

Overview of Release 8.7 enhancements

To be introduced 2 November 2015

Summary

- **SETSqx enhancements**
 - Re-introduction of SETSqx opening auction
 - Improvement to the visibility of orders in SETSqx **without** market makers model
 - Removal of ATC (At the Close) Time in Force
- **SETS enhancements for Mid Price Pegged Orders**
 - Introduction of Minimum Execution Size (MES) for pegged orders
 - Introduction of Immediate or Cancel (IOC) and Fill or Kill (FOK) time in force for pegged orders
 - A pegged order with a price outside of the range of its limit price will become inactive instead of expiring. The order will then be reactivated if the mid-price moves back to within range of the limit price
- **SETS enhancements for less liquid securities:** Introduction of Minimum Quantity at Touch for selected SETS equity securities outside of the FTSE 350 Index
- Sponsored Access enhancements, including email and Sponsor portal warning alerts on percentage of Maximum Gross Consideration utilised
- Removal of Price Differential field from Execution Reports and Trade Capture Reports

1. Amendments to SETSqx

- Re-introduction of an opening auction call at 07:50 with scheduled uncrossing at 08:00. The remaining auction un-crossings 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
- SETSqx **without** market makers will be restructured to improve visibility of orders. Orders will now be publicly visible for up to 90 days, rather than being visible in the current 5–10 minute auction calls as is the case on SETSqx **with** market makers
- For more information please see *Further improvements to auctions on the SETSqx Trading Service Factsheet* at www.lseq.com/setsqx

2. Mid-priced Pegged Order Enhancements:

- A Minimum Execution Size (MES) may now be applied to Mid Price Pegged Orders. Where a MES is specified on a Mid Price Pegged Order, the system will ensure that, each execution of that order is at least the size of the order's MES. This applies on entry and when resting on the order book. Note that the MES functionality can not be applied to any other order type
- Aggressive only mid-priced pegs are now available; allowing the ability to seek liquidity at the mid price. This is facilitated by using time in forces of Immediate or Cancel (IOC) or Fill or Kill (FOK), which have now been activated for this order type
- Where a limit price is specified for a Mid Price Pegged Order and the limit price is breached, either on entry or whilst the order is persisting on the book, then the order will now be made inactive until the limit price is marketable again. At which point it will be available for execution again. This is a change from previous behaviour where the pegged order was expired once the limit was breached. When reactivated a Mid Price Pegged Order will retain its previous time priority from its initial entry.

- Where there is no BBO present in that security the behaviour continues to be that existing orders are expired and new pegged orders are rejected on entry

More information on Mid-priced Pegged Order Enhancements can be found at: <http://www.lseg.com/sets/hidden-orders>

3. Minimum Quantity at Touch

- Minimum Quantity at Touch will operate on a number of the non-FTSE350 sectors for equity securities on SETS
 - During regular trading in these securities, an incoming passive order must be at least 40% of the security's ruling EMS (market maker obligation size) to set a revised Best Bid / Offer (BBO)
 - All auction orders, aggressive orders and passive orders that are priced at touch or less competitively will continue to be accepted
 - Incoming passive orders less than 40% EMS that would otherwise create a new BBO will be rejected on entry
 - Minimum Quantity at Touch is only applied on entry and not to orders that are already present on the order book. It does not apply during any auction phases
 - For more information including applicable sectors see the Factsheet at www.lseg.com/sets
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4. Sponsored Access enhancements

- Sponsoring firms now required to set a Maximum Gross Consideration limit per Sponsored user. Previously, zero meant the control was de-activated
- Sponsoring firms are able to opt to receive alerts (via the Sponsor Portal and via email) when their Sponsored user is within a configurable percentage of its Max Gross Consideration threshold. Once set up, Sponsoring firms may vary the threshold intra-day through the Sponsor Portal

5. Other Change

- Removal of Price Differential field from Execution Reports and Trade Capture Reports. This previously allowed customers to see whether a resting order had set a new BBO, joined the existing BBO or joined at another price point. This feature was not widely used and has therefore been withdrawn

6. Key Dates

- Customer Dress Rehearsal 1 (Mandatory) - 19 September 2015
- Customer Dress Rehearsal 2 (Optional for those that successfully completed Customer Dress Rehearsal 1) - 10 October 2015
- Production Go-Live - 2 November 2015
- Customers must ensure that their software has successfully passed a certification test prior to participating in the Customer Dress Rehearsals.

7. Further Documentation

Along with the other technical specifications, draft, future versions of *MIT 201 Guide to the Trading System*, *Millennium Exchange Business Parameters* & *MIT 701 - Guide to Sponsored Access* reflecting Release 8.7 changes can be found at:

www.londonstockexchange.com/products-and-services/technical-library/millennium-exchange-technical-specifications/millennium-exchange-technical-specifications.htm

8. Who can I contact?

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