

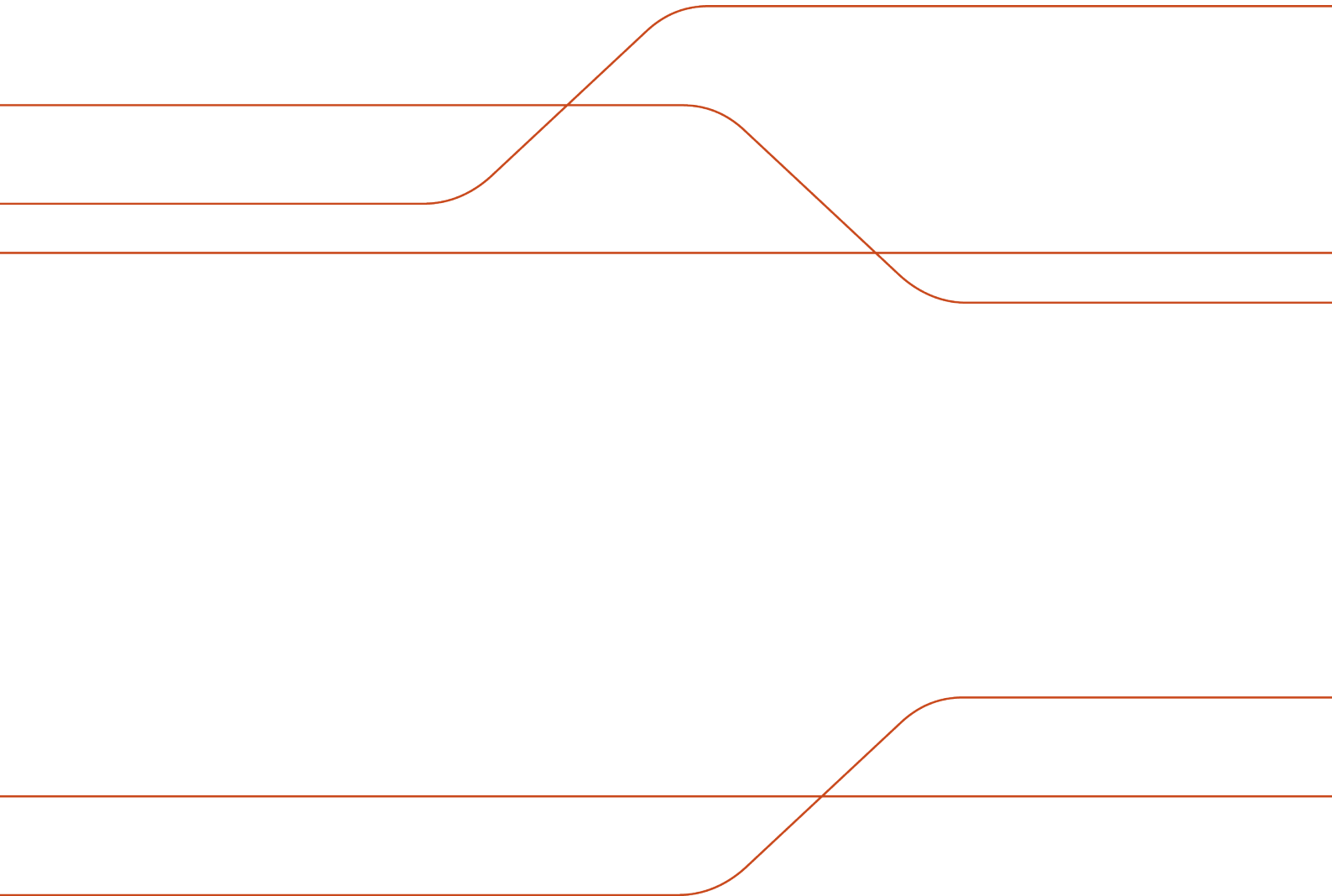


SIX Swiss Exchange Ltd

Directive 5: Trading Without Pre-Trade Transparency

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1. Purpose and principle

This Directive contains provisions relating to the following services for on-exchange trading without pre-trade transparency in equity securities. It is based on Clause 11.2 Rule Book.

