**Pre-Trade checks for SMA on the MOEX FX Market**

***Description***

1. **General Provisions**

Before instructions are entered into the trading system with the use of a Sponsored Market Access ID (SMA\_ID), they are checked against restrictions set by the Administrator of the Trading Member on whose behalf an order based on such instruction may be entered. The Trading Member's Administrator shall inform the Exchange of the scope and parameters of such restrictions via the trading system means. The implementation process is similar to that used for checks for the MOEX securities market

1. **The list of checks and their parameters can be set for SMA\_ID and in some cases for a User Group SMA\_ID.**

The relevant checks for a User Group are set in the similar way as for SMA\_ID.

Checking the instruction against the restrictions set for a User Group is similar to checking that against the restrictions set for SMA\_ID, but with the sum of the numerical values set for all SMA\_IDs in the User Group. It means that when an instruction successfully passes the limit check for SMA\_ID, but when submitted the total value of the monitored measure for all SMA\_IDs falls outside the limit set for this measure for the User Group, such instruction is rejected and an error message about exceeding the limit set for the User Group is sent.

SMA\_IDs are grouped into a User Group in a similar way as UserIDs.

If the value for a User Group is exceeded, instructions from all SMA\_IDs included in this User Group are rejected.

1. **Instructions submitted with a SMA\_ID are checked against the following conditions:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Parameter to be checked** | **Scope** | **Set via** |
| 1. | Deviation of the price indicated in the instruction from the current price (the price and permissible deviation from it is determined) | SMA\_ID and/or SMA\_ID – SECID or USERGROUP (SMA\_ID Group) | Trading terminal, gateway |
| 2. | Maximum volume in the instruction (including the market one) in the foreign currency for the instrument |
| 3. | Maximum amount of instruction, in RUB |
| 4. | Max amount of instruction in RUB/per trading day |
| 5. | List of allowed trading boards (BOARID) |
| 6. | List of allowed instruments (SECID) | SMA\_ID or USERGROUP (SMA\_ID Group) |
| 7. | Max transactions per second/per day |
| 8. | Max FX/RUB buy and/or sell position (gross) | SMA\_ID – SECID – SA2 (second levelsettlement account) either clientcode or USERGROUP (SMA\_ID group) |
| 9. | Max buy position (RUB) (net)  | SMA\_ID = SA2 (second levelsettlement account) either clientcode or USERGROUP (SMA\_ID group) |
| 10. | Max sell position (RUB) (net) | SMA\_ID = SA2 (second levelSettlement account) either clientcode or USERGROUP (SMA\_ID group) |
| 11. | Max FX buy position for a particular instrument (net) | SMA\_ID = SA2 (second levelsettlement account) either clientcode or USERGROUP (SMA\_ID group) |
| 12. | Max sell position for a particular instrument (net) | SMA\_ID = SA2 (second levelsettlement account) either clientcode or USERGROUP (SMA\_ID group) |

1. **Check description**

Instructions entered with the use of a SMA\_ID are rejected by the processing subsystem if at least one condition is not met. In this case, the notice sent to a SMA\_ID shall indicate an error code matching the conditional number of the failed check that rejected the instruction.

* 1. **Deviation of the price in the instruction from the current price**

The price deviation is calculated from the last price (%).

For SMA\_ID and/or for SMA\_ID – SECID, either the value of the allowed price up and down deviation in the instruction from the base indicative price is set as a percentage accurate to two decimal places, or the value of the current price accurate to 4 or 6 places (depending on the instrument). If the price in the instruction exceeds the value of the allowed deviation, or if the price in the instruction is higher/lower than the maximum/minimum value of the current price, the instruction is rejected by the processing subsystem.

When prices in the instruction equal the current price, an order may be entered into the trading system in accordance with such instruction. If deviation values are determined both for SMA\_ID and for SMA\_ID – SECID combination, the deviation of the instruction takes place when the lowest of the two allowed deviation from the current price values is exceeded for such SMA\_ID or for SMA\_ID – SECID.

