



SIX Swiss Exchange Ltd

Directive 5: Trading Without Pre-Trade Transparency

Dated 14 September 2018
Entry into force: 15 October 2018

Content

1	Purpose and principle.....	3
2	Admission of participants	3
3	Technical connectivity.....	3
3.1	Trading interfaces	3
3.2	Market data interfaces	3
3.2.1	Reference data.....	3
3.2.2	Market data.....	3
4	On-exchange trading without pre-trade transparency.....	3
4.1	Tradeable securities.....	3
4.2	Trading days and hours.....	3
4.3	Clearing day	4
4.4	Order book without pre-trade transparency.....	4
4.5	Definition of order.....	4
4.6	Order types	4
4.7	Order specification.....	4
4.8	Price step and round lot.....	6
4.8.1	Price step.....	6
4.8.2	Round lot.....	6
4.9	Market model	6
4.9.1	Quantity-time priority.....	6
4.9.2	Mid-Point Price Execution	6
4.10	Algorithmic trading.....	7
4.11	Pre-trade controls	7
4.12	Trade suspension	7
4.13	Reporting obligation.....	8
4.14	Post-trade transparency.....	8
4.15	Correction, cancellation and countertrade.....	8
4.15.1	Correction.....	8
4.15.2	Cancellation	8
4.15.3	Countertrade	8
4.16	Short-selling.....	8
4.16.1	Principle.....	8
4.16.2	Special situations.....	9
4.17	Clearing and settlement.....	9
4.18	Market conduct	9
5	Market Control.....	9
6	Market information.....	9
7	Fees and costs	9
8	Sponsored Access.....	9

1 Purpose and principle

This Directive contains implementing provisions for the services of SIX Swiss Exchange at Midpoint (SwissAtMid) for on-exchange trading without pre-trade transparency in equity securities. It is based on Clause 11.2 Rule Book.

2 Admission of participants

¹ All participants of the Exchange are authorised to trade on SwissAtMid.

² Details are laid down in the "Admission of participants" Directive.

3 Technical connectivity

Details are laid down in the "Technical Connectivity" Directive.

3.1 Trading interfaces

The Standard Trading Interface (STI) and the OUCH Trading Interface (OTI) enable participants to access the SwissAtMid order book. It supports the entry of orders and receives execution confirmations for further processing.

3.2 Market data interfaces

3.2.1 Reference data

The Reference Data Interface (RDI) enables the receipt of reference data on securities that may be traded.

3.2.2 Market data

The Market Data Interface (MDI), the SIX MDDX Multip-Dimensional Data fluX™ and the ITCH Market Data Interface (IMI) offer participants to obtain real-time market information on the transactions executed.

4 On-exchange trading without pre-trade transparency

4.1 Tradeable securities

Securities of the following trading segments may be traded:

- a) Blue Chip Shares ("Trading Parameters" Guideline, Annex A)
- b) Mid-/Small Cap Shares ("Trading Parameters" Guideline, Annex B)

4.2 Trading days and hours

¹ Trading days are governed by the trading days of the Exchange and are stated in the Exchange trading calendar.

² In special situations the Exchange may modify trading days.

³ Trading hours are governed by the trading hours of the Primary Reference Market. The Primary Reference Market is defined as the primary exchange on which the equity securities are listed or admitted to trading on a regulated market. Trading is available during the trading period "Continuous Trading" on the Primary Reference Market relating to the security in question.

⁴ In special situations the Exchange may modify trading hours.

4.3 Clearing day

¹ A clearing day shall last from 08:00 to 18:15 (CET).

² In special situations the Exchange may modify clearing days.

4.4 Order book without pre-trade transparency

¹ The Exchange maintains one or more order books without pre-trade transparency for each security. These order books shall classify and manage all orders according to price, quantity and the time at which they are received by the Exchange.

² The orders contained in the order book without pre-trade transparency are binding.

³ Orders which are executed by reference price systems of the Exchange are exempted from pre-trade transparency regulations in accordance with Art. 27 para. 4 let. a FMIO;

⁴ The orders contained in the order book without pre-trade transparency are not published.

4.5 Definition of order

¹ An order is a binding offer to buy or sell a certain quantity of a security at an unlimited or limited price.

² Orders may be entered in or deleted from the order book without pre-trade transparency during set periods. All incoming orders shall be assigned a time stamp and an identification number.

