

IT – INET – Introduction of functional changes to INET auctions (36/15)

Based on member consultation Nasdaq Nordic and Nasdaq Baltic have decided to enhance the INET auction functionality.

The changes aim to make the INET auction model more effective and to follow client expectations on how an auction should be designed.

The functional changes are incorporated in the new binary Nordic Equity Totalview-ITCH market data protocol announced separately in IT-Notice ([29/15](#)).

There are mainly three enhancements in the scope of changes:

1. Removal of Market By Order (MBO) transparency during the auction.

By this change the current hybrid model where regular Limit Orders are published individually, and some other native Orders not (e.g. Auction and Market price Orders), will be abandoned in favor of a fully non-transparent auction model during all auctions. Also, there will be no pre-trade transparency before the opening auction and after the closing one.

Note that the important Level 1 data will always be provided and to be enhanced during auctions (see section 2 below).

2. Net Order Imbalance Information (NOII) in real time.

NOII Level 1 data, including Equilibrium Price information, Imbalance and Imbalance direction will be provided in real time instead of once per second as today. With this increased transparency clients will be able to follow the developments of the auction more precisely and always based on the latest information.

Best Bid and Ask prices and respective quantities will be set to zero in case of crossed books.

Best Bid and Ask information will not include non-displayed (hidden) orders.

See section 5.7 in the Nordic Equity TotalView-ITCH protocol specification v3.0, or later, under [Future INET Nordic Protocol Specifications](#).

3. **Introduction of a short randomization period in the opening auction, Intra-day auction and during auction extensions.**

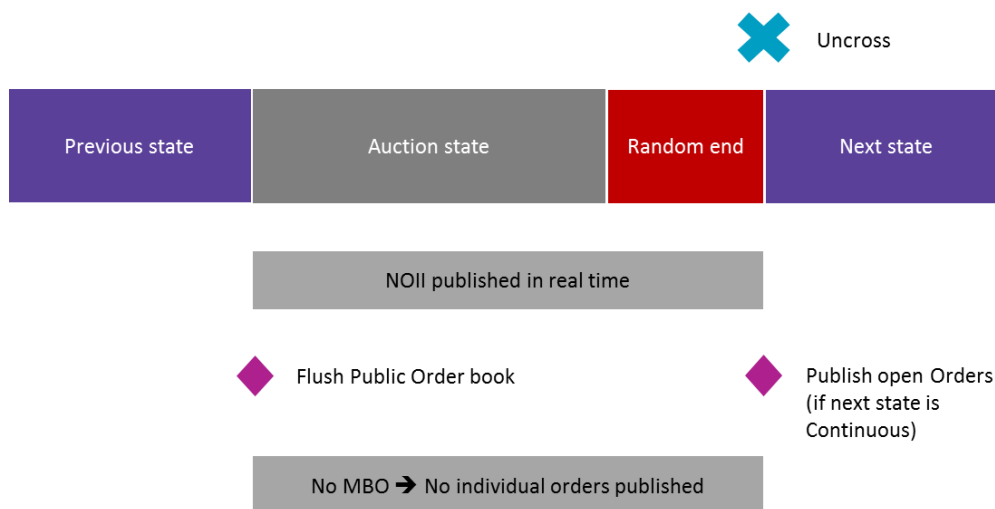
Currently randomization is primarily used in the closing auction where 30 seconds uncross randomization between the Order books is used. To further strengthen the confidence in the auctions, and to prevent gaming, an introduction of a short 5 seconds randomization period in all other auctions will be imposed.

The change means that the opening auction will uncross randomly among Order books between CET 09:00:00 and 09:00:05. I.e. Order book A could open 09:00:01, and a second Order book B could open 09:00:03.

The 5 second randomization will also apply to halt releases and volatility pauses.

Below follows a principal figure describing the enhanced INET auction functionality

- a. The Auction will start with an Order book flush sent out on TotalView-ITCH. This signals that the public order book is emptied and no individual orders are published during the auction.
- b. NOII is published in real time.
- c. At a random end, the uncross takes place across Order books; 30 seconds for the Closing auction and 5 seconds for all other auctions will apply.



Protocol specifications

Updated protocol specifications, including the underlying transport level binary protocols, and a delta document describing the protocol changes "Binary ITCH and Related Protocol

Changes” are available at [Nasdaq Nordic Technical Information](#) web site under [Future INET Nordic Protocol Specifications](#).

Implementation and migration schedule

The new binary version of the TotalView-ITCH protocol, available via temporary binary ITCH ports and ITCH Multicast Service will from August 17 utilize the new Flush message, full auction configuration, and the new NOII design in OTF.

Current ASCII ITCH will not support the auction changes. However, introducing the Auction changes will have an impact on the ASCII ITCH functionality in OTF, details to be communicated in August, 2015.

GCF-TIP 3.1 will include all functional changes due to the implementation of the binary ITCH and auction changes. The schedule for this release will be announced separately.

From November 16, 2015 existing production and OTF ITCH ports and ITCH MC Services will use the new binary version of the protocol, supporting the new auction model.

NOTE: The implementation and the detailed time schedule are subject to discussions with the respective Financial Supervisory Authorities.

Migration to new auction functionality

Time Schedule

- INET Test (OTF) – August 17, 2015
- INET Production – November 16, 2015

INET Nordic Market Model

The INET Nordic Market Model valid from November 16, 2015 will include the auction changes described in this notice.

Support

For technical questions, please contact Nasdaq Tech Support:

Tel: +46 8 405 6410,

E-mail: operator@nasdaq.com

Questions and feedback

For further information and feedback concerning this information, please contact Ronny Thellman, +46 8 405 6313, ronny.thellman@nasdaq.com.

Best regards,
Nasdaq Nordic and Nasdaq Baltic

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