The value of the current price for which the deviation is set in % is determined by trades in the main trading mode (CETS). If the current price is not determined, the instruction is rejected with an error: ‘The maximum/minimum price limit in the instruction has been exceeded as the current price has not been determined.’ etc.).

For market instructions, this limit is not checked.

The limit is not checked for TRAN, TRAD, FIXS, FIXN, WAPS, WAPN, and LICU boards.

Both the up and down deviation restrictions ≥0, and ≤100%.

Example: 1% for CNYRUB\_Tom from the last trade price in CETS board.

* 1. **Max. volume of instruction (including the market one) in foreign currency quantity for the instrument.**

For SMA\_ID and/or for SMA\_ID – SECID, the maximum amount of currency for the instrument indicated in the instruction is determined. If the amount of currency indicated in the instruction is exceeded, the processing subsystem rejects the instruction. If the deviation values are determined both for SMA\_ID and for SMA\_ID – SECID combination, the deviation of the instruction takes place when the lowest of the two values for SMA\_ID or for SMA\_ID – SECID is exceeded.

The limit is not checked for TRAN and TRAD boards.

The volume limit in foreign currency for the instrument be set is an integer non-negative number.

Example: CNY 1,000,000 for CNYRUB\_Tom.

* 1. **Max. amount of instruction in RUB**

For SMA\_ID and/or for SMA\_ID – SECID, the limit on amount in the instruction in roubles is set. When the limit is exceeded, the instruction is rejected by the processing subsystem.

If the limit on the instruction amount is set both for SMA\_ID and for SMA\_ID – SECID combination, the instruction is rejected if the lower of the two values is exceeded. When the amount in the instruction is indicated in foreign currency (if settlements in the trading board are executed in foreign currency, for example, EUR/USD), for the purposes of verification, the amount in the instruction in the quote currency is converted into roubles at the rate of the Bank of Russia on the day of instruction entry.

For instructions without price indicated (e.g. Market instruction), and for **FIX0** and **WAP0**, the maximum amountof buy/sell instruction is checked against the upper price limit set at the trading day; if such prices are not indicated, the instruction is rejected with an error: ‘The maximum/minimum price limit in the instruction has been exceeded as the current price has not been determined.’ etc.). The check does not include the value of possible volume-based fee.

The maximum amount of instruction can be indicated at 0. In this case, such SMA\_ID is not permitted to submit any instructions.

The limit is not checked for TRAN and TRAD boards.

The limit on maximum amount in the instruction is at ≥ 0

Example: RUB 1,000,000 for CNYRUB\_Tom.

* 1. **Max amount of instructions (including the market ones) in roubles per trading day**

For SMA\_ID and/or for SMA\_ID – SECID, the limit on amount in instructions to buy and to sell in roubles entered at the beginning of a trading day is determined. When the limit is exceeded, the instruction is rejected by the processing subsystem.

For the purpose of checking instructions against compliance with this limit, the calculation of cumulative total for all instructions entered into all trading boards and the total of all instructions entered for SECID instrument in all trading boards (if the check is set for SMA\_ID – SECID combinations) is carried out. When the limit on the amount in the instruction in roubles per trading day is set both for SMA\_ID and for SMA\_ID – SECID combination, the instruction is rejected if the lower of the two values is exceeded. When the amount in the instruction is indicated in foreign currency (if settlements in the trading board are executed in foreign currency, for example, EUR/USD), for the purposes of verification, the amount in the instruction in the quote currency is converted into roubles at the rate of the Bank of Russia on the day of trading.

For instructions without price indicated (e.g. market instruction), and for **FIX0** and **WAP0**, the maximum amountof instruction for purchase and for sale is checked against the upper price limit set at the date of instruction entry; if such prices are not indicated, the instruction is rejected with an error: ‘The maximum/minimum price limit in the instruction has been exceeded as the current price has not been determined.’ etc.). The check does not include the value of possible volume-based fee.

