



SIX Swiss Exchange Ltd

## Directive 5: Alternative Trading

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## 1 Purpose and principle

This Directive contains implementing provisions for the following trading services for on-exchange trading in relation to equity securities. It is based on Clause 11.2 Trading Rules:

- a) SwissAtMid
- b) Swiss EBBO

## I Common Provisions

*Unless expressly stated otherwise in Parts II and III, the common provisions set out in Part I apply to all alternative trading services for on-exchange trading.*

### 2 Admission of participants

<sup>1</sup> All participants of the Exchange are authorised to trade in SwissAtMid and Swiss EBBO and to act as liquidity providers.

<sup>2</sup> 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 and liquidity providers to access the SwissAtMid and Swiss EBBO order books. 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 using SwissAtMid and Swiss EBBO.

##### 3.2.2 Market data

The SIX MDDX Multi-Dimensional Data fluX™ Interface (SIX MDDX) and the ITCH Market Data Interface (IMI) enable participants to obtain real-time market information on transactions executed in SwissAtMid and Swiss EBBO as well as pre-trade information on Swiss EBBO.

## 4 Trading

### 4.1 Reporting obligation

<sup>1</sup> The participant is obliged to submit a Transaction Report (Clause 13 Trading Rules) for "on-exchange trades without pre-trade transparency" in SwissAtMid and "on-exchange, hybrid trades" in Swiss EBBO in accordance with Clause 10.1 para. 2 let. b and c Trading Rules independently of a Trade Report (Clause 12.1 Trading Rules) to a Reporting Office of a Swiss trading venue.

<sup>2</sup> At the participant's request, the Exchange may submit the Transaction Report to the Reporting Office of the Exchange.

## **4.2 Post-trade transparency**

<sup>1</sup> The Exchange publishes information on "on-exchange trades without pre-trade transparency" in SwissAtMid marked as "Dark Book" and "on-exchange, hybrid trades" in Swiss EBBO marked as "Hybrid".

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

## **4.3 Correction, cancellation and countertrade**

### **4.3.1 Correction**

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

<sup>2</sup> A trade may only be corrected once.

<sup>3</sup> The correction must be made on the same clearing day.

### **4.3.2 Cancellation**

<sup>1</sup> If trades which violate the provisions of the Trading Rules have been made in error, the parties shall apply to the Exchange to have such trades cancelled. The information that these parties provide must agree.

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

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

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

### **4.3.3 Countertrade**

With the consent of both parties, a participant may make a countertrade. In the Trade Report of the countertrade, the ID of the original trade must be given, and marked with the "Special Price" trade type.

## **4.4 Short-selling**

### **4.4.1 Principle**

<sup>1</sup> The short-selling of securities traded on SIX Swiss Exchange is permitted.

<sup>2</sup> The seller must settle the short sale at the latest upon execution of the trade in accordance with Clause 15.1 Trading Rules.

### **4.4.2 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.

## **4.5 Clearing and settlement**

<sup>1</sup> Trades in SwissAtMid and Swiss EBBO are cleared and settled via a central counterparty. The provisions of Clauses 15 and 17 Trading Rules apply.

<sup>2</sup> The counterparty shall remain anonymous.

#### **4.6 Market conduct**

The market conduct provisions of Clause 10.3 Trading Rules 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**

<sup>1</sup> The use and publication of market information is governed by Clause 14 Trading Rules.

<sup>2</sup> The details are laid down in the "Market Information" Directive.

### **7 Fees and costs**

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

### **8 Sponsored Access**

<sup>1</sup> Sponsored Access (SA) supports trading in SwissAtMid and Swiss EBBO.

<sup>2</sup> Details are laid down in the "Sponsored Access" Directive.

## II On-exchange trading without pre-trade transparency in SwissAtMid

*SwissAtMid is a service for trading on-exchange without pre-trade transparency in Swiss equity securities at Mid-Point Prices.*

### 9 Trading in SwissAtMid

#### 9.1 Tradeable securities

<sup>1</sup> 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)

<sup>2</sup> The details are laid down in the "Trading Parameters" Guideline.

#### 9.2 Trading days and hours

<sup>1</sup> Trading days are governed by the trading days of the Exchange and are stated in the Exchange trading calendar.

<sup>2</sup> In special situations the Exchange may modify trading days.

<sup>3</sup> 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.

<sup>4</sup> In special situations the Exchange may modify trading hours.

#### 9.3 Clearing day

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

<sup>2</sup> In special situations the Exchange may modify clearing days.

#### 9.4 Order book without pre-trade transparency

<sup>1</sup> 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.