4.6 Order types

¹ The Exchange supports the order types Normal order and Iceberg order in for trading without pre-trade transparency.

² A Normal order may be entered at any time during the trading day. Non-executed parts of the order remain in the order book without pre-trade transparency until they have been executed or deleted, or have expired. Other validities and routing instructions remain reserved.

³ An Iceberg order may be entered at any time during the trading day. The total order volume is published in the order book without pre-trade transparency and the visible quantity of the Iceberg order is published in the Central Limit Order Book (CLOB). After the visible quantity of the Iceberg order has been executed, the next tranche of the total order quantity shall be published in the Central Limit Order Book (CLOB) as a new visible quantity, and so on until the total order quantity has been executed or deleted, or has expired. Each tranche shall be given a new time stamp and a new identification number, and thus loses its time priority.

⁴ At the request of the participant, the Exchange may define, on a random basis within a specific limit, the visible quantity of the Iceberg order for each tranche of the total order volume. Other validities and routing instructions remain reserved.

4.7 Order specification

¹ An order must be recorded with the following attributes:

- a) Identification of the participant: participant identification (Party ID) and Trader ID;
- b) Transaction type: buy or sell;
- c) Trading capacity: client transaction (trading in own name but for the account of the client) or nostro transaction (trading in own name and for own account);
- d) Identification of the security: ISIN, trading currency and trading venue;

e) Order volume:

1. number of securities, without statement of the minimum execution quantity; or
2. number of securities, with statement of the minimum execution quantity;

In the case of Iceberg orders, the visible quantity in the Central Limit Order Book (CLOB) must also be defined;

f) Price limit:

1. for Normal orders: limited or unlimited;
2. for orders with Routing Instruction "SWMB": limited;

g) Validity:

1. Immediate-or-cancel (IOC or Accept): shall be executed immediately, in full or inasmuch as is possible. Non-executed parts of the order shall be deleted without entry in the order book without pre-trade transparency;
2. Fill-or-kill (FOK): shall be executed immediately and in full or not at all. If an immediate, full execution is not possible, the order shall be deleted without entry in the order book without pre-trade transparency;
3. Good-for-day: valid until the close of trading on the current trading day;
4. Good-till-date: valid until the close of trading on a certain trading day. The maximum term of validity shall be one year;

h) Algorithmic trading: flagging of

1. the order generated by algorithmic trading;
2. the algorithm used;
3. the trader initiating the order;

i) Routing Instruction:

1. "SWM" for the entry into the order book without pre-trade transparency from SwissAtMid; it is supported for normal orders without price limit; or
2. "SWMX" for the entry into the order book with pre-trade transparency from SwissAtMid and subsequent forwarding of the remaining amount into the Central Limit Order Book (CLOB); the Routing Instruction "SWMX" is supported for normal orders with or without price limit. If the order book without pre-trade transparency is not activated for a given trading segment, orders with Routing Instruction "SWMX" are forwarded directly to the Central Limit Order Book (CLOB) or to the Quote Driven Market order book. If an order with Routing Instruction "SWMX" is entered while the order book is not in the continuous trading period, it will be forwarded directly to the Central Limit Order Book (CLOB) or to the Quote Driven Market (QDM) order book. Orders with Routing Instruction "SWMX" follow the execution provisions of the order book in question in continuous trading; or
3. "SWMB" for the entry into the Central Limit Order Book (CLOB) and simultaneous entry into the order book without pre-trade transparency from SwissAtMid; if the quantity of the order with Routing Instruction "SWMB" instruction in the Central Limit Order Book or the order book without pre-trade transparency for SwissAtMid is executed, the total quantity of the order in the order book in question will be reduced by the quantity that has been executed, until the total order quantity has been executed or deleted, or has expired.

