

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

*(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 D	4102	The <b>Exchange</b> may, on the request of a <b>market maker</b> , suspend or vary <b>market maker</b> obligations.
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*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.*

	4103	If a <b>market maker</b> and its <b>customer</b> or <b>counterparty</b> conduct an <b>on Exchange</b> trade away from <b>TradElect</b> <sup>®</sup> , the <b>market maker</b> is obliged to deal at least at its displayed price and size.
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**Exceptions to obligations to market makers in order driven securities** [4110]

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

*Guidance to Rule:*

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)*