

## Equiduct Trading Market Configuration

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### **Equiduct Market Segmentation**

The Equiduct Market Segment to which an instrument belongs is determined by liquidity, measured by the instrument’s ADT (Average Daily Turnover) on Equiduct and the reference markets covered over a four week period (20 trading days). In turn, the market segment determines the instrument’s MQS (Minimum Quote Size) and maximum spread. The daily turnover for instruments is captured from Equiduct, BATS, Chi-X, the London Stock Exchange, NASDAQ OMX Europe, NYSE Euronext, Turquoise and Xetra. Each instrument’s daily turnover is the sum of the daily turnovers for the instrument across all of the markets covered by Equiduct and is calculated in Euros.

#### ***Market Segmentation based on Average Daily Turnover***

	ADT	MQS	Max Spread (Offer-Bid)/Mid
Segment 1	>100M Euro	EUR 10,000	10%
Segment 2	10M Euro – 100M Euro	EUR 5,000	15%
Segment 3	<10M Euro	EUR 2,500	20%

### **MQS (Minimum Quote Size) & Maximum Spread Rules**

MQS is maintained at instrument level using the number of shares rather than the EUR cash equivalent. The following rounding methodology is applied to the number of shares based on the MQS Cash banding.

- MQS equivalent to <100 shares – Round down share quantity to the nearest 5 shares.
- MQS equivalent to between 100 and 1000 shares – Round down to nearest 100 shares
- MQS equivalent to >1000 shares – Round down to nearest 1000 shares.

### **Market Segment Review Process**

A review of the Equiduct Market Segments takes place every month.

Changes made as a result of the Market Segment review process are effective on the first Monday of each month, with notice of changes provided to Market Participants via a Market Notice 5 trading days before application. The data cut-off date for inclusion in the Market Segment Review will be the Friday, one week prior to the Friday on which the Market Notice advising Market Participants of changes is published. On this day, instrument closing prices are recorded and converted to Euros where necessary using the Exchange Rate recorded at Market Close and the average ADT is taken, in Euros, for the previous 20 trading days. An example of the review process timeline is shown below:

Data Cut-Off Date: Friday 17/07/2009

Market Notice Publication: Friday 24/07/09

Effective Date of Changes: Monday 03/08/2009



Changes may be made to;

- Market Segment Allocation
- Minimum Quote Size
- Maximum Spread Rule

### **Market Maker Requirements**

In order for an instrument to be tradable via both PartnerEx and the Hybrid Book, the PartnerEx market maker must maintain firm and executable two-sided quotes in the Hybrid book for that instrument in line with the Equiduct Market Rules and Terms and Conditions. Within PartnerEx the market maker will determine whether they are to quote on just one side of the book or offer two-sided quotes and will specify the volume and price improvement applicable to each side at their discretion, but in line with their current PartnerEx relationship agreement.

For instruments trading only in the Hybrid Book there is no requirement to have a market maker registered in order for the instrument to be tradable.

### **Minimum Lot Size**

**Minimum Lot Size** is set to 1 across the Exchange in keeping with that of the reference markets covered by Equiduct.

### **Tick Size Allocation**

#### **Hybrid Book**

In the Hybrid Book Equiduct uses a dynamic set of tick size parameters based on bands established by the actual price of securities at stock level in real time. The dynamic tick size ranges are specific to the trading board to which an instrument is allocated and are shown in the tables on the following page.

**Dynamic Tick Size Ranges - XLON Board**

<b>PRICE RANGE (GBX)</b>	<b>TICK SIZE (GBX)</b>
<0.5	0.0001
0.5 – 0.9995	0.0005
1 – 4.999	0.001
5 – 9.995	0.005
10 – 49.99	0.01
50 – 99.95	0.05
100 – 499.9	0.1
500 – 999.5	0.5
1000 – 4999	1
5000 – 9995	5
10000 +	10

**Dynamic Tick Size Ranges – XAMS, XBRU, XLIS & XPAR Boards**

<b>PRICE RANGE (EUR)</b>	<b>TICK SIZE (EUR)</b>
0.001 – 9.999	0.001
10.000 – 49.995	0.005
50.000 – 99.99	0.01
100.00+	0.05

**Dynamic Tick Size Ranges – XETR Board**

<b>PRICE RANGE (EUR)</b>	<b>TICK SIZE (EUR)</b>
0.001 – 9.999	0.001
10 +	0.005

### **Exceptions to Dynamic Tick Size Ranges**

If the home market reduces the tick size of any instrument traded via Equiduct to a level more granular than the tick size determined by the Equiduct dynamic tick size matrix, changes may be made to the Equiduct tick size of the affected instrument to match that of the home market. These tick sizes will be set individually and will not be subject to change via the dynamic tick size matrix following changes in the instrument's price.

In such cases, if the home market implements changes to instrument tick sizes to a level less granular than the current tick size, Equiduct reserves the right to not implement these changes, keeping Equiduct tick sizes at the more granular level.