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

<sup>3</sup> 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;

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

#### 9.5 Definition of order

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

<sup>2</sup> 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.

## 9.6 Order types

<sup>1</sup> The Exchange supports the order types Normal order and Iceberg order for trading without pre-trade transparency.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

## 9.7 Order specification

<sup>1</sup> 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 proprietary 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 are 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 is 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 entry in the order book without pre-trade transparency in SwissAtMid; it is supported for Normal orders with or without a price limit; or
2. "SWMX" for entry in the order book without pre-trade transparency in SwissAtMid and subsequent routing of the remaining quantity in the Central Limit Order Book (CLOB); the Routing Instruction "SWMX" is supported for Normal orders with or without a price limit. If the order book without pre-trade transparency is not activated for a given trading segment, orders with Routing Instruction "SWMX" are routed directly to the Central Limit Order Book (CLOB) or to the Quote Driven Market (QDM) 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 routed directly to the Central Limit Order Book (CLOB) or to the Quote Driven Market (QDM) order book. Existing orders with the Routing Instruction "SWMX" are forwarded to the Central Limit Order Book (CLOB) in the closing auction and during the Trading-At-Last period. Orders with Routing Instruction "SWMX" follow the execution provisions of the order book in question in Continuous Trading; or
3. "SWMB" for entry in the Central Limit Order Book (CLOB) and simultaneous entry in the order book without pre-trade transparency of SwissAtMid; if the quantity of the order with Routing Instruction "SWMB" in the Central Limit Order Book (CLOB) or the order book without pre-trade transparency in 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 and Iceberg orders with a price limit. The stated price limit applies to executions in 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 trading interruption, 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. Orders with routing instruction "SWMB" are rejected during the Trading-At-Last period. 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; or

4. "SEB" for execution at the European best bid and ask price on a best effort basis of the liquidity provider (Swiss EBBO) in the Central Limit Order Book (CLOB), in the order book without pre-trade transparency of SwissAtMid and in the order book for hybrid trading of Swiss EBBO; the Routing Instruction "SEB" is supported for Normal orders with or without price limit. If the order book for on-exchange, hybrid trading is not activated for a given trading segment, orders with Routing Instruction "SEB" are forwarded directly to the Central Limit Order Book (CLOB) or to the Quote Driven Market (QDM) order book. If an order with Routing Instruction "SEB" 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. Existing orders with the Routing In-

struction "SEB" are forwarded to the Central Limit Order Book (CLOB) in the closing auction and during the Trading-At-Last period. Orders with Routing Instruction "SEB" follow the execution provisions of the order book in question in Continuous Trading.

<sup>2</sup> Details are laid down by the Exchange in the relevant technical specifications.

## 9.8 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.

## 9.9 Market model

### 9.9.1 Quantity-time priority

<sup>1</sup> "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".

<sup>2</sup> 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.

### 9.9.2 Mid-Point Price Execution

<sup>1</sup> 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 trade. For the SwissAtMid trading service, the Primary Reference Market is always the Central Order Limit Book (CLOB) of the corresponding securities at SIX Swiss Exchange.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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 proprietary transactions will not be executed. Opposite buy and sell orders shall remain in the order book.

### 9.10 Algorithmic trading

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> The details are laid down in the "List of Charges under the Trading Rules".

### 9.11 Pre-trade controls

The provisions of Clause 12 "Trading" Directive on pre-trade controls apply mutatis mutandis.

### 9.12 Trading interruption

<sup>1</sup> 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 in the Central Limit Order Book (CLOB) (i.e. Pre-opening, Opening, Closing Auction, Trading-At-Last or Post-trading); or
- c) trading in the relevant security on the Primary Reference Market in the Central Limit Order Book (CLOB) 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 in the Central Limit Order Book (CLOB) 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.

<sup>2</sup> The participant may enter new orders during a trading interruptions or delete existing ones.

<sup>3</sup> The Exchange shall publish exceptions for individual securities or trading days in a suitable manner.

<sup>4</sup> Market control interventions remain reserved in accordance with the "Market Control" Directive.

### III On-exchange, hybrid trading in Swiss EBBO

*Swiss EBBO is a service for on-exchange, hybrid trading in Swiss equity securities in which the aim is to achieve trades at the European best bid and offer (Swiss EBBO) on a best effort basis.*

#### 10 Trading in Swiss EBBO

##### 10.1 Tradeable securities

<sup>1</sup> Securities of the following trading segments may be traded in Swiss EBBO:

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

<sup>2</sup> The details are laid down in the "Trading Parameters" Guideline.

##### 10.2 Trading days and hours

<sup>1</sup> Trading days are governed by the trading days of the Exchange and are stated in the Exchange trading calendar.