- a) SIX Swiss Exchange at Midpoint (SwissAtMid)
- b) SIX Swiss Exchange Liquidnet Service (SLS)

I Common Provisions

Unless expressly stated otherwise in Parts II and III, the common provisions set out in Part I apply to all services for on-exchange trading without pre-trade transparency.

2. On-exchange trading without pre-trade transparency

2.1 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 securities in question.

⁴ In special situations the Exchange may modify trading hours.

2.2 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.

2.3 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 The services set out in this Directive are exempted from pre-trade transparency as follows:

- a) orders in SwissAtMid and in SLS 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;
- b) orders in SLS which are large in scale compared with normal market size are exempted from pre-trade transparency regulations in accordance with Art. 27 para. 4 let. d FMIO.

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

2.4 Definition of order

¹ An order is a binding offer to buy or sell a certain quantity of one 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.

2.5 Order types

¹ In trading without pre-trade transparency, the Exchange supports the order type Normal order.

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 Routing instructions remain reserved.

2.6 Order specification

¹ An order must be recorded with the following attributes:

- a) **Participant identification:** member 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 own 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;
- f) **Price limit:** limited or unlimited;
- g) **Validity:**
 - 1. Immediate-or-cancel (IOC or Accept) for SwissAtMid: 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) for SwissAtMid: shall be executed immediately 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 for SwissAtMid and SLS: valid until close of trading on the current trading day;
 - 4. Good-till-date for SwissAtMid: 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) **Primary Reference Market:**
 - 1. for SLS: identification of the primary reference market;
 - 2. for SwissAtMid: SIX Swiss Exchange;
- j) **Routing Instruction:**
 - 1. "SWM" for entry in the order book without pre-trade transparency for SwissAtMid; or
 - 2. "SWMX" for entry in the order book without pre-trade transparency for SwissAtMid and subsequent forwarding of the remaining quantity to the Central Limit Order Book (CLOB); or
 - 3. "LN" for entry in the order book without pre-trade transparency for SLS.

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

2.7 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 Details are laid down in the "List of Trading Charges".

2.8 Pre-trade controls

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

2.9 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.

2.10 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.

2.11 Short-selling

2.11.1 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.

2.11.2 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.

2.12 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.

2.13 Market conduct

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

3. Market control

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

4. 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.

5. Fees and costs

Details are laid down in the "List of Trading Charges".

II SIX Swiss Exchange at Midpoint (SwissAtMid)

SwissAtMid is a service for trading on-exchange without pre-trade transparency in Swiss equity securities at Mid-Point Prices. SwissAtMid covers the securities listed in Clause 8.1.

6. 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.

7. Technical connectivity

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

7.1 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.

7.2 Market data interfaces

7.2.1 Reference data

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

7.2.2 Market data

The Market Data Interface (MDI) and the ITCH Market Data Interface (IMI) offer participants to obtain real-time market information on the transactions executed using SwissAtMid.

8. Trading

8.1 Tradeable securities

Securities of the following trading segments may be traded in SwissAtMid:

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

8.2 Market model

8.2.1 Quantity-time priority

¹ "In-limit" orders in the SwissAtMid 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.

8.2.2 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.

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 SwissAtMid 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 their own participant identification (Member ID) which are flagged as own transactions will not be executed via the SwissAtMid order book. Opposite buy and sell orders shall remain in the SwissAtMid order book.

8.3 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 in SwissAtMid 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

8.4 Price step and round lot

8.4.1 Price step

Price steps in SwissAtMid shall be defined as follows (details in trading currency):

- a) for Blue Chip Shares ("Trading Parameters" Guideline, Annex A), the valid price step, irrelevant of the order price, shall be 0.0001;

- b) for Mid-/Small Cap Shares ("Trading Parameters" Guideline, Annex B), the valid price step, irrelevant of the order price, shall be 0.0001.

8.4.2 Round lot

Round lots in SwissAtMid 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.

8.5 Correction, cancellation and countertrade

8.5.1 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.

8.5.2 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.

8.5.3 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.

9. Sponsored Access

¹ Sponsored Access (SA) supports trading in SwissAtMid.

² The details are laid down in the "Sponsored Access" Directive.

III SIX Swiss Exchange Liquidnet Service (SLS)

SLS is a service for trading on-exchange without pre-trade transparency in Swiss and international equity securities at Mid-Point Prices. SLS covers the securities listed in Clause 12.1.

