

N05/14

Response to the consultation on the market structure for the trading of smaller equity securities outside of the FTSE 350 index and confirmation of changes

Introduction

1. Stock Exchange Notice N16/13 invited comments on proposed changes to the market structure for the trading of securities outside of the FTSE 350 index relevant to both the SETS and SETSqx trading services. The changes proposed were:
 - Proposals to improve the functionality of SETSqx Auctions
 - Improving the depth at touch of smaller SETS securities by preventing small quantity orders setting the best bid or offer

Comments were also invited on the criteria for a security moving from quote driven to SETS.

Consultation response and confirmation of changes

2. London Stock Exchange thanks market participants for their responses to the consultation. The consultation response document is included as Attachment 1 to this Notice. The response and the original consultation document can also be found at: www.lseg.com/setsqx

As a result of the responses received and feedback gathered in discussions with participants, the following changes will be implemented:

- In autumn 2014, SETSqx auctions will move to new timings with more even spacing at 09:00, 11:00, 14:00 and 16:35. The existing elongated auction call period will be replaced with a ten minute period (5 minutes at the close). Orders will only be visible during the call period. The closing price crossing session (CPX) will be introduced. More details of the changes to the Customer Development Service and exact timings of the changes to production will follow in due course.
- In the second half of 2015 new SETS functionality will be introduced that will reject passive orders of a size smaller than a prescribed percentage of Exchange Market Size that would set a new Best Bid-Offer during regular (non-auction) trading. Further discussion will take place between London Stock Exchange and participants to determine the exact population of smaller SETS securities the new functionality will be applied to and the

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calibration of the rejection threshold. Further technical details including changes to the Customer Development Service and exact timings of change to production will follow some time in 2015.

There are no changes to the criteria for a security moving from quote driven to SETS. London Stock Exchange will carry out further discussions with participants to determine the best criteria for SETS inclusion that meets the needs of issuers, investors and participants.

Questions

3. Should you wish to discuss the consultation further, please contact:

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