If all restrictions on the instruction parameters for SMA\_ID are removed, the calculated sum is reset to zero. When the limit is subsequently set, the sum will start to be calculated from 0.

If all restrictions on the instruction parameters for a particular SMA\_ID-SECID are removed, the calculated sum for that instrument is reset to zero. When the limit is subsequently set, the sum will start to be calculated from 0.

If the instruction has not passed the check/has been withdrawn by the user/the order has been withdrawn by the system, it does not contribute to the calculation of the instruction amount limit perper trading day.

The limit is not checked for TRAN and TRAD boards.

The instruction amount limit in RUB per trading day is determined at ≥0

Example: RUB 1,000,000 for CNYRUB\_Tom.

* 1. **List of allowed boards (BOARID)**

For SMA\_ID and/or for SMA\_ID – SECID, a list of BOARIDs that can be indicated in the instruction is determined. If the submitted instruction contains a BOARID not on the list, the instruction is rejected by the processing subsystem. When a valid BOARID list is determined both for SMA\_ID and a SMA\_ID – SECID combination, the instruction is rejected if the specified BOARID does not reside at least in one of the allowed BOARIDs. By selecting a special check box, the restriction can be extended to include all instruments traded in the selected trading board.

The limit is in effect until cancelled.

Example: CNGD, FUTS, FUTN not allowed. CETS, FIXS, FIXN allowed.

* 1. **List of allowed instruments (SECID)**

For SMA\_ID authorisations to execute trades in certain instruments are determined.

In addition, for SMA\_ID can be set a list of SECIDs which are exceptions from the specified rule. It means that if trading in instruments is allowed by default, you can specify a list of SECIDs that will not be allowed to trade, and vice versa – if trading is not allowed by default, you can set a list of SECIDs that are allowed to trade for SMA\_ID. By selecting a special check box, the limit can be extended to include all trading boards the given instrument is eligible to trade.

The limit is in effect until cancelled.

Prohibition/permit example: CNYRUB\_TOD - allowed, CNYRUB\_TOM - not allowed, etc.

* 1. **Maximum number of transactions per second/per day**

Trade transactions mean instructions given by trading members to enter, modify, or withdraw orders in all trading boards in any instrument.

Maximum number of transactions entered per second (per day) is set. If the limit exceeded, the next transaction entered with the use of a SMA\_ID is rejected by the processing subsystem. For the purpose of checking transactions against this limit, cumulative total of all transactions submitted per second (per day) with the use of a SMA\_ID is calculated.

Maximum transactions per second (per day) limit – a positive integer.

Example: max 1 transaction per second and max 1,000 transactions per day.

* 1. **Maximum FX/RUB position for purchase and/or sale (gross)**

For SMA\_ID – SECID – SA2 (second level settlement account) or clientcode, FX/RUB buy and/or sell position limit is determined, or open interest during a trading day, or total position inclusive of incoming positions at the beginning of trading. For each SMA\_ID – SECID – SA2 (second level settlement account) combination or client code during the trading day, FX/RUB cumulative total is calculated for buy orders and sell orders. When instruction is received to withdraw an order, the corresponding buy/sell position in FX/RUB is reduced.

The instruction which results in FX/RUB buy position exceeding the set limit, i.e., it exceeds the maximum positive value (excess of a buy position) or less than the minimum negative value (excess of a sell position), is rejected by the processing subsystem.

If the instruction has been successfully checked by the processing subsystem and after being signed with broker's handwritten signature equivalent it has been transformed into an order, and then the order failed the check and has been rejected by the trading system, or the trading system/user has withdrawn the already registered order, such order is not used for the maximum FX/RUB position calculation. Also, orders registered in TRAN, TRAD boards etc. are not included in the calculation. Trade execution does not affect the calculation, the calculation only includes orders that have not been rejected by the processing subsystem or by the user. For the implementation there is an option to select whether to include the incoming position at the beginning of the day in the calculation or not.