Full details of instruments for which static tick sizes apply are available to market participants via the daily tick report file.

### **PartnerEx**

A separate dynamic tick size matrix is used for instruments traded via PartnerEx in which price ticks will be equal to or more granular than the tick sizes used for trading in the Hybrid Book. Within PartnerEx, price improvement is expressed as a multiple of the PartnerEx tick size. The PartnerEx Tick Size Table is published on the Equiduct website.

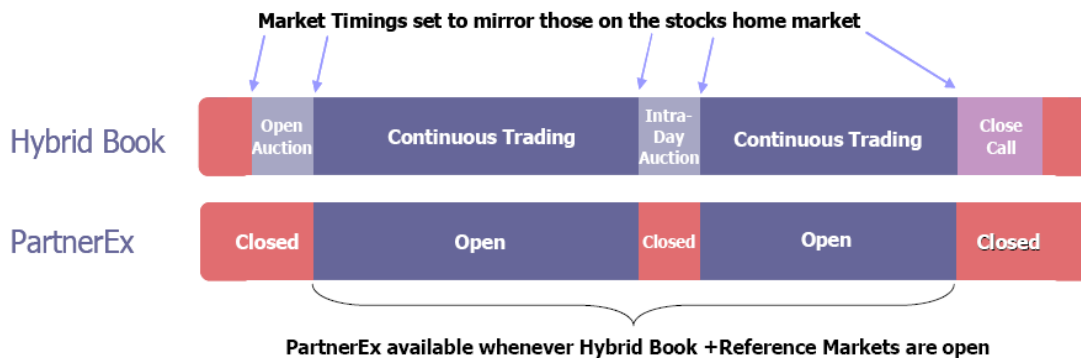
When tick sizes have been set for individual instruments in the Hybrid Book to a level more granular than the values calculated by the dynamic tick size matrix these tick sizes will also apply to PartnerEx and will not be subject to change due to changes in price.

### **Trading Calendar and Business Hours**

The Equiduct Trading Calendar follows the trading calendar of the home markets and will be published on the Equiduct website.

The trading hours of Equiduct are 9:01 – 17:30 with a Closing Cross at 17:35 (all times in CET). German instruments will be halted in line with the intra-day auction on Xetra. The instruments will be halted whilst Xetra is in auction and will enter an auction phase on Equiduct as they progress to continuous trading for the afternoon session on Xetra. Following the auction on Equiduct the German instruments will progress to continuous trading.

In addition, Equiduct will halt instruments in the Hybrid Book when they are in an unscheduled auction on the Home Market. These instruments will progress to auction status on Equiduct as the Home Market resumes continuous trading, prior to resuming continuous trading on Equiduct.



## Closing Prices

### **Standard Daily Closing Price Methodology: VBBO Mid Price at RMS quantity**

Equiduct closely follows the timing of progression of instruments from continuous trading to closing auction on the home market as defined by Equiduct, with all Equiduct instruments progressing to the Closing Cross Phase at 17:30 CET. As an instrument enters the Closing Cross Phase on Equiduct the latest mid price of the RMS VBBO calculated using only prices from the reference markets will become the Equiduct Closing Cross Price. Instruments participating in the Closing Cross Phase will be identifiable via their “Auction” state between 17:30 and 17:35 CET. As each instrument halts, the latest RMS VBBO will be frozen and displayed alongside the instrument. The mid price of this VBBO can be defined as  $(\text{Bid} + \text{Offer})/2$  rounded to the nearest tick size and will form the Equiduct Closing Cross Price at which executions may occur between at 17:35.

### **Exceptions and Contingency Methodology - Mid Price from the Hybrid Book**

If there has been no valid VBBO for today the mid price of the Hybrid Book will be published as the Equiduct Closing Price. If there is no valid Hybrid BBO Equiduct will maintain yesterday’s closing price.

In exceptional circumstances, when VBBOs do not reflect the current market value of an instrument, executions during the Closing Cross Phase can be prevented.

### **SMS & RMS Quantities (Standard Market Size & Retail Market Size)**

The RMS share quantity is always the number of shares equivalent to Euro 7,500 rounded to the nearest share and is available for every instrument traded via Equiduct. The SMS value in Euros represents the

Standard Market Size of the instrument and is only available for an instrument if the SMS value is equal to or above Euro 7,500. The SMS quantity is the number of shares equivalent to the instrument's SMS value. The RMS and SMS quantities (where available) are the numbers of shares for which the Equiduct VBBO is calculated for each instrument.

SMS and RMS quantities are reviewed fortnightly. The new SMS and RMS quantities for VBBO purposes are determined by dividing the RMS and SMS Cash Values (expressed in Euros) by the instrument's Closing Price (converted to Euros if necessary). The changes are applied every second Friday for start of trading on Monday using the instrument's closing price and the exchange rate as at market close on the Thursday prior to the implementation of the new data.