10. Admission of participants

Participants wishing to trade using SLS must:

- a) be a participant of the Exchange;
- b) have issued the necessary clearing and settlement instructions; and
- c) meet the necessary technical requirements.

11. Technical connectivity

The details are laid down in the "Technical Connectivity" Directive.

11.1 Trading interface

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

11.2 Market data interfaces

11.2.1 Reference data

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

11.2.2 Market data

The Market Data Interface (MDI) offers participants access to real-time market information on the transactions executed using SLS.

12. Trading

12.1 Tradeable securities

¹ Securities of the following trading segments may be traded using SLS:

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

² In addition, international securities which are admitted to trading within the scope of the services offered by the Exchange, in accordance with the ["Rules for the Authorisation of International Equity Securities to Trading on SIX Swiss Exchange"](#) may also be traded using SLS.

12.2 Market model

12.2.1 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.

² If an order is not or only partially executed, the remaining portion will be placed in the SLS order book. Other order validities remain reserved.

³ As a rule, two or more orders on the same side of the SLS order book will be executed against an incoming order on the other side. No time priorities will be set. The following rules apply:

- a) If the incoming order is the same or larger than the sum of the executable orders on the other side of the order book, these orders will be executed in full. Any remaining order volume from the incoming order will be listed in the SLS order book.
- b) If the incoming order is smaller than the sum of the executable orders on the other side of the order book, these orders will be executed up to their individual maximums by means of an equal division of the incoming order volume. Any remaining order volume from the incoming order which cannot be executed in equal parts against executable orders from the other side of the order book will be executed according to time priority.

⁴ Opposite buy and sell orders that are entered by participants in the SLS order book under their own participant identification (Member ID) and flagged as own transactions are not executed and remain in the SLS order book.

12.2.2 Enhanced liquidity

¹ To maximise order execution, there is an interaction between the liquidity available to Liquidnet Europe Limited (UK FCA-regulated agency broker and operator of FCA-regulated non-displayed trading platforms) and the liquidity in the SLS order book. This Liquidnet Europe Limited liquidity is represented in the SLS order book in the name of Liquidnet Europe Limited, in its capacity as a SIX Swiss Exchange participant.

² To activate passive liquidity, Liquidnet Europe Limited receives anonymised indications about possible trades via the liquidity available in the SLS order book at any given time. "Passive liquidity" refers to orders submitted to Liquidnet Europe Limited by its customers that are not flagged as binding.

12.3 Trade suspension

¹ Trading in SLS 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.

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

12.4 Double Volume Caps

¹ The Exchange restricts trading in SLS in securities from European Union issuers, as described in the "[Rules for the authorisation of international equity securities to trading on SIX Swiss Exchange \(RES\)](#)", as follows to ensure that the use of the exception from pre-trade transparency, as a reference price system, does not unduly affect price-setting:

- a) the percentage of trading transactions in a given security on SLS may not exceed 4% of the total trading volume in that security on all trading venues in the European Union (EU); or
- b) throughout the EU, trading in a given security may not exceed 8% of the total trading volume in that security on all trading venues in the European Union.

² If the ceilings laid down in para. 1 are exceeded, the Exchange will suspend trading in the securities concerned in SLS for a period of six months, and will inform the participants by suitable means.

³ Orders in SLS that are large in scale compared with normal market size are not covered by the rules set out in paras. 1 and 2, and are exempted in any case from pre-trade transparency.

⁴ The Exchange publishes the thresholds for orders that are large in scale compared with normal market size for the securities concerned with the static data.

12.5 Price step and round lot

¹ SLS does not check minimum price steps based on the market price and the trading currency.

² The valid round lot shall be one security.

12.6 Correction, cancellation and countertrade

12.6.1 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.

12.6.2 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.

12.6.3 Countertrade

Participants cannot undertake any countertrades on SLS.

13. Transmission of data abroad

SIX Swiss Exchange has engaged Liquidnet Europe Limited to act as service provider for SLS. In this connection, order information and trade execution data are transmitted, processed and/or stored in non-anonymised format in the European Union and/or the United States of America.

14. Sponsored Access

¹ Sponsored Access (SA) does not support trading in SLS.

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

Resolution of the Participants & Surveillance Committee of the Regulatory Board of 12 October 2017; in effect since 1 January 2018.