<sup>2</sup> In special situations the Exchange may modify trading days.

<sup>3</sup> 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.

<sup>4</sup> In special situations the Exchange may modify trading hours.

##### 10.3 Clearing day

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

<sup>2</sup> In special situations the Exchange may modify clearing days.

##### 10.4 Liquidity providers

<sup>1</sup> The liquidity providers admitted by the Exchange provide prices on a best effort basis in the Swiss EBBO order book at the European best bid and offer (Swiss EBBO).

<sup>2</sup> The Exchange has appointed an independent service provider to determine the European best bid and offer (EBBO) and compares the prices provided by liquidity providers in accordance with this Clause 10.4 para. 1 against the calculated EBBO. The Exchange publishes a list of the trading venues which the independent service provider takes into account when determining the European best bid and offer (EBBO).

<sup>3</sup> The Exchange may refuse to apply the LPS Swiss EBBO tariff to a liquidity provider for the month concerned if:

- a) the price of a trade deviates significantly from the European best bid and offer (EBBO) calculated in accordance with this Clause 10.4 para. 2; and
- b) fair, efficient and orderly market conditions are not ensured as a result of a number of trades with prices differing from the European best bid and offer (EBBO) calculated in accordance with this Clause 10.4 para. 2.

The decision on the existence of a significant deviation is at the discretion of the Exchange. In serious cases, the Exchange may not apply the LPS Swiss EBBO tariff to the liquidity provider for the following three months.

<sup>4</sup> The applicability of the LPS Swiss EBBO tariff is further subject to the provisions of the "List of Charges under the Trading Rules" Guideline.

### 10.5 Hybrid order book

<sup>1</sup> The Exchange maintains one or more hybrid order books for each security. These order books shall classify and manage all orders received from liquidity providers according to price, quantity and the time at which they are received. Orders from participants are not entered in the hybrid order book.

<sup>2</sup> The orders contained in the hybrid order book are binding.

<sup>3</sup> The order prices and volumes contained in the hybrid order book are published.

### 10.6 Definition of order

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

<sup>2</sup> Orders with the Routing Instruction "SEB" may be entered in or deleted from the hybrid order book or during set periods. All incoming orders shall be assigned a time stamp and an identification number.

### 10.7 Order types

<sup>1</sup> The Exchange supports the order type Normal order for hybrid trading.

<sup>2</sup> A Normal order may be entered by a participant at any time during the trading day. Non-executed parts of the order with Routing Instruction "SEB" in Swiss EBBO are moved to the Central Limit Order Book (CLOB) until they have been executed or deleted, or have expired. Other validities and routing instructions remain reserved.

<sup>3</sup> A Normal order may be entered by a liquidity provider in the hybrid order book of Swiss EBBO at any time during the trading day. Non-executed parts of the order remain in the order book until they have been executed or deleted, or have expired. Other validities and routing instructions remain reserved.

### 10.8 Order specification

<sup>1</sup> 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 proprietary transaction (trading in own name and for own account);
- d) Identification of the security: ISIN, trading currency and trading venue;
- e) Order volume: number of securities without details of the minimum executable quantity; for orders from liquidity providers, the full execution quantity to be executed may be defined in addition;
- f) Price limit:
  1. for Normal orders from participants: limited or unlimited;
  2. for Normal orders from liquidity providers: limited;
- g) Validity:
  1. Good-for-day: valid until the close of trading on the current trading day;
  2. Good-till-date for orders from participants: 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. "SEB" for orders from participants for execution at European best bid and offer price on a best effort basis of the liquidity provider (Swiss EBBO) in the Central Limit Order Book (CLOB), in the order book without pre-trade transparency of SwissAtMid and in the order book for hybrid trading of Swiss EBBO; the Routing Instruction "SEB" is supported for Normal orders with or without price limit. If the order book for on-exchange, hybrid trading is not activated for a given trading segment, orders with Routing Instruction "SEB" are forwarded directly to the Central Limit Order Book (CLOB) or to the Quote Driven Market (QDM) order book. If an order with Routing Instruction "SEB" 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. Existing orders with the Routing Instruction "SEB" are forwarded to the Central Limit Order Book (CLOB) in the closing auction and during the Trading-At-Last period. Orders with Routing Instruction "SEB" follow the execution provisions of the order book in question in Continuous Trading.
  2. "SEB" for orders from liquidity providers for direct entry in the hybrid order book of Swiss EBBO; this is supported for Normal orders with a price limit. If the order book for on-exchange, hybrid trading is not activated for a given trading segment, orders with Routing Instruction "SEB" from liquidity providers will be rejected. If an order with Routing Instruction "SEB" is entered by liquidity providers, while the order book is not in the continuous trading period, orders will be accepted and entered in the order book for hybrid trading. Existing orders with Routing Instruction "SEB" from liquidity providers are deleted in the closing auction.

