

# SETSqx

## Improvements to auctions on the SETSqx trading service

### Summary

SETSqx (Stock Exchange Electronic Trading Service – quotes and crosses) is specifically designed for securities less liquid than those traded on SETS. SETSqx combines four 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 electronic orders which will be immediately displayed to the whole market for the next scheduled auction. As of June 2014, there are 1,065 securities on the SETSqx trading service.

### Why is London Stock Exchange making the changes?

Between December 2013 and January 2014, London Stock Exchange carried out a market consultation on the trading of securities outside of the FTSE 350 index. The feedback received during the consultation has led to the changes to the SETSqx auction functionality.

The consultation paper and its response can be found as a download at [www.lseg.com/setsqx](http://www.lseg.com/setsqx)

### What are the enhancements to the auction service?

- SETSqx auctions will be scheduled more evenly throughout the day. The first auction uncrossing will now take place at 09:00
- The current elongated auction call periods will be reduced to 10 minutes (5 minutes for the closing auction)
- Orders may still be entered throughout the trading day from 08:50 onwards, but will only be visible in the auction call periods
- Following the closing auction, the Closing Price Crossing Session will be introduced to allow a further trading opportunity at the closing auction price in line with the current closing auction process for SETS.

### When will the changes be implemented?

The final date will be confirmed by Service Announcement<sup>1</sup> in due course but is anticipated that the changes will be introduced in production Q3 2014. The changes will be available for member testing on London Stock Exchange's Customer Development Service shortly.

### Comparison of SETSqx before and after changes

	Before	After
<b>Pre-mandatory registered market making period</b>	07:30–08:00	07:30–08:00
<b>Mandatory registered market making FIRM QUOTE submission</b>	08:00 to end of closing auction	08:00 to end of closing auction
<b>Auction call scheduled start times</b>	07:50, 08:00, 11:00 and 15:00	08:50, 10:50, 13:50 and 16:30
<b>Scheduled auction uncrossings</b>	08:00, 11:00, 15:00 and 16:35	09:00, 11:00, 14:00 and 16:35
<b>Closing price crossing session (CPX)</b>	No	Yes – for approximately 5 minutes after closing auction execution at the closing execution price
<b>Permitted Time in Forces for the four auctions</b>	DAY, OPG, GTD, GTT, ATC and GFA	OPG, GFA, ATC and GFS (new TIF to target next and remaining SETSqx auctions that day)
<b>Permitted Time in Force for use during CPX</b>	N/A	CPX (new TIF allowing injection of a resting order into the closing price crossing session), IOC and FOK
<b>Maximum order duration</b>	90 days	Current trading day if use GFS, otherwise single target auction
<b>Timing of order entry</b>	07:50 to end of closing auction	08:50 to end CPX
<b>Visibility of orders outside auction call periods</b>	Always in auction call throughout the trading day hence full visibility	Orders only visible during the 10-minute auction call period (restricted to 5 minutes at the closing auction) plus any price monitoring extensions

<sup>1</sup> Service Announcements are available at: [www.londonstockexchange.com/traders-and-brokers/rules-regulations/change-and-updates/stock-exchange-notices/sen-home.htm](http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/change-and-updates/stock-exchange-notices/sen-home.htm)

- Orders with the following time in forces<sup>2</sup> will no longer be permitted at any time on SETSqx: DAY, GTD and GTT
- To execute in the auctions, the following (TIFs) must be used: OPG (until opening uncross), GFA (good for auction), ATC (at the close) and GFS (good for scheduled auction)
- GFS TIF is valid for each of the remaining scheduled auctions that day until it is executed in full, cancelled or expired. Other TIFs will be valid for the single next permissioned auction. All visible, unexecuted orders that do not have the TIF GFS expire at end of each auction
- The closing price crossing session (CPX) is a 5-minute period of continuous trading at the closing auction price that will take place following the closing uncrossing
- For the purpose of the CPX the following TIFs are valid: CPX (new TIF allowing injection of resting orders for the CPX session), IOC and FOK
- Orders with a permissible TIF will be parked ahead of the relevant event and will not be visible outside of the auction calls and CPX.

#### How does it affect me?

- There is no change to the quote-driven SETSqx service
- Participants will have access to more frequently-spaced auctions throughout the trading day
- The auction call periods will be shorter and orders will only be visible during these periods
- Participants will 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 following TIFs at anytime on SETSqx: DAY, GTD and GTT.

#### SETSqx scheduled trading day

Event	Standard day (London time)
Start of off book trade reporting	07:15:00
Start of pre-mandatory quoting	07:30:00
Start of mandatory quoting	08:00:00
First auction call (and start of order entry)	08:50:00
First auction uncrossing	09:00:00*
Second auction call	10:50:00
Second auction uncrossing	11:00:00*
Third auction call	13:50:00
Third auction call uncrossing	14:00:00*
Closing auction call	16:30:00
Closing auction uncrossing and end of mandatory quoting	16:35:00*
Closing price crossing session <sup>†</sup>	16:35:01*
Post close	16:40:00 <sup>†</sup>
End of off-book trade reporting	17:15:00
End of off-book trade publication	18:15:00

\* subject to 30 second random periods and any price monitoring extensions

<sup>†</sup> delayed by 5 minutes if 1 extension or by 10 minutes if more than 1 extension

<sup>‡</sup> following session commences early instead if no closing auction UT

<sup>2</sup> For more details of TIFs please see Guide to the Trading System (MIT201) which can be accessed from [www.lseg.com/tradingservices](http://www.lseg.com/tradingservices)

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