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Self-Execution Prevention (SEP) functionality on the London Stock Exchange Derivatives Market (LSEDM) trading platform (SOLA).

1.0 Introduction

London Stock Exchange Derivatives Market (LSEDM) trading platform (SOLA) operates a Self-Execution Prevention (“SEP”) functionality, with the purpose for market participants to avoid execution when an order crosses an opposite-side order sent by the same trading firm on the Order book (i.e. “self matching”).

SEP on SOLA is user-configurable, allowing for each market participant to specify which Trader IDs of its firm will or will not be able to interact, and determine which order (incoming or resting) takes precedence.

2.0 Description of functionality

2.1 Basic functionality (“SEP Groups”):

- SEP applies during continuous trading for Limit, Market, Top, Stop (loss) and If-Touched orders.
- Market participants can define one or more Self-Execution Prevention Groups (“SEP Group”) for their Trader IDs. Members can set up their SEP Groups by contacting their Technical Account Manager at londontam@lseg.com.
- A SEP Group will contain one or more TraderIDs from a particular firm. A SEP Group cannot include TraderIDs from multiple firms. A TraderID will be allowed to be associated only to one SEP Group.
  - Orders submitted from TraderIDs within the same SEP Group will not be allowed to interact with each other;
  - Orders submitted from TraderIDs in different SEP Group will be allowed to interact with each other.
- SEP will take effect upon aggression of the order (before execution) and not on order entry or replenishment. The diagram below explains how the interaction between TraderIDs/ SEP Groups works on SOLA.

![Diagram of SEP Groups]

2.2 SEP Rules:

Rules (“SEP Rules”) to regulate the interaction of orders from a firm are defined at the TraderID level. Different rules can be applied to TraderIDs included in the same SEP Group. The SEP rule of the incoming order (i.e. the aggressive order) will regulate the interaction between two orders which are part of the same SEP Group.

The following SEP Rules will be available for each TraderID:

- **Cancel Incoming Order (CIO)**: leaves the resting order while expiring the incoming order;
- **Cancel Resting Order (CRO)**: expires the resting order while allowing the incoming order to aggress (and rest in the book if it is not matched);
- **Cancel Both Orders (CBO)**: expires
both the resting order and the aggressing order;
- **Reduce and Cancel (RC):** cancels both orders if they are of the same size. For those not of the same size, the smallest order will be cancelled and the larger order will be reduced by the size of the smaller order before executing/resting. Both orders will also be cancelled if the resting order is marked with any Self Execution Prevention (other than RC) and the incoming order is smaller than the resting order.

The table below explains the expected behaviour of SOLA when orders/quotes from TraderIDs from the same SEP Group interact.

<table>
<thead>
<tr>
<th>SEP Rules Expected trading behaviour</th>
<th>Resting is a:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Order</td>
</tr>
<tr>
<td><strong>Incoming is a:</strong></td>
<td>CIO</td>
</tr>
<tr>
<td></td>
<td>CRO</td>
</tr>
<tr>
<td></td>
<td>CBO</td>
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<tr>
<td></td>
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</tr>
<tr>
<td></td>
<td>CBO</td>
</tr>
<tr>
<td></td>
<td>RC</td>
</tr>
</tbody>
</table>

### 2.3 Exceptions to SEP Rules:

- If a self-execution is identified **involving a quote** (as a resting or aggressive order), the **SEP Rule attached to the incoming TraderID will be ignored** and the following rules will apply:
  - In case the opposite side is an order (i.e. it is not a quote), the quote will survive while the order (incoming or resting) will be cancelled;
  - In case the opposite side is a quote (e.g. two quotes submitted by two different TraderIDs of the same market participant), no SEP rules will be applied i.e. the trade will be executed.

- **Strategies:** SEP will only apply for orders with potential executions in the “Strategy v Strategy” scenario, i.e. if a strategy instrument could execute against another (resting) strategy instrument, SEP will prevent this execution. SEP will **not apply** in the Strategy v Legs case, i.e. when a strategy instrument could execute against orders on the Order book, the trade will be executed.

- **Minimum quantity orders:** SEP will not apply to execute minimum quantity orders, including icebergs, Fill Or Kill (FOK) and Fill And Kill (FAK) orders.

- **“Internal” Cross:** SEP will not apply to Cross trades (i.e. with the same counterparty on both sides).

Please note. LSEDM will not configure any default SEP Groups/ Rules for market participants. Firms will need to set up their protections by contacting their Technical Account Manager at [londontam@lseg.com](mailto:londontam@lseg.com)

### 3.0 Examples

Please refer to the [LSEDM SOLA 7 Message Change Guidelines p.8-11](#).
4.0 For further information contact

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