<sup>2</sup> Details are laid down by the Exchange in the relevant technical specifications.

## 10.9 Price steps

<sup>1</sup> 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 price steps of Annex D "Trading" Directive apply. Securities are allocated to price steps on the basis of the average number of trades (ANT) on the Exchange;
- b) for Mid-/Small Cap Shares ("Trading Parameters" Guideline, Annex B – Mid-/Small-Cap Shares) the price steps of Annex D "Trading" Directive apply. Securities are allocated to price steps on the basis of the average number of trades (ANT) on the Exchange.

<sup>2</sup> Details are laid down in the "Trading" Directive.

## 10.10 Market model

<sup>1</sup> Orders with Routing Instruction "SEB" from participants are executed at the best price offered on the opposite side. The European best bid and offer (Swiss EBBO) to be provided on a best effort basis by liquidity providers in the hybrid order book in accordance with Clause 10.4 aims to execute orders with Routing Instruction "SEB" from participants at the European best bid and offer (Swiss EBBO) on a best effort basis. Swiss EBBO corresponds to the prices provided by the liquidity provider and may differ from the European best bid and offer (EBBO). There is no guarantee of execution at the European best bid and offer (EBBO).

<sup>2</sup> In the event of the execution of orders of participants with Routing Instruction "SEB" at SIX Swiss Exchange AG not at the European best bid and offer, these trades are not deemed to be irregular on-exchange trades in accordance with the Clause 22.1 "Trading" Directive and are not cancelled by the Exchange.

### 10.10.1 Price-quantity-time priority

<sup>1</sup> The price-quantity-time priority principle means that the order from a liquidity provider with the better price (highest price limit for buy orders, lowest price limit for sell orders) shall be executed first. Unlimited orders enjoy top priority when consolidating orders. For orders with the same price, the order with the larger quantity shall be executed first. For orders with the same price and quantity, the order received first shall also be executed first.

<sup>2</sup> If an order of a liquidity provider defining the full execution quantity cannot be executed against the full quantity of an order in Swiss EBBO, this order loses its priority.

### 10.10.2 Trades of orders from participants with Routing Instruction "SEB"

<sup>1</sup> Trades are triggered by an incoming order from a participant with Routing Instruction "SEB" which is executed with the orders on the opposite side of the following order books provided quantity and price allow it:

- a) Central Limit Order Book (CLOB); and
- b) order book without pre-trade transparency SwissAtMid;
- c) hybrid order book Swiss EBBO.

<sup>2</sup> The following rules shall apply:

- a) in the case of an incoming order from a participant with Routing Instruction "SEB", the Exchange determines which order book offers the best price on the opposite side in accordance with Clause 10.10.2 para. 1 and routes the order to the corresponding order book. If two or all the order books in accordance with Clause 10.10.2 para. 1 offer the same best price, the following priority applies for the first matching cycle:
  - order book without pre-trade transparency SwissAtMid;
  - Central Limit Order Book (CLOB);
  - hybrid order book Swiss EBBO.
- b) the incoming order from a participant with Routing Instruction "SEB" is executed immediately taking account of the corresponding priority and the execution provisions of the corresponding order book with orders of the opposite side in SwissAtMid, CLOB and Swiss EBBO in one or more steps;
- c) if an order with Routing Instruction "SEB" from a participant is only partially executed in the first matching cycle, the Exchange determines the next best price on the opposite side while taking account of the price limit of the order, whereby from the second matching cycle on only the Central Limit Order Book (CLOB) and the hybrid order book Swiss EBBO are taken into account;
- d) the partially executed order from a participant with Routing Instruction "SEB" is further executed in one or more steps, taking account of the corresponding priority and the execution provisions of the corresponding order book with orders of the opposite side in CLOB and in Swiss EBBO;
- e) the execution of the order from a participant with Routing Instruction "SEB" continues in accordance with c) and d) above in additional matching cycles until no more executions are possible in consideration of the participant's price limit. Subsequently the remaining portion of the order with Routing Instruction "SEB" from a participant is routed to the Central Limit Order Book. Other order validities remain reserved;
- f) if the quantity of the order from a participant with Routing Instruction "SEB" is greater than the quantity of the order from a liquidity provider, and the liquidity provider has defined full execution quantity on his order, execution shall not take place in the hybrid order book Swiss EBBO;
- g) if there are no orders from liquidity providers in the hybrid order book Swiss EBBO, the incoming order from a participant with Routing Instruction "SEB" is routed to the Central Limit Order Book (CLOB) or the order book without pre-trade transparency SwissAtMid.