The Routing Instruction "SWMB" is supported for Normal orders and Iceberg orders with a price limit. The stated price limit applies to executions on SwissAtMid, and as a maximum limit for the Central Limit Order Book (CLOB). For executions in the Central Limit Order Book (CLOB), the Exchange adjusts the price limit for orders with Routing Instruction "SWMB" dynamically to the best bid or ask price. If the Central Limit Order Book (CLOB) does not contain a bid or ask price, the order is suspended in both order books and is thus neither executable nor visible in the order book. Suspended orders are reactivated as soon as a corresponding bid or ask price is available in the Central

Limit Order Book (CLOB). These orders are thus executable, have a new time stamp and are visible in the order book. If the order book without pre-trade transparency is not activated for a given trading segment, orders with Routing Instruction "SWMB" will be rejected. If the Central Limit Order Book (CLOB) is not in the trading period "Continuous Trading" or if there is a trade suspension, the order with Routing Instruction "SWMB" is suspended in both order books and as such is neither executable nor visible in the order book. Once the Central Limit Order Book (CLOB) is again in continuous trading, suspended orders are reactivated, have a new time stamp and are visible in the order book. Existing orders with Routing Instruction "SWMB" are deleted in the closing auction. The Exchange may limit the number of orders with Routing Instruction "SWMB" that are permitted in each order book. Orders with Routing Instruction "SWMB" follow the execution provisions of the order book in question in continuous trading.

² Details are laid down by the Exchange in the relevant technical specifications.

4.8 Price step and round lot

4.8.1 Price step

The price steps are defined as follows (details in trading currency):

- a) for Blue Chip Shares ("Trading Parameters" Guideline, Annex A – Blue Chip Shares) the valid price step amounts to 0.0001, regardless of the order price;
- b) for small/mid-cap shares ("Trading Parameters" Guideline, Annex B – Mid-/Small-Cap Shares), the valid price step amounts to 0.0001, regardless of the order price.

4.8.2 Round lot

Round lots are determined by the trading segment on the Primary Reference Market of the relevant security and are laid down in the corresponding annex to the "Trading Parameters" Guideline.

4.9 Market model

4.9.1 Quantity-time priority

¹ "In-limit" orders in the order book are considered for execution. "In-limit" orders are defined as those for which the limited price corresponds at least to the Mid-Point Price of the respective security on the Primary Reference Market, or is higher (the price limit for buy orders is equal to or higher than the Mid-Point Price or the price limit for sell orders is equal to or lower than the Mid-Point Price). Unlimited orders are always deemed to be "in limit".

² The quantity-time priority principle means that "in-limit" orders with the greater quantity shall be executed first. For orders with the same quantity, the order received first shall also be executed first.

4.9.2 Mid-Point Price Execution

¹ Orders shall be executed against each other at the Mid-Point Price, which means the mid-point between the highest displayed bid price and the lowest displayed ask price on the Primary Reference Market at the time of the execution. For the SwissAtMid service, the primary reference market is always the Central Order Limit Book (CLOB) of the corresponding securities at the SIX Swiss Exchange.

² If an order is not or only partially executed, the remaining portion shall be placed in the SwissAtMid order book. Other order validities and routing instructions remain reserved.

³ An incoming order shall be checked for feasibility and shall be executed in accordance with the quantity-time priority with orders on the opposite side of the order book in one or more steps. The following rules shall apply here:

- a) If the incoming order is equal to or larger than the sum of the executable orders on the opposite side of the order book, these orders will be executed in full. Any remaining order quantity from the incoming order will be placed in the SwissAtMid order book.
- b) If the incoming order is smaller than the sum of the executable orders on the opposite side of the order book, these orders will be executed up to their respective maximum quantities. Any remaining order quantity from the incoming order which cannot be executed against executable orders from the opposite side of the order book will be executed according to time priority.

⁴ The Exchange may provide Self Match Prevention for trading in SwissAtMid. At the request of the participant, opposite buy and sell orders under his own participant identification (Party ID) which are flagged as nostro transactions will not be executed. Opposite buy and sell orders shall remain in the order book.

4.10 Algorithmic trading

¹ The participant must possess effective arrangements and risk controls for algorithmic trading, to ensure that its systems:

- a) are robust and equipped with sufficient capacity to deal with peak volumes of orders and announcements;
- b) are subject to appropriate trading thresholds and upper trading limits;
- c) do not cause or contribute to any disruptions on the Exchange;
- d) are effective for preventing violations of Articles 142 and 143 FMIA; and
- e) are subject to appropriate tests of algorithms and control mechanisms, including the precautions to:
 1. limit the proportion of unexecuted trading orders relative to the number of transactions that can be entered into the system by a participant;
 2. slow down the flow of orders if there is a risk of the capacity of the system being reached; and
 3. limit and enforce the minimum tick size that may be executed on the Exchange.

