



2007-10-31

**Exchange Notice
IT 62/07**

IT - New Trade Types and VWAS at OMX Nordic Exchange

As communicated earlier the OMX Nordic Exchange¹ will implement changes in the market microstructure from November 1, 2007.

New Trade types on OMX Nordic Exchange

Trade types

There will be a new set up of trade types from November 1, 2007 on OMX Nordic Exchange. The trade types have been reduced in number, and will be the same in all four countries. One exception only, Pre-Opening Trade Type will remain in Finland. Standard Trade type will include trades with deferred publication and block trades.

	Trade Types - Equities	Trade Types – Fixed Income
Standard	<ul style="list-style-type: none">▪ AUTO▪ Accept Match (internal odd lot)▪ Standard Trade	<ul style="list-style-type: none">▪ AUTO▪ Accept Match▪ Standard Trade▪ Issuing Call Auction
Non Standard	<ul style="list-style-type: none">▪ Derivative Related Transaction▪ Portfolio Trade▪ Volume Weighted Average Price Trade▪ Exchange Granted Trade▪ Pre-Opening Trade Type (Helsinki)	<ul style="list-style-type: none">▪ Derivative Related Transaction▪ Portfolio Trade▪ Volume Weighted Average Price Trade▪ Exchange Granted trade▪ Non-Standard Settlement▪ Repurchase agreement

¹ OMX Nordic Exchange Stockholm AB, OMX Nordic Exchange Copenhagen A/S, OMX Nordic Exchange Helsinki Oy, OMX Nordic Exchange Iceland hf.

The Nordic Exchange

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Explanation of the different use of Trade Types

The following Trade Types are used in SAXESS for Order Book Trades

Trade type	Definition
AUTO	A trade automatically generated in the Order Book when a buy and a sell order are matched
Accept match	Order matching that can take place against any Order in the Order Book without considering any priority rules or in accordance with the requirements in NOREX Member Rules appendix D p.1
Issuing Call Auction	Used on the Issuing sub-markets

One of the following Trade Types shall be used when reporting Manual Trades:

Trade type	Definition
Standard Trade	A Trade concluded on standard market terms in respect of price, Time of the Trade and with standard delivery and settlement schedule
Non-standard settlement	A Trade that deviates from the standard settlement and delivery period.
Derivative Related Transaction	Exercise or expiration of options, forwards or futures contracts that imply an exchange of securities or a trade that relates to a derivatives trade and that forms an unconditional part of a combination together with a derivative trade.
Portfolio Trade	A transaction in more than one security where those securities are grouped and traded as a single lot against a specific reference price.
Volume Weighted Average Price Trade	A Trade, the price of which is based on a volume weighted average price of trades made within pre-defined time period
Exchange Granted Trade ²	A Trade pursuant to an individual or general authorisation from the Nordic Exchange
Repurchase agreement	Agreement between two parties that regulates the lending and return of the same nominal amount of Instruments
Pre-Opening Trade	A Trade, which is entered into in Pre-Opening on the date of admission to trading of an Instrument.

² The Trade Type “Exchange granted trade” presupposes that the Member either must have obtained prior authorisation from the Nordic Exchange for the specific case and Trade, or alternatively that the Norex Exchange(s) have granted a general authorisation to all Members for a particular kind of Trade. The Norex Exchange(s) shall notify general authorisations through an Exchange Notice.



IDs for trade types (system codes)

The new trade types have the following IDs in SAXESS:

Id	Code	Name
1	AUTO	Auto match
2	ACPT	Accept match
3	CLIS	Issuing call match
32	STND	OX standard
33	NSTL	OX non standard settlement
36	XGRT	OX exchange granted trade
43	REPO	OX repurchase agreement
46	VWAP	OX Volume Weighted Average Price
57	PROP	Pre-opening transaction
67	DRTR	OX Derivatives Related Trade
68	OTCS	OTC Standard
69	OTCN	OTC Non standard
70	PORT	OX Portfolio Trade

Volume Weighted Average Spread (VWAS)

OMX Nordic Exchange will introduce a new spread requirement for Manual Trades below the block trade levels. The requirement will change from the current bid/ask spread to Volume Weighted Average Spread (VWAS).

VWAS is the reference price, which a member would have paid or received if the order had been executed in the central order book, i.e. the average price that the order had been traded at if the order had been auto-matched (only the disclosed quantity) with orders available in the order book. The VWAS is in other words different for different order/trade sizes

Example:

A member wants to report a standard trade of 10 000 shares within VWAS. Orders in an order book are the following:

Bid volume	Bid	Ask volume	Ask
5 000	109.75	7 000	110.00
2 100	109.50	2 200	110.25
1 900	109.25	2 000	110.55
900	109.00	1 000	110.75
500	108.75	900	111.00
10 400		13 100	

Spread: 109.75 – 110.00

VW Bid $109.53 = (5\,000 * 109.75) + (2\,100 * 109.50) + (1\,900 * 109.25) + (900 * 109.00) + (500 * 108.75) / 10\,000$

VW Ask $110.10 = (7\,000 * 110.00) + (2\,200 * 110.25) + (2\,000 * 110.55) / 10\,000$



VWAS: 109.53 – 110.10

A standard trade can be reported within VWAS of 109.53 – 110.10 instead of the tighter spread of 109.75 – 110.00.

In summary: The purpose is to allow trades outside the order book at the same average price as if they had been done in the order book.

Although principally the Member needs to make the trade on or within the Spread or VWAS, when there is no Spread the Member needs to make the trade to a price that takes into account the market situation at the time of the trade.

According to NOREX Member Rules, in certain situations Member may want to make such a trade to a price that is outside the VWAS if there has been a change in the market conditions after the relevant VWAS was determined. Members shall enter into a trade at a price that takes into account the market situation at the time of the trade.

In both of the above cases members shall be able to provide reasons for their assessment of the market situation. As such valid ways to take the market situation into account, could be to use the prices on other relevant market(s) or prices that are based on other suitable reference prices. Surveillance will assess the suitability of such a reference price which could be for example within a percentage of the price in which the trade would have been entered into if the change in the market conditions had not occurred.

MiFID requires the regulated market to monitor the compliance of its rules. This includes surveillance of prices of reported trades and thereby the use of VWAS. For that reason Trading Surveillance will monitor that standard trades reported in the trading system are in compliance with VWAS requirements. There will not be a technical VWAS validation in the SAXESS system.

For further information concerning this exchange notice please find contacts below:

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