

# Millennium Exchange Functional Release 8.6

Consultation on the Introduction of Member Priority  
Matching in the Turquoise Midpoint Dark Book and  
**Turquoise Block Discovery™**

17 February 2015



**London**  
Stock Exchange Group

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## 1. Introduction

The Turquoise Midpoint Dark Book is an external price-referencing Order Book where all orders are non-displayed whilst trades are published immediately. All executions take place at the security's Primary market Midpoint Price.

The Midpoint Dark Book operates two matching modes:

- Continuous – allowing the submission and matching of both persistent and non-persistent order types; and
- **Turquoise Uncross™** - allowing the submission and matching of persistent order types during **Turquoise Uncross™** events, which occur repeatedly intraday.

Orders are executed on a Size then Time priority basis in both Continuous trading and during **Turquoise Uncross™**, which helps achieve larger fill sizes.

**Turquoise Block Discovery™** further enhances the Turquoise Midpoint Dark Book by facilitating the trading of larger block Orders by matching Block Indications. On identifying potential matches, the service requires Participants to send firm Qualifying Block Orders to **Turquoise Uncross™**, maximising available liquidity for customers of both services. Robust reputational scoring and surveillance monitors the conversion of Block Indications into firm Orders to optimise the use of the service.

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## 2. Purpose of document

The purpose of this document is to request any feedback in relation to proposed changes to the Turquoise Midpoint Dark Book and **Turquoise Block Discovery™** execution priority as set out in this consultation document.

Any comments should be submitted by email on or before 6 March 2015 to [sales@tradeturquoise.com](mailto:sales@tradeturquoise.com). Respondents should provide their full name and employer, also indicating whether they are an existing direct or indirect participant of Turquoise or, if not, from what perspective they are providing comments.

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## 3. Proposal for change

From the introduction of Millennium Exchange Functional Release 8.6 on Turquoise in April 2015, Turquoise intends to introduce Member Priority

Matching within the Turquoise Midpoint Dark Book and **Turquoise Block Discovery™**, subject to regulatory non-objection.

Feedback from some members has highlighted the potential efficiency that can be delivered within the Turquoise Midpoint Dark Book by assessing the member's own resting orders for execution before then matching against any other orders in accordance with the normal size/time priority, when executing orders either during continuous trading or in **Turquoise Uncross™**. In this way, Turquoise believes that it can increase the execution potential for all members by attracting an increased number of unexecuted resting orders and incoming aggressive orders. It should be noted that the new matching logic will only impact the normal size/time priority matching logic when a member has another resting order already present on the counter-side of the book.

Member Priority Matching is optional functionality whereby members may choose to be configured to enable any of their Turquoise Midpoint Dark Book orders to first check for matching possibilities against their own orders in size then time priority before then continuing with any unexecuted size to check for matching possibilities against orders of other members in size then time priority, when selected to aggress the counter-side of the book.

For consistency, the same optional functionality will be available to Participants of **Turquoise Block Discovery™**.

A specific example in the Turquoise Midpoint Dark Book where Member C has opted-in for Member Priority Matching is shown below:

Current Primary BBO Midpoint Price is 100  
Member C enters an order to BUY 20,000 shares with a limit price of 100

Order Book SELL Side*				Current Process	Buyer	Seller	Quantity	Execution Price
Quantity	Time	Limit Price	Member		Member C	Member A	10,000	100
10,000	14.26	99	A	Member C 'opted in' to Member Priority	Member C	Member B	8,000	100
8,000	09.08	98	B		Member C	Member C	2,000	100
7,500	15.08	99	C		Buyer	Seller	Quantity	Execution Price
5,000	12.01	97.5	A	Member C	Member C	7,500	100	
5,000	15.01	98	A	Member C	Member A	10,000	100	
				Member C	Member B	2,500	100	

\* Ordered on a Size, then Time priority basis

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#### 4. Request for feedback

Turquoise welcomes any feedback on the planned introduction of optional Member Priority Matching in the Turquoise Midpoint Dark Book and **Turquoise Block Discovery™**, including any anticipated impact on respondents' existing use of these trading services.

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