

IT – INET Nordic – Implementation on Auction Only Market Segments for certain less liquid shares (89/17)

Following requests from market participants, Nasdaq Nordic has decided to implement Auction Only Market Segments for certain less liquid shares on Nasdaq Stockholm and First North Sweden. The model may be expanded to other Nasdaq Nordic markets at a later stage.

The background for the implementation is that it is common for Issuers in Sweden to have multiple classes of shares listed at Nasdaq Nordic, with differing free float, turnover and other liquidity measures between the classes.

Ideally, the share price should not differ significantly between the different classes of shares since they represent the same proportion of the company equity and the same right to dividends. If the price differs, due to e.g. differentiated voting rights, the relative difference is typically stable over time.

However, Nasdaq Nordic has observed extreme trading in certain shares at prices not reflecting a fair market value, compared to the other share classes of the same company. In extreme situations prices of one class have been several times higher than the other. Current Volatility Halt mechanisms, effective in preventing other forms of disorderly trading patterns, do not effectively restrict trading where the price of one of the share class does not reflect a fair value.

In order to reduce the risk for disorderly trading, Nasdaq Nordic plans to introduce a modified market model for shares fulfilling the pre-set criteria. The modified market model is comprised of an Auction Only trading model where continuous trading has been replaced by three auctions during the trading day. **The launch of the Auction Only trading model is pending regulatory approval.**

Auction Only Market Segments

The following new Market Segments will be activated from January 22 in production:

Market Segment Name	Segment Symbol	INET ID
STO Equities Auction only	SEEQ SHR AO	214
First North STO Auction only	SEMM SHR AO	215

These two Market Segments will have three auctions per day:

1. **Opening auction**, following the normal opening schedules as per today.

2. After randomization plus 1 second of continuous trading, the order book will CET 09:00:06 move into a **Scheduled intra-day auction** that uncrosses at the same time as other scheduled intra-day auctions uncrosses at approximately CET 13:35.

3. After yet another randomization and continuous trading phase of 1 second the order book CET 13:35:06 moves into the **Closing auction** with an uncross at about CET 17:30.

Criteria for shares to be traded on the Auction Only Market Segments

In order to be moved the Auction Only Market segments, all of the following criteria must be fulfilled:

- ✓ The share must be one of several classes of shares (A, B, C) that are listed for the same company, with one share class dominating in terms of liquidity. The share shall be ranked 2nd or lower, among the parallel share classes, in terms of average turnover during the previous quarter.
- ✓ The share may not be a Preference or Interim share.
- ✓ The share may not be subject to a Market Maker/LP program.
- ✓ The share must have less than 30 MEUR in Free float adjusted average Market Cap at the end of each quarter.

Nasdaq Nordic has identified the following shares fulfilling the above criteria (Nasdaq Nordic is planning to evaluate eligible shares on a quarterly basis):

EXCHANGE	ISSUER	INSTRUMENT	ISIN
XSTO	HUFV	Hufvudstaden C	SE0000170383
XSTO	MSON	Midsona A	SE0000565210
XSTO	SVOL	Svolder A	SE0010663302
XSTO	CAT	Catella A	SE0000188500
XSTO	MIDW	Midway A	SE0000122657
XSTO	ORTI	Ortivus A	SE0000188930
XSTO	ELUX	Electrolux A	SE0000103806
XSTO	MTG	Modern Times Group A	SE0000412363
XSTO	TEL2	Tele2 A	SE0005190220
XSTO	SWEC	SWECO A	SE0000489080
XSTO	KLOV	Klövern A	SE0006593901

Legal and Market Model

The INET Nordic Market Model will be updated, effective as of launch of the service in production and changes will be available before the effective date.

Time Schedule

- INET Test (NTF), GCF TST4 – December 15, 2017
- INET Production – January 22, 2018

Questions and feedback

For further information and feedback concerning this information, please contact Anders Green, +46 8 405 67 52, anders.green@nasdaq.com.

Support

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Best regards,
Nasdaq Nordic

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