NEW TRADING SAFEGUARDS WITH THE UNIVERSAL TRADING PLATFORM

The goal of the collar mechanism is to protect investors from the impact of erroneous orders

Definition

New trading safeguards, called collars, aim at preventing from fat fingers while reducing the trading halts. In the event of a price limit breach attempt, the Universal Trading Platform does not allow the trade, sends a message to the Client Application Indicating the reason for the order rejection and waits for a confirmation.

During a certain period of time, the member has the ability to confirm its order by sending a modification message. In this case, the collars and the Reference price are recalculated around the previous crossed price.

In case of trade inside the trading collars, the Collar Reference price (and also the trading collars) is automatically updated with the last price of the trade.

The Collar Logic

The collar logic of the engine is based of the following principles:

- No order price check is performed at the order entry

- No aberrant order can lead to a trading halt, except in case of absolute necessity

- Trading Safeguards must prevent the market from erroneous trade due to aberrant orders.

a. In Call Mode

No check is performed on the price of the entered order.

b. At the Auction

At the end of an instrument auction (class or instrument auction)

- If there is no Indicative Matching Price, the instrument is in an inherited status following the Class Phase mode and collars remain unchanged.

- If the Indicative Matching Price is within the collars, the instrument is in inherited status following the Class Phase mode and collars are updated around the Indicative Matching Price.

- If the Indicative Matching Price is outside the collars, the instrument is halted and collars are updated around the collar crossed.

c. In continuous Trading Mode

In a continuous trading mode, when an incoming order (order entry or modification) can be fully or partially matched against the orders in the book at prices within the collars (included) and without any attempts to trade through them, collars are automatically updated around the last order execution price.

Any incoming order, which attempts to trade with an order at a price which is outside of the collars, is traded up to the collar and rejected for the remaining trading through quantity with the error message "Order price is outside the limits". In this case, collars are not updated and trading continues as normal.

The rejected part of the incoming trading through order remains temporarily in a "dead" status and can be "brought back to life" if the issuing Broker confirms the rejected part of the order within

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a given delay (global parameter set at the system level and described in the Trading Manual appendix). At the end of the confirmation delay, if the Broker has not confirmed his order, it will be definitively cancelled.

To confirm the rejected part of the order, the Broker must send a confirmed modification of the original incoming order with a price equal to the original price and a total quantity equal to the rejected quantity that was outside of the collars.

- If the confirmed order still attempts to cross the collars without trading (note that the collar price crossed is not necessarily the collar price used to reject the original order),
    - If the collar is crossed on the same "side" (up or down), then the current collars are immediately updated around the collar crossed to allow the trade and the modification is processed as a normal incoming order. The collars will be one more time updated at the end of the process with the last traded price.
    - Otherwise, if the collar originally crossed was up and now the confirmation attempts to cross the collar down (or vice versa), the confirmed order is processed as a normal incoming order, current collars are not updated and the confirmed order is rejected for collars again
- If the confirmed order can be completely matched within the current collars, collars are updated around the last trade done.

- If the confirmed order can be partially matched within the current collars, and then attempts to trade at a price which is outside of the current collars, it is first traded up (or down) to the collars, then collars are updated around the collar crossed just before trading outside of collars.

Examples

Example 1 - order execution within the collars

Initial order book:
- Reference price = 30
- Collar: +/- 3% [29,10 /30,90]

Buy				Sell		
Order 1	100	30.00		30.10	10	Order A
Order 2	70	30.00		30.10	50	Order B
Order 3	200	29.90		30.13	100	Order C
				30.15	100	Order D

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A new order enters the Market
- Order 4: Buy Limit order at 30,12 for 60 shares
- Trade 60 shares at 30.10

Buy				Sell		
Order 1	100	30.00		30.13	100	Order C
Order 2	70	30.00		30.15	100	Order D
Order 3	200	29.90				

- Collars and reference price are updated according to the last traded price
  - ➔ Updated Reference price: 30.10
  - ➔ Updated collars: +/- 3% [29.20 /31.00]

Example 2 - order execution outside the collars

Initial order book:
- Reference price = 30
- Collars: +/- 3% [29,10 /30,90]

Buy				Sell		
Order 1	100	30.80		31.00	10	Order A
Order 2	70	30.00		31.10	50	Order B
Order 3	200	29.95		31.13	100	Order C
				31.15	100	Order D

A new order enters the Market
- Order 4: Buy Limit order at 31 for 60 shares
- ➔ Potential trade at 31.00 is outside the collars. The order is automatically rejected and the member receives a rejection message
- ➔ Collars and reference price are not modified. The order book remains open for all members

If the member confirms the Order 4:
- ➔ Reference price is updated = 30,90
- ➔ Updated collars: +/- 3% [29,97 /31,83]
- ➔ Trade occurs for 10 shares at 31.00
- ➔ Updated Reference price: 31.00
- ➔ Updated collars: +/- 3% [29,45/32,55]

Buy				Sell		
Order 4	50	31.00		31.10	50	Order B
Order 1	100	30.80		31.13	100	Order C
Order 2	70	30.00		31.15	100	Order D
Order 3	200	29.95				

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Example 3 - Partial Order execution within the collars

Initial order book:
- Reference price = 30
- Collars: +/- 3% [29,10 /30,90]

Buy				Sell		
Order 1	100	30.20		30.30	10	Order A
Order 2	70	30.00		30.50	50	Order B
Order 3	200	29.95		31.00	100	Order C
				31.15	100	Order D

A new order enters the Market
- Order 4: Buy Limit order at 31 for 80 shares
- The order is partially executed:
    ➔ Trade for 10 shares at 30.30
    ➔ Trade for 50 shares at 30.50
- Potential trade at 31.00 is outside the collars
    ➔ The remaining part of the order is automatically rejected (20 shares at 31.00)
    ➔ The collars and reference price are not updated. The order book remains open for all members
    ➔ The member has the ability to confirm its order by sending a confirmation message

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