



# London Stock Exchange Derivatives Market Self-Execution Prevention in SOLA

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# Self-Execution Prevention in SOLA

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

## 1.0 Introduction

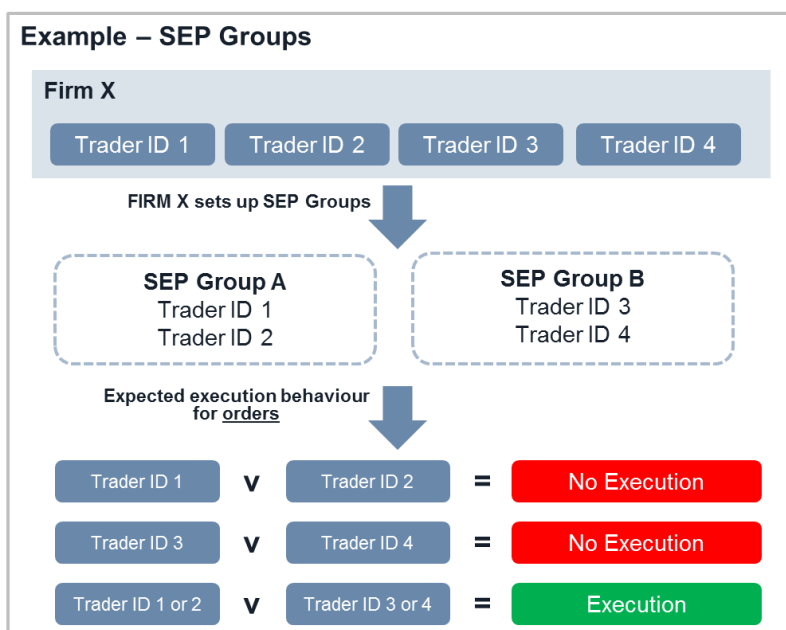
London Stock Exchange Derivatives Market (LSEDM) trading platform (SOLA) operates a **Self-Execution Prevention (“SEP”) functionality**, with the purpose for market participants to avoid execution when an order crosses an opposite-side order sent by the same trading firm on the Order book (i.e. “self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



## 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.

SEP behaviour is managed differently in relation to the matching algo in use by the product:

- for products based on Price-Visibility-Time priority, assessment of SEP rules is done before the potential execution of every individual trade triggered by the incoming order;
- for products based on Progressive Pro-rata matching algo, SEP is evaluated at each relevant price level, before starting the allocation process described in Appendix B of [LSEDM Trading Services Description](#).

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

SEP Rules Expected trading behaviour	Rule	Resting is a:		
		Order	Quote	
Incoming is a:	Quote	CIO	Execution No Self Execution Prevention	
		CRO*		
		CBO*		
		RC*		
	Order	CIO	Cancel Incoming	Cancel Incoming Order Quote takes precedence
		CRO*	Cancel Resting	
		CBO*	Cancel Both	
		RC*	Reduce and Cancel	

\* Available for equity derivatives only

The following **SEP Rules** will be available for each TraderID:

- **Cancel Incoming Order (CIO)**: leaves the resting order (all resting orders at the relevant price level - and belonging to the same SEP group - in case of products based on Pro-Rata matching algo) while expiring the incoming order;
- **Cancel Resting Order (CRO - configurable only for products based on Price-Visibility-Time priority)**: 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 - configurable only for products based on Price-Visibility-Time priority)**: expires both the resting order and the aggressing order;
- **Reduce and Cancel (RC - configurable only on products based on Price-Visibility-Time priority)**: 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 SEP (other than RC) and the incoming order is smaller than the resting order.

## 2.2 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.

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- **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)

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## 3.0 Examples

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



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## 4.0 For further information contact

### For technical enquiries and setting up the Self Execution Prevention on SOLA:

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