The position is matched against the limit in the currency of the limit set (can be both the lot currency and the quote currency). When currencies do not match, the quote currency in the instrument is converted into the currency of the limit using the Central Bank's rate at the date of instruction.

Example: What is the currency of the check carried out?

|  |  |
| --- | --- |
| **Currency of the set limit** | **Currency pair of instruments checked against the limit** |
| **EUR/USD** | **EUR/RUB** | **USD/RUB** |
| **EUR** | The amount of instruction in US Dollars is checked | The amount of instruction in EUR is checked | The amount of instruction in Euro is checked (the amount of instruction in RUB is converted into EUR at the CBR's rate) |
| **US Dollar, USD** | The amount of instruction in US Dollars is checked | The amount of instruction in US Dollars is checked (the amount of instruction in RUB is converted into US Dollars at the rate of the Central Bank) | The amount of instruction in US Dollars is checked |
| **Rouble, RUB** | The amount of instruction in RUB is checked (the amount of instruction in US Dollars is converted into RUB at the Central Bank's rate) | The amount of instruction in RUB is checked | The amount of instruction in RUB is checked |

Buy position limit in FX/RUB – all restrictions are set as integers ≥, and for sell position all restrictions are set as integers ≤0

For this check, it is necessary to verify possibility to maintain (and display) the position broken down by SA 2 or by client code.

Example: Maximum position for SA2\_client1 RK2: USD 1,000,000, - RUB 60,000,000.

* 1. **Buy position limit (in RUB) (net)**

Defined MB = parameter to be set or the maximum cash buy position in RUB

Defined A1 = total volume of all trades to buy in RUB – total volume of all trades to sell (in RUB) + total of all active orders to buy (in RUB)

FX is converted to RUB using the CBR's rate at the date of instruction entry

For the instruction to pass the check, it is necessary that A1<=MB (pre-determined number).

MB is set with one of the following ways:

1. Gateway

2. MICEX Trade Currency

MB is set for a specific SMA user and T&CS (similar to an existing money position check) or for a User Group.

MB: ≥ 0, accurate to 2 decimal places.

* 1. **Maximum sell position (in RUB) (net)**

Defined MS = parameter to be set or the maximum cash sell position in RUB

A2= total volume of all trades to sell (in RUB) – total volume of all trades to buy (in RUB) + total of all active orders to sell (in RUB)

FX is converted to RUB using the CBR's rate at the date of instruction

For the instruction to pass the check, it is necessary that A2<=MS (pre-determined number).

MS is set with one of the following ways:

1. Gateway
2. MICEX Trade Currency

MS is set for a specific SMA user and a T&CS (similar to an existing money position check) or for a User Group.

MS: ≥ 0, accurate to 2 decimal places.

* 1. **Max buy position for a particular instrument in foreign currency (net)**
	SB is determined = parameter set for the maximum buy position for a particular instrument in foreign currency.

C1 is determined = total number of all trades for the selected instrument in foreign currency – amount of all deals for the selected currency tool + amount of all active claims for the specified instrument in foreign currency.

For the instruction to pass the check, it is necessary that С1<=SB (pre-determined number).

SB is set with one of the following ways:

1. Gateway
2. MICEX Trade Currency

SB is determined for specific SMA users, instruments (SECID) and T&CS, or for a User Group.

SB: an integer, ≥ 0.

* 1. **The max sell position for a particular instrument in foreign currency (net)**
	SS = parameter to be set for the max sell position for a particular instrument in foreign currency

C2= total of all trades for the selected instrument to sell in FX – total of all trades for the selected instrument to buy in foreign currency + total of all active orders for the specified instrument to sell in foreign currency

Check is successful if A2<=SS (pre-determined number).

SS is set with one of the following ways:

1. Gateway
2. MICEX Trade Currency

SS is determined for specific SMA users, instruments (SECID) and T&CS, or for a User Group.

SS is an integer, ≥ 0.