<sup>3</sup> For executions of orders from a participant with Routing Instruction "SEB" in the Central Limit Order Book (CLOB), the execution provisions of continuous trading apply in accordance with Clause 8 "Trading" Directive. For executions of orders from a participant with Routing Instruction "SEB" in the order book without pre-trade transparency SwissAtMid, the execution provisions apply in accordance with Clause 9.9 of this Directive "Alternative Trading".

<sup>4</sup> Opposite orders from liquidity providers may never be executed in the hybrid order book Swiss EBBO.

<sup>5</sup> The Exchange does not support Self-Match Prevention for trading in Swiss EBBO.

### 10.11 Algorithmic trading

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> The details are laid down in the "List of Charges under the Trading Rules".

### 10.12 Pre-trade controls

The provisions of Clause 12 "Trading" Directive on pre-trade controls apply mutatis mutandis.

### 10.13 Trading interruption

<sup>1</sup> Trading in Swiss EBBO shall be interrupted if and for as long as

- a) the relevant security is not in the trading period "Continuous Trading" on the Primary Reference Market in the Central Limit Order Book (CLOB) (i.e. Pre-opening, Opening, Closing Auction, Trading-At-Last or Post-trading); or
- b) trading in the relevant security on the Primary Reference Market in the Central Limit Order Book (CLOB) is interrupted (i.e. Delayed Opening, Stop Trading or Non-opening), or is suspended from trading.



<sup>2</sup> If the price of the next execution in Swiss EBBO compared to the reference price on the Primary Reference Market in the Central Limit Order Book (CLOB) is outside a range determined by the Exchange (Stop Trading), it will not be executed in the hybrid order book. The bandwidth (Stop Trading Range) for Swiss EBBO 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.

<sup>3</sup> The liquidity provider may enter new orders for Swiss EBBO or delete existing ones during a trading interruption. Incoming orders with Routing Instruction "SEB" from participants are routed to the Central Limit Order Book (CLOB) or order book without pre-trade transparency SwissAtMid during a trading interruption in Swiss EBBO.

<sup>4</sup> Market control interventions remain reserved in accordance with the "Market Control" Directive.

#### **10.14 Trading restriction**

<sup>1</sup> The Swiss EBBO trading service supports participants in meeting the requirement for best execution of orders when trading for the account of the client. The entry of orders with the routing instruction "SEB" is therefore not permitted for participants trading for their own account (e.g. participants admitted as liquidity providers in the Central Limit Order Book (CLOB), Swiss-At-Mid or Swiss EBBO).

<sup>2</sup> In the event of the execution of orders with Routing Instruction "SEB" in the Central Limit Order Book, in SwissAtMid or in Swiss EBBO with opposite orders from liquidity providers of the same participant, these trades are deemed to be irregular on-exchange trades in accordance with Clause 22.1 "Trading" Directive, and the participant has to request the Exchange to cancel these trades.

<sup>3</sup> Opposite orders from liquidity providers may never be executed in Swiss EBBO.

#### **10.15 Transmission of data abroad**

The Exchange has appointed an independent service provider to determine the European best bid and offer (cf. Clause 10.4). In this context, order data on orders and trade data relevant to Swiss EBBO may be transmitted to the European Union in anonymised form and/or routed inside the EU and/or retained there. Despite the data being anonymised, conclusions drawn by the service provider as to the trading behaviour of participants cannot be excluded.

#### **10.16 EBBO Report**

<sup>1</sup> The Exchange provides a Report ("EBBO Report") to participants and liquidity providers for the purpose of verifying their orders with the Routing Instruction "SEB" and the resultant trades in the Central Limit Order Book (CLOB), in the order book without pre-trade transparency SwissAtMid and/or in the order book for on-exchange hybrid trading in Swiss EBBO. The EBBO Report shows the difference between the on-exchange trades and the European best bid and offer (EBBO) determined by the independent service provider in accordance with Clause 10.4 para. 2.

<sup>2</sup> The EBBO Report is provided to participants and liquidity providers one trading day (T+1) after their orders with Routing Instruction "SEB" are entered and potential executions on-exchange prior to the start of trading.

<sup>3</sup> The Exchange may charge a monthly fee for the EBBO Report. The details are laid down in the "List of Charges under the Trading Rules".

Resolution of the Participants & Surveillance Committee of the Regulatory Board of 24 February 2020; in effect since 22 June 2020.