. This element of execution will join *Fill Ratios*, *RTTs* and *Markouts* to become the fourth component driving the matching prioritisation, which further promotes enhanced liquidity from LPs in alignment with the principles of the Code.

### Platform Liquidity

The combination of FlexMatch and our work with LPs has led to a reduction in Max Hold Times and boosted LP RTT performance in line with the principles of the Code. This has improved not only platform RTTs (Sep-22 median of 8ms), but also the overall platform fill ratio (Sep-22 average of 84%). We strive to improve these metrics and will make them publicly available in the coming months.

Euronext FX empowers its clients to make data-driven choices rather than to impose platform-wide restrictions. We will continue to provide data-driven choices to our clients. We recognise that not all clients are alike, and their priorities can be diverse when it comes to choosing the right LP. As part of our new policy, we commit to engaging with all clients in advance of the January 2023 restructuring and on an ongoing basis to review the Code-signatory composition of their liquidity pools, and to provide relevant data to allow them to make an informed decision as to their pool composition.

We will continue to listen to our clients and to maintain flexibility to provide them with the trading environment they deserve.

i All references to FX Global Code signatories are based on the publicly available information published in the Global Index of Public Registers, [www.globalfx.org/global\\_index.htm](http://www.globalfx.org/global_index.htm). Euronext FX will check this published list periodically for updates.