

IT – INET – Reminder - Introduction of PRM check for Market Price Orders (44/15)

Market Price Orders (a.k.a. Market Order) can in some situations move the Equilibrium Price (EP) and hence the auction uncross price considerably.

Based on member request Nasdaq Nordic and Nasdaq Baltic have decided to enhance the voluntary INET Pre Trade Risk Management (PRM) functionality when it comes to the possibility for the member to validate the theoretical impact of Market Price Orders in auctions.

Functionality in brief

The INET PRM service will be enhanced by introducing an optional Market Price Order validation check, applicable during the opening and closing auction.

The check is enabled on a per port level (only FIX/OUCH).

The PRM Market price order validation will assess the theoretical effect on the Equilibrium Price (EP) of any type of incoming Market Price Order entered during opening and closing calls, and reject those Orders if they fail the validation.

The validation would consist of two separate checks, both assessing the theoretical outcome to the EP if the Order would hit the book, and reject the Market Price Order if the theoretical outcome exceeds pre-defined thresholds. The thresholds that are to be used will be based on the liquidity bands used for Auction extensions.

1. **“EP to “EP” check** would validate the EP change compared to current EP. E.g. a buy Market Price Order in Eric B will be validated towards e.g. + 3% (EP cannot move up more than this percentage). Note that the final configuration percentages will be confirmed later.
2. **“EP” to “Reference price” check** would validate the EP change compared to a Reference price. E.g. a buy Market Price Order in Eric B will be validated towards e.g. +6% (EP cannot move up more than this percentage compared to a reference price). The reference price would typically be the last traded price. Note that the final configuration percentages will be confirmed later.

Protocol specifications

A new Reject Reason code has been added to the binary OUCH protocol specification available at [Nasdaq Nordic Technical Information](#) web site under [Future INET Nordic Protocol Specifications](#). PRM is a voluntary service.

Implementation and migration schedule

The enhanced PRM service is expected to be launched November 16, 2015, in conjunction

with other changes affecting Nasdaq Nordic and Nasdaq Baltic auctions, see [IT-Notice 42/15](#)

The PRM check for Market Price Orders is a complementary service.

Time Schedule

- INET Test (OTF) – September 14, 2015
- INET Production – November 16, 2015

Testing access

The new auction PRM Service will be available in INET OTF but not in Nordic Workstation.

The check will be configured on the port level, allowing the member to have ports with the check active, and other ports without the check applied. Note that the member may choose whether or not to use the check on port level, but not the actual thresholds used in the validation. Those parameters will be set by Nasdaq.

Members need to request the new PRM check from Nasdaq Cash Equity Operations:

Tel: +46 8 405 6410

E-mail: operator@nasdaq.com

Support

The INET Pre-Trade Risk Management Service Guide will be updated latest September 30, 2015 including final production go-live configuration parameters.

For technical questions, please contact Nasdaq Cash Equity Operations:

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

Nasdaq Copenhagen, Nasdaq Helsinki, Nasdaq Iceland, Nasdaq Riga, Nasdaq Stockholm, Nasdaq Tallinn and Nasdaq Vilnius are respectively brand names for NASDAQ OMX Copenhagen A/S, NASDAQ OMX Helsinki Ltd, NASDAQ OMX Iceland hf., NASDAQ OMX Riga AS, NASDAQ OMX Stockholm AB, NASDAQ OMX Tallinn AS and AB NASDAQ OMX Vilnius. Nasdaq Nordic represents the common offering by Nasdaq Copenhagen, Nasdaq Helsinki, Nasdaq Iceland and Nasdaq Stockholm. Nasdaq Baltic represents the common offering by Nasdaq Tallinn, Nasdaq Riga and Nasdaq Vilnius.