

SETSqx

Further improvements to Auctions on the SETSqx Trading Service

Background

SETSqx (Stock Exchange Electronic Trading Service – quotes and crosses) is specifically designed for securities less liquid than those traded on SETS. SETSqx combines periodic electronic auctions each day with standalone non-electronic quote-driven market making providing guaranteed liquidity in at least one Exchange Market Size (EMS).

Currently, all market participants with order book access can enter, amend and delete electronic orders from 08:50. Orders are publically visible at the next scheduled auction. As of May 2015, there are 956 securities on the SETSqx trading service, 832 with market makers and 124 without market makers.

On 15 September 2014, London Stock Exchange introduced changes to the SETSqx auction service. Further information on the previous changes can be found at www.lseg.com/setsqx. Feedback received from market participants since has led to several further changes being introduced.

What are the enhancements to the auction service?

- An opening auction call at 07:50 with scheduled uncrossing at 08:00 will be re-introduced. The remaining auction uncrossings will continue at 09:00, 11:00, 14:00 and 16:35
- Start of order entry, amendment and cancellation will be brought forward 1 hour to 07:50
- ATC (At the Close) Time in Force will be removed for SETSqx
- SETSqx **without** market makers will be restructured to improve visibility of orders. Orders will now be publically visible for up to 90 days, rather than being visible in the current 5–10 minute auction calls as found on SETSqx with market makers.



SETSqx model following the changes

	SETSqx with Market Makers	SETSqx no Market Makers
Pre-mandatory registered market making period	07:30–08:00	N/A
Mandatory registered market making FIRM QUOTE submission	08:00 to end of closing auction	N/A
Auction call scheduled start times	07:50, 08:50, 10:50, 13:50 & 16:30	07:50, 08:00, 09:00, 11:00, & 14:00
Scheduled auction un-crossings	08:00, 09:00, 11:00, 14:00 & 16:35	08:00, 09:00, 11:00, 14:00 & 16:35
Closing price crossing session (CPX)	YES – for approximately 5 minutes after closing auction execution at the closing execution price.	YES – for approximately 5 minutes after closing auction execution at the closing execution price.
Permitted Time in Forces for the 5 auctions	OPG, GFA & GFS	OPG, GFA, GFS, DAY, GTD & GTT
Permitted Time in Force for use during CPX	CPX, IOC & FOK	CPX, IOC, FOK, DAY & GTT
Maximum order duration	Current trading day if use GFS, otherwise single selected auction	90 days
Timing of order entry	07:50 to end of CPX	07:50 to end of CPX
Visibility of orders outside auction call periods	Orders only visible during the 10 minute auction call period (restricted to 5 minutes at the closing auction) plus any price monitoring extensions.	Order book moves into next auction call immediately following previous uncrossing. Therefore orders are visible on submission until executed, cancelled or expired.

When will the changes be implemented?

The final date will be confirmed by Service Announcement¹ in due course. It is anticipated that the changes will be introduced in production Q4 2015.

The changes will be available for member testing on London Stock Exchange's Customer Development Service in advance of the production date.

How does it affect me?

- There is no change to the quote driven SETSqx service
- Participants will have access to an additional 08:00 opening auction
- Order entry will start at 07:50
- Participants will continue to have a further opportunity to trade on the order book at the closing auction price in CPX
- Users will no longer be permitted to use the ATC TIFs at anytime on SETSqx
- For SETSqx **without** market makers, orders will be visible throughout the trading day and can be valid for up to 90 days

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¹Service Announcements are available at: www.londonstockexchange.com/products-and-services/technical-library/service-announcements/service-announcements.htm

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