### **Cancellation of Orders**

Orders will be cancelled on behalf of the submitting OFP (Order Flow Provider) only in the following circumstances;

- **Corporate Action Last Cum Date** – Any orders resting in the book for an instrument undergoing one of the following corporate actions in which a price adjustment will occur are cancelled by close of business on the day prior to the corporate event becoming effective by the market participant. Only in the event of orders still resting in the book on the ex date of a corporate action as defined below will Equiduct expire these orders automatically before market open. Securities undergoing the following corporate actions will be affected;
  - Spin Off/Demerger (Orders cancelled for Parent Line)
  - Capital Repayment
  - Split/Reverse Split
  - Bankruptcy
  - Delisting
  - ISIN Change
  - Change of listing to ineligible market
- **Loss of Connectivity** - In the event of an OFP losing connectivity to the Equiduct Trading System Market Control have the ability to cancel orders on explicit request of the OFP in line with operational procedures. The automatic cancellation of orders and quotes following a disconnection can be configured on request.
- **Change of Instrument Tick Size** – Any changes to the tick size applicable to an instrument or trading board will be communicated via Market Notice at least 5 trading days prior to the effective date of the change. If orders remain in the book with an invalid limit price on the effective date of the announced change, these will be cancelled from the order book.

- **Change of Minimum Iceberg Peak Size** – Any changes to the minimum iceberg peak size following the monthly market segmentation review will be communicated via Market Notice at least 5 trading days prior to the effective date of the change and will be available for download from the website. If iceberg orders remain in the book with an invalid iceberg peak size the effective date of the announced change, these will be cancelled from the order book.

**Other Cancellations** – Excluding the scenarios outlined above, Equiduct will not cancel resting orders from the book.

### **Minimum Peak Size and Minimum Total Volume for an Iceberg Order**

The peak size for an Iceberg Order is expressed as a fractional multiple of the instrument's MQS. The minimum peak size for an Iceberg Order for each instrument is published on the instrument list available from the Equiduct Website.

### **Trading of Instruments in Multiple Currencies**

Each instrument determinable by its unique Equiduct Symbol is traded via Equiduct in one currency only. The VBBO for each instrument is calculated using the market depth from the consolidated European order book, (Equiduct and reference markets), only in the currency in which the instrument trades. This negates the need for real time currency conversions within Equiduct for instruments traded in multiple currencies throughout the European reference markets covered by Equiduct, removing any element of risk that automatic currency conversions may present to Equiduct Market Participants.

For instruments with sufficient liquidity in more than one currency Equiduct will provide a second unique symbol allowing Market Participants to trade in the second currency via Equiduct. In such cases the VBBO will only take into account market depth from the relevant European reference markets in the currency in which the instrument is being traded.

#### **For example;**

HSBC is traded on BATS, Chi-X, the London Stock Exchange, NASDAQ OMX, NYSE Euronext, Turquoise and XETRA. As a company, HSBC will be traded via Equiduct in EUR and GBX with VBBO Calculation as follows;

#### **HSBC traded in GBX – Symbol HSBAGBX**

VBBO prices are calculated using market depth from BATS, Chi-X, the London Stock Exchange, NASDAQ OMX and Turquoise, all of which trade HSBC in Sterling,



### **HSBC traded in EUR – Symbol HSBAEUR**

VBBO prices are calculated using market depth from NYSE Euronext and XETRA, both of which trade HSBC in Euros.

### **Price monitoring**

**PMI – Price Monitoring Interruptions** – Price monitoring interruptions are caused by price movements outside of a predefined static tolerance and can only occur during continuous trading phases. PMIs will occur for executions that break the PMI initiation tolerance of 3% from the mid price of the reference markets' BBO with an auction period duration of 10 minutes. During this time a telephone request will be made to alter the trade price to be within the tolerance of 2% of the mid price of the reference markets' BBO. If the trade price remains unchanged the trade may qualify as a "mistrade" and could therefore be cancelled. Whilst 1 MOE and a random end period of 30 seconds are possible following a PMI, there will be no Price Monitoring Extension (PME).

**PME – Price Monitoring Extensions** – Price monitoring extensions may only occur following auctions that are not the result of PMI initiation, and if a resultant execution would occur outside of the PME initiation tolerance of 20% from the Equiduct last trade price. A maximum of 3 price monitoring extensions, each lasting 30 seconds, can be initiated prior to resumption of continuous trading.

**MOE – Market Order Extensions** – If at the end of an auction period there are market orders that remain unexecuted in the Hybrid Book at the calculated auction price, a market order extension will occur. This provides Market Participants with the opportunity to execute orders against the remaining market orders at the price determined in the auction. One Market Order Extension is allowable per auction period, lasting 30 seconds.

**REAP – Random End to Auction Periods** – The REAP occurs within 30 seconds.

### **Internalisation in the Hybrid Book**

By default, in the Hybrid Book, any execution for a market participant against themselves will be sent to the relevant clearing agency for clearing and settlement. If market participants require internalisation for trades executed in the Hybrid Book against themselves, they need to specify this in their member documentation.