² In algorithmic trading, the Exchange may make provision for higher fees for:

- a) the placement of orders that are later cancelled;
- b) participants placing a high proportion of cancelled orders;
- c) participants with:
 1. an infrastructure intended to minimise delays in order transfer;
 2. a system that can decide on order initiation, generation, routing or execution; and
 3. a high intraday number of price offers, orders or cancellations.

³ The details are laid down in the "List of Trading Charges".

4.11 Pre-trade controls

The provisions of Clause 11 "Trading" Directive on pre-trade controls apply mutatis mutandis.

4.12 Trade suspension

¹ Trading in SwissAtMid shall be interrupted if and for as long as

- a) no Mid-Point Price for the relevant security can be calculated on the Primary Reference Market; or
- b) the relevant security is not in the trading period "Continuous Trading" on the Primary Reference Market (i.e. Pre-opening, Opening, Closing Auction or Post-trading); or
- c) trading in the relevant security on the Primary Reference Market is interrupted (i.e. Delayed Opening, Stop Trading or Non-Opening), or is suspended from trading; or

d) the price of the next execution at the Mid-Point Price compared to the Reference price on the Primary Reference Market is outside a range determined by the Exchange (Stop Trading). The bandwidth (Stop Trading Range) of the interruption in trading in SwissAtMid is determined by the trading segment on the Primary Reference Market of the relevant security, and is laid down in the corresponding annex to the "Trading Parameters" Guideline.

² The participant may enter new orders during a trade suspension or delete existing ones.

³ Market control interventions remain reserved in accordance with the "Market Control" Directive.

4.13 Reporting obligation

The participant reports "on-exchange trades without pre-trade transparency", as described in let. b of Clause 10.1 para. 2 Rule Book, additionally to a reporting office of a Swiss trading venue as a Transaction Report. Upon application from the participant, the Exchange can submit the Transaction Report to the Reporting Office of the Exchange.

4.14 Post-trade transparency

¹ The Exchange shall publish information on on-exchange trades without pre-trade transparency with the flag "Dark Book".

² Information is published promptly. Delayed publication of post-trade transparency data is not supported.

4.15 Correction, cancellation and countertrade

4.15.1 Correction

¹ A participant may correct the information on whether the trade was an own or a client transaction.

² A trade may only be corrected once.

³ The correction must be made on the same clearing day.

4.15.2 Cancellation

¹ If on-exchange trades without pre-trade transparency which violate the provisions of the Rule Book have been made in error, the parties shall apply to the Exchange to have such trades cancelled. The information that these parties provide must correspond.

² The application from the parties must be made by the close of trading on the current trading day.

³ As a rule, the Exchange will cancel the trade by the end of the clearing day at the latest.

⁴ Under exceptional circumstances, the Exchange may extend these periods or refuse to cancel a trade.

4.15.3 Countertrade

With the consent of both parties, a participant may make a countertrade. When reporting the countertrade, the ID of the original trade shall be given, and the report shall be flagged with the "Special Price" Trade Type.

4.16 Short-selling

4.16.1 Principle

¹ The short-selling of securities traded on SIX Swiss Exchange is permitted.

² The seller must settle the short sale at the latest upon execution of the trade in accordance with Clause 14.1 Rule Book.

4.16.2 Special situations

In special situations the Management Committee of the Exchange may issue regulations on short-selling. In such cases, the Exchange will notify participants in the form of a Notice.

4.17 Clearing and settlement

¹ Trades in trading without pre-trade transparency are cleared and settled via a central counterparty. The provisions of Clauses 14 and 16 Rule Book shall apply.

² The counterparty shall remain anonymous.

4.18 Market conduct

The market conduct provisions of Clause 10.3 Rule Book shall apply. In particular, the participant shall ensure that the respective precautions are taken to prevent impermissible cross-trades.

5 Market Control

The details are laid down in the "Market Control" Directive.

6 Market information

¹ The use and publication of market information is governed by Clause 13 Rule Book.

² The details are laid down in the "Market Information" Directive.

7 Fees and costs

The details are laid down in the "List of Trading Charges".

8 Sponsored Access

¹ Sponsored Access (SA) supports trading in SwissAtMid.

² Details are laid down in the "Sponsored Access" Directive.

Resolution of the Participants & Surveillance Committee of the Regulatory Board of 14 September 2018; in effect since 15 October 2018.