Exchange Notice

IT 80/14

IT - INET –Introduction of trading safeguards to opening and closing auctions in NASDAQ OMX Nordic and Baltic exchanges

As communicated earlier in IT Notice 72/14, a functionality to limit unexpected impact to opening or closing prices due to erroneous or excessive order entries during opening and closing auctions will be introduced to INET Nordic trading system in December 1, 2014.

Applicable markets
Based on discussions with members, the new functionality will be implemented to shares and ETFs to the opening auction at
- NASDAQ OMX Copenhagen,
- NASDAQ OMX Helsinki
- NASDAQ OMX Stockholm,
- NASDAQ OMX Tallinn,
- NASDAQ OMX Vilnius
- NASDAQ OMX Riga,
- NASDAQ OMX Iceland;

and to the closing auction at
- NASDAQ OMX Stockholm,
- NASDAQ OMX Tallinn,
- NASDAQ OMX Vilnius,
- NASDAQ OMX Riga,
- NASDAQ OMX Iceland.

Functionality
The safeguards will trigger a 3-minute extension to the opening and closing auction in a single order book, if the auction price of that order book deviates by more than a predefined percentage from a reference price at the time of the uncross. The safeguards in auctions will add time to the auction and provide a validation layer for the price determination, which will ultimately take place at the end of the extension period.

Impact to the opening and closing auction schedule
- If a 3-minute extension is triggered in the opening auction in some order book, continuous trading in that order book starts 3 minutes later than normally: e.g. in Stockholm at 9:03 CET. Other order books open at normal time.
- If a 3-minute extension is triggered in the closing auction in some order book at applicable market, the call in that order book ends approximately 3 minutes later than normally: e.g in Stockholm at 17:33 CET. Other order books close at normal time.

The dynamic volatility guards* used in continuous trading are the basis for the percentages used as safeguards in the opening and closing auctions:
- in the opening auction the safeguards are two (2) times the dynamic volatility guards and
- in the closing auction the safeguards are the same as dynamic volatility guards.

*Dynamic volatility guards are set on order book level and disseminated as reference data via the Genium Consolidated Feed and Nordic Workstation.

See the percentages normally used as trading safeguards in the opening and closing auction in the table below. NASDAQ OMX Nordic holds the right to apply deviating percentages on individual order book.

Trading safeguards in opening and closing auction	Opening auction	Closing auction
NASDAQ OMX Copenhagen, Helsinki and Stockholm*		
OMXS30/OMXH25/OMXC20 shares	+/-6%	+/-3%
Other shares and ETFs	+/-10%	+/-5%
First North and liquidity group C shares	+/-20%	+/-10%
Penny shares	+/-50/80/100/200%	+/-25/40/50/100%
NASDAQ OMX Tallinn, Vilnius and Riga		
Shares	+/-20%	+/-10%
NASDAQ OMX Iceland		
OMXI8 and selected shares	+/-6%	+/-3%
Other shares	+/-10/20%	+/-5/10%

 *NASDAQ OMX Copenhagen and Helsinki only in opening auction.

Implementation details

Nordic Equity TotalView-ITCH
The new functionality requires a new field in existing outbound message in Nordic Equity TotalView-ITCH specifications used for NASDAQ OMX Nordic and NASDAQ OMX Baltic.

Information about auction extension will be disseminated in a new field "Extension" at the end of the Net Order Imbalance Indicator (NOII) message, where a value "E" will be included in NOII messages sent during an extension.

An updated version 2.01.1 of TotalView-ITCH protocol specification is available at NASDAQ OMX INET Nordic Technical Information website under Future INET Nordic Protocol Specifications.

Member applications not yet supporting this new field at the time it's introduced by NASDAQ OMX should be able to ignore the new field and that the message has expanded in length, see IT-Notice 63/14.

Impact to the market segment state handling
Transition from the opening auction to the continuous trading state in the market segment where one or more order books are in extension will happen at the scheduled time after the uncrossing of all order books except those subject to an extension. Order books with extensions will uncross during the continuous trading state.

Transition from the closing auction to the post trade state for all order books in the market segment where one or more books are in extension will happen only after all order books in that segment are uncrossed, i.e the post trade state of that segment is deferred until all order books are closed.

Document The Auction Extensions - Protocol Considerations at NASDAQ OMX INET Nordic describing the effects auction extensions has on order book (symbol) state handling is enclosed to this notice and available at NASDAQ OMX INET Nordic Technical Information website under INET Nordic – Functional Enhancements.

Time schedule
- INET Test (OTF) – September 1, 2014
- INET Production – December 1, 2014

INET Nordic Market Model
Changes will be updated to the INET Nordic Market Model valid as of December 1, 2014.

Support
If you have any questions regarding this Exchange Notice, please contact NASDAQ OMX Tech Support at: +46 8 405 6410, operator@nasdaqomx.com

Best regards,

NASDAQ OMX Nordic
NASDAQ OMX Baltic

"NASDAQ OMX Nordic" is not a legal entity but describes the common offering from the NASDAQ OMX exchanges in Helsinki, Copenhagen, Stockholm, and Iceland.
"NASDAQ OMX Baltic" respectively refers to the common offering from the NASDAQ OMX exchanges in Riga, Tallinn and Vilnius.