



London
Stock Exchange

Consultation on the International Order Book trading service

Closing date for responses 1 June 2018

Issued 4 May 2018



London
Stock Exchange Group

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May 2018

1. Introduction

London Stock Exchange is conducting a consultation on the market structure and trading hours for the International Order Book (IOB). The consultation focuses on a potential change to the timing of IOB's market close and the introduction of an intra-day auction, to align IOB with SETS and the Main Market and AIM securities it supports. Future new segments may be introduced supporting both Depositary Receipts and underlying shares where market hours may be specifically tailored to the jurisdictions concerned.

This consultation document should be read by Trading, Technology, Operations and Compliance staff at Member Firms; issuers of Depositary Receipts admitted to trading on IOB, advisors; and any other interested parties that currently use or plan to use IOB in the future.

Feedback from this consultation will be used to help define the future development of IOB. A single, combined response per Entity should be submitted no later than **1 June 2018**.

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2. Introduction

In order to ensure that our trading service continues to meet the needs of a wide range of customers and investors, London Stock Exchange is undertaking a market consultation.

London Stock Exchange operates the IOB service with year-to-date on-book average daily value traded of \$460m.¹ Some of the most heavily traded securities on the London Stock Exchange are IOB instruments.

IOB allows direct access to securities from 44 countries from across the globe, and is the largest market in Russian instruments outside of Moscow. IOB currently supports two trading segments; IOBE for electronic trades with clearing, and IOBU for uncleared electronic trades.

Trading Segment	Number of securities ²
IOBE for electronic trades with central clearing	82
IOBU for electronic trades with bilateral clearing	65

The IOB service benefits from a common underlying technology with SETS, our Main Market electronic order book.

The current trading day for IOB is illustrated below.³

07:00 London time	07:50	08:00*	15:30†	15:40*	16:00†	17:15†
Pre-trading Off-book trade reporting available from 07:15	Opening auction Orders can be entered and deleted but will not execute until opening auction completes	Regular trading Matched electronic orders will execute, subject to ruling circuit breakers	Closing auction If no closing auction, previous order book execution sets closing price	Closing price crossing session (CPX) Additional opportunity to trade at closing auction price	Post-close Orders may be deleted Off-book trade reporting ends at 17:15†	

* Subject to 30-second random period(s) and any price or market order extensions.

† These are standard-day times, see Millennium Exchange™ Business Parameters for full details of half-day closing, along with circuit breaker timings and thresholds: www.lseg.com/tradingservices

¹ As at 31st March 2018

² As at 31st March 2018

³ London Time

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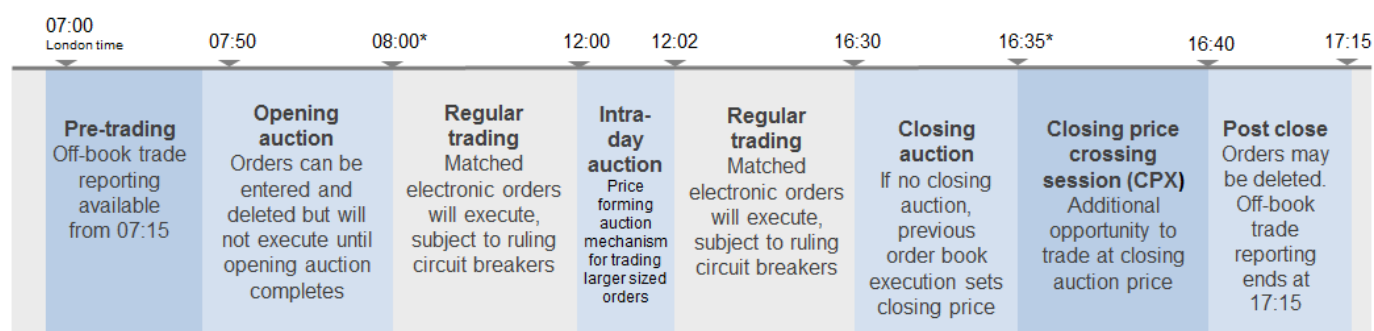
3. Proposed IOB Trading Day

London's geographic position offers our markets the unique opportunity to straddle the global trading day – acting as a bridge to bring together Asian, European as well as North and South American investors in one time zone and market.

In order to fulfil this role more effectively, London Stock Exchange would like to extend the trading hours of IOB segments. The proposal would be to align the trading day with our SETS main market securities. This would extend trading by an additional hour, allowing investors from North and South America more opportunity to interact with IOB during their local time zone.

This proposed alignment with the SETS trading day would also include the introduction of an intra-day auction at 12:00. The intra-day auction has proven to be effective in bringing together liquidity for stocks with less predictable trading patterns, such as the FTSE Small Cap universe. On average, the intra-day auction has accounted for 2-3% of daily volume across FTSE Small Cap stocks, and frequently accounts for over 25% of daily volume in individual securities within this universe.

Below is an illustration of the proposed IOB trading day (London Time). The opening phase remains unchanged with open auction call period commencing at 07:50 and the uncrossing process scheduled from 08:00. The intra-day auction call would commence at 12:00, with scheduled uncrossing from 12:02, as it does for equities traded on SETS. The closing auction call would commence at 16:30 instead of 15:30, and would be reduced to 5 minutes, bringing it in line with SETS. The CPX session would also be aligned and therefore be reduced to 5 minutes as opposed to the current 20 minute period.



*Subject to 30 second random period(s) and any price or market order extensions.

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4. Feedback Requested

1. Would the extension of trading hours for IOB encourage you to invest or trade more in these securities? [Why / how?]
2. Would you support the alignment of IOB trading day with the SETS trading day? [Why / why not?]
3. If the alignment of hours were introduced, what is your estimate for time required to make appropriate preparations for trading technology changes (where relevant)?
4. Are there any other measures you would recommend to encourage additional liquidity for IOB securities? [What would these be?]
5. What other comments regarding IOB would you like to raise?

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5. Respondent Details

Please submit a single, combined response per Entity

Type of Firm (indicate as many functions as appropriate)	Institutional Investor ☐ Hedge Fund ☐ Banks or Institutional Broker ☐ Market Maker ☐ Proprietary Trader ☐ Retail Broker ☐ Clearing Firm ☐ Index publisher ☐ Regulator ☐ Trade Association ☐ Individual Investor ☐ Other (Please Specify below) ☐
Name of Organisation/Individual	
Business Functions Represented (we request one response per-entity representing that entity's corporate view)	
Roles of Individuals contributing	
Name of Individuals contributing (optional)	
Contact details	

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6. Timetable and Contact details

The consultation period is 4 weeks, and responses are requested by 1 June 2018.

Responses can be sent by email to: clients@lseg.com

Alternatively, they can be posted to:

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