

DEFINITIONS

continuous trading the period during market hours when an order book security is not in an auction.

MARKET MAKER RULES

Market makers in order driven securities

Obligations of market makers in order driven securities [4100-4105]

| | |
|--------|---|
| 4100 | The market maker obligation rules apply unless exception rule 4110 applies or as varied by a market situation in accordance with rule 1520. |
| 4101 | A market maker must maintain an executable quote in each security in which it is registered. The executable quote must be <u>maintained</u> ; entered within 90 seconds of the uncrossing of the opening auction and be maintained for the duration of the mandatory period until market close. |
| 4101.1 | <u>for at least 90% of continuous trading during the mandatory period;</u> |
| 4101.2 | <u>for the duration of the closing auction until market close, including any extensions; and</u> |
| 4101.3 | <u>where relevant, throughout the duration of the scheduled intra-day auction for the FTSE index expiries.</u> |

(Amended N01/10 – effective 1 February 2010)

Guidance to Rule:

Market makers in order book securities will not be able to enter executable quotes that are outside the maximum spread, if they attempt to do so a rejection message will be sent to the market maker.

Rule 4101.1

The 90% threshold is measured daily for each security in which a market maker is registered. Where an intra-day auction has been triggered in a security due to a price monitoring breach, the time in which the security will have been in continuous trading will be reduced. Therefore, market makers will be required to maintain an executable quote for 90% of the reduced period.

Rule 4101.3

Market makers must maintain their executable quotes during the FTSE index expiries. The following expiries are covered by this rule:

- FTSE 100 monthly options
- FTSE 100 quarterly futures
- FTSE 250 quarterly futures

| | | |
|---|------|--|
| G | 4102 | A market maker must refresh its executable quote within 90 seconds where either the buy or sell or both elements of an executable quote are executed against in full, deleted or has expired. |
|---|------|--|

Guidance to Rule:

~~Market makers in order book securities will not be able to enter executable quotes that are outside the maximum spread, and a rejection message will be sent to the market maker.~~

| | | |
|---|-------------------|---|
| G | 4103 2 | The Exchange may, on the request of a market maker , suspend or vary market maker obligations. |
|---|-------------------|---|

Guidance to Rule:

The Exchange occasionally allows **market makers** to relax spreads when an individual security is subject to wide price movements. This is very rare and normally will not last more than a day.

In order to relax **market maker** spread obligation when there are wide price movements, the **Exchange** may temporarily increase the maximum spread regime to an existing spread level, for example move a security with a 5% spread to a 10%, 15% or 25% tolerance rather than provide a blanket waiver.

| | | |
|--|-------------------|---|
| | 4104 3 | If a market maker and its customer or counterparty conduct an on Exchange trade away from TradElect [®] , the market maker is obliged to deal at least at its displayed price and size. |
|--|-------------------|---|

| | | |
|---|------|--|
| G | 4105 | A market maker shall, where relevant, maintain executable quotes throughout the duration of the scheduled intra-day auction for the FTSE index expiries. |
|---|------|--|

Guidance to Rule:

~~The following expiries are covered by this rule:~~

- ~~• FTSE 100 monthly options~~
- ~~• FTSE 100 quarterly futures~~
- ~~• FTSE 250 quarterly futures~~

Exceptions to obligations to market makers in order driven securities [4110]

| | | |
|---|--------|--|
| G | 4110 | A market maker has no obligation to maintain its executable quotes : |
| | 4110.1 | in a security <u>during the opening auction</u> or where <u>any an unscheduled</u> intra-day auction has been triggered due to a price monitoring breach; <u>and for five minutes following the end of the intra-day auction</u> ; or |
| | 4110.2 | in a covered warrant <u>and when</u> it is the expiry day of that covered warrant ; |
| | 4110.3 | in a security where there is a public holiday on a venue on which the relevant security, or a security underlying the relevant security, has its principal listing ; |
| | 4110.4 | in a security where there is a trading halt on a venue on which the relevant security, or a security underlying the relevant security, has its principal listing and may delete its executable quotes . A market maker must re-enter its executable quote on resumption of trading; or |
| | 4110.5 | in an exchange traded fund or an exchange traded commodity , where no firm price is available for at least 10% of the underlying securities or instruments which make up the exchange traded fund or exchange traded commodity . |

Guidance to Rule:

Rule 4110.1

~~Following any intra-day auction, a **market maker** must ensure that its **executable quotes** are available for automatic execution within five minute period following the resumption of **continuous trading**. A **market maker** can however choose to maintain its **executable quotes** during the intra-day auction.~~

~~(Amended N07/09 – effective 04 February 2009)~~

Rule 4110.5

A **market maker** shall be responsible for informing the **Exchange** and seeking permission for suspension of market making obligations by contacting the Market Supervision department on (0044) 20 7797 3666 option 2, STX 33666, where it believes that there is no firm price available for 10% or more of the underlying securities or instruments in an **exchange traded fund** or **exchange traded commodity**. If approved, the suspension applies to all **market makers** in the particular **exchange traded fund** or **exchange traded commodity**. This suspension only applies to the day in question and a **market maker** must make separate requests on a daily basis, if necessary.

(Amended N09/09 – effective 23 February 2009)