

MQAT

Minimum Quantity at Touch

Improvements to liquidity provision in SETS equity securities outside of the FTSE350 Index

Summary

SETS is the London Stock Exchange's flagship electronic order book, trading FTSE100, FTSE250, FTSE Small Cap Index, FTSE AIM UK 50 constituents, other liquid equity, Exchange Traded Funds and Exchange Traded Products. As of May 2015, there are currently 163 AIM securities, 288 FTSE Small Cap securities, and 124 non-index equity securities on SETS.

Why is London Stock Exchange making the changes?

From December 2013 to January 2014, London Stock Exchange carried out a consultation on the trading of equity securities outside the FTSE350 Index.

London Stock Exchange proposed a development to the SETS trading service for smaller securities in order to improve the depth available for execution at the BBO. It was proposed to introduce a minimum order size for new resting orders that enter the order book and create a new BBO. Feedback received from market participants during this consultation has led to the introduction of the new functionality.

The original consultation document is available to download at:
www.lseg.com/sets

What is Minimum Quantity at Touch (MQAT)?

MQAT 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. MQAT 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.

When will the changes be implemented?

The final date will be confirmed by Service Announcement¹ in due course. It is anticipated that the changes will be introduced in production Q4 2015.

The changes will be available for member testing on London Stock Exchange's Customer Development Service in advance of the production date.

¹ Service Announcements are available at: www.londonstockexchange.com/products-and-services/technical-library/service-announcements/service-announcements.htm

Which securities will MQAT be applicable to?

Minimum Quantity at Touch will be applicable only to SETS equity securities outside of the FTSE350 Index. Furthermore, it will also be excluded from the majority of securities in the FTSE AIM UK 50 Index, and the more liquid securities in other SETS segments.

The full list of sectors MQAT will apply to is on the right. Please note the current hard 40% EMS minimum order size will be removed at the same time from sectors SSC4, AF50, ASM6 and HGMO, giving participants much more flexibility in the order size that may be used for the securities currently in these sectors going forward.

How does it affect me?

- In applicable sectors, passive orders less than 40% of the security's EMS that would otherwise reduce the BBO spread will be rejected
- Aggressive orders, passive orders priced at or outside BBO and all auction orders are not impacted
- Sectors that currently have a hard minimum order size of 40% EMS will move to having MQAT
- MQAT is only applied on order entry and will not impact resting or residual orders unless they are subsequently amended by the trading participant
- If a resting order's price and/or size is amended, the order will go through the MQAT validation process again.

Who can I contact?

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Trading service	Segment code	Segment description	Sector code	Sector name
SETS	SSMM	Small Cap	SSC2	SMALL CAP LIQUID 10
SETS	SSMM	Small Cap	SSC3	SMALL CAP LIQUID 25
SETS	SSMM	Small Cap	SSC4	SMALL CAP 15% MAX SD
SETS	SSMM	Small Cap	SSC6	SMALL CAP NON-LIQUID 10
SETS	SSMM	Small Cap	SSC7	SMALL CAP NON-LIQUID 15
SETS	SSMM	Small Cap	SSC8	SMALL CAP NON-LIQUID 25
SETS	SET3	OTHER	OL15	OTHER LIQUID 15
SETS	SET3	OTHER	OL25	OTHER LIQUID 25
SETS	SET3	OTHER	ON15	OTHER NON-LIQUID 15
SETS	SET3	OTHER	ON25	OTHER NON-LIQUID 25
SETS	SSMU	SETS STANDARD LISTED OR AIM EURM	SMEV	SETS – LONDON STANDARD LISTED CCP eligible – 10
SETS	SSMU	SETS STANDARD LISTED OR AIM EURM	SMEW	SETS – LONDON STANDARD LISTED CCP eligible – 15
SETS	SSMU	SETS STANDARD LISTED OR AIM EURM	AIMM	AIM EURM NON-FTSE AIM50
SETS	AMSM	AIM ON SETS	AF50	AIM FTSE50 – 15% MAX
SETS	AMSM	AIM ON SETS	AF25	AIM FTSE50 ON SETS 5–25% MAX
SETS	AMSM	AIM ON SETS	ASM7	AIM SECS. ON SETS 7–10% MAX
SETS	AMSM	AIM ON SETS	ASM8	AIM SECS. ON SETS 8–15% MAX
SETS	AMSM	AIM ON SETS	AM25	AIM SECS. ON SETS 9–25% MAX
SETS	SFM1	SETS – Specialist Fund Market	SFML	SFM
SETS	HGS1	SETS – High Growth Segment	HG15	HGS – 15% max spread
SETS	HGS1	SETS – High Growth Segment	HG25	HGS – 25% max spread
SETS	HGS1	SETS – High Growth Segment	HGMO	HGS – 25% max spread