

Trading@ClosingPrice

- An enhancement of the INET Closing Auction model with an additional optional Trading@ClosingPrice (T@CP)

Background

Trading@ClosingPrice

- Trading at Closing Price has been on the agenda for many years
- The business need has mainly been coming from the Danish market, both from sell- and especially buy sides, which have been requesting the service for many years
- Nasdaq Nordic has also recently received interest from both sell- and buy side in London, which currently appreciate these opportunities offered by other regulated marketplaces such as London Stock Exchange and Euronext.
- MiFID II has lead to an increased interest in this type of service where trades can be matched and centrally cleared (CCP shares only) in a safe, regulated, on-exchange environment.

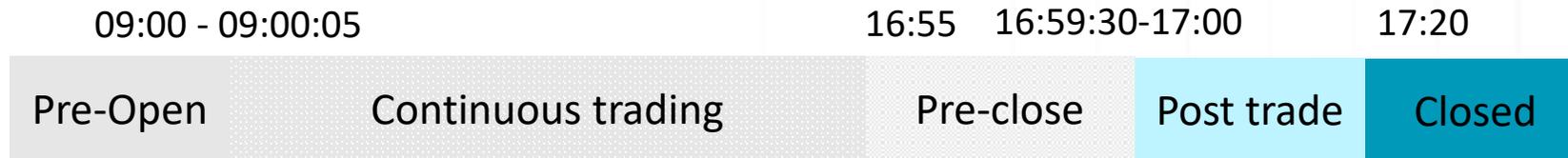
Executive summary

Trading@ClosingPrice

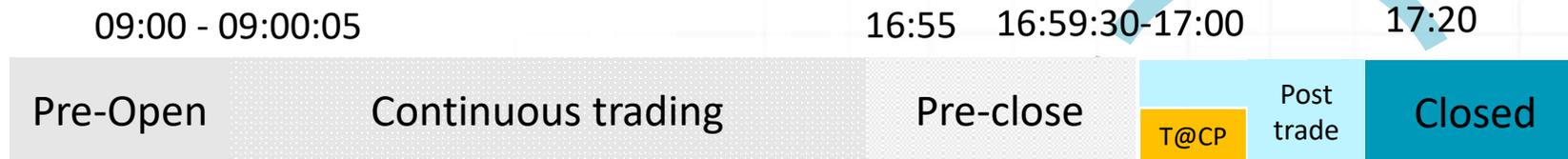
- Trading at Closing Price (T@CP) is an optional short modified trading state after the Lit Order book Closing auction, where Members may optionally continue to trade, and match Orders continuously at the Closing auction price only, in a safe, regulated, on-exchange environment
- Trading at Closing price will be introduced for shares having a Closing Auction on Nasdaq Copenhagen and First North Denmark
- The T@CP lasts for 10 minutes, and ends in Post-Trade
- Orders representing the imbalance may be moved automatically to T@CP, and new Orders may be entered during T@CP based on T@CP Order condition or configuration. Member must have opted in to be able to participate
- Persisting Order types that will transition, including New Orders sent in during T@CP: Limit Orders; Iceberg Orders (Display and Non-display part) to Limit price; Hidden Orders to Limit price.
 - Member is required to opt in on Member or User Id level.
- The trading state is part of the normal Trading hours defined in Nasdaq Nordic Member Rules for those Members utilizing the service
- Trading at Closing Price is introduced as a trading functionality and state as of May 1, 2019 for shares on Nasdaq Copenhagen and First North Denmark.

T@CP Trading schedule - CET

Current Lit Trading schedule



Future Lit Trading schedule with T@CP



Normal Trading Hours = from Opening Auction uncross till end of T@CP for Members opting in

See next page

T@CP is available for all shares having a Closing Auction on Nasdaq Copenhagen and First North Denmark

The illustrated CET times are applicable for Nasdaq Copenhagen.

T@CP Trading ends at exact time point – CET

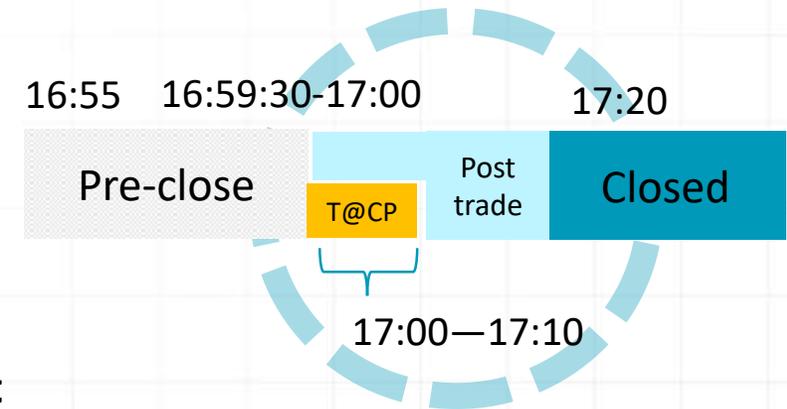
Almost any Lit Order will be able to participate in T@CP, and/or can automatically be transferred, and can participate in the following T@CP session if the Member has opted in.

The T@CP session starts on Nasdaq Copenhagen right after the uncross for the Lit Order book that happens randomly 16:59:30-17:00 and ends exactly on 17:10:00.

Even though T@CP is a new state, orders from market participants not opting in to this trading session will not be affected; hence it will work as today in the Post trade (after Closing Auction uncross CET 16:59:30-17:00 and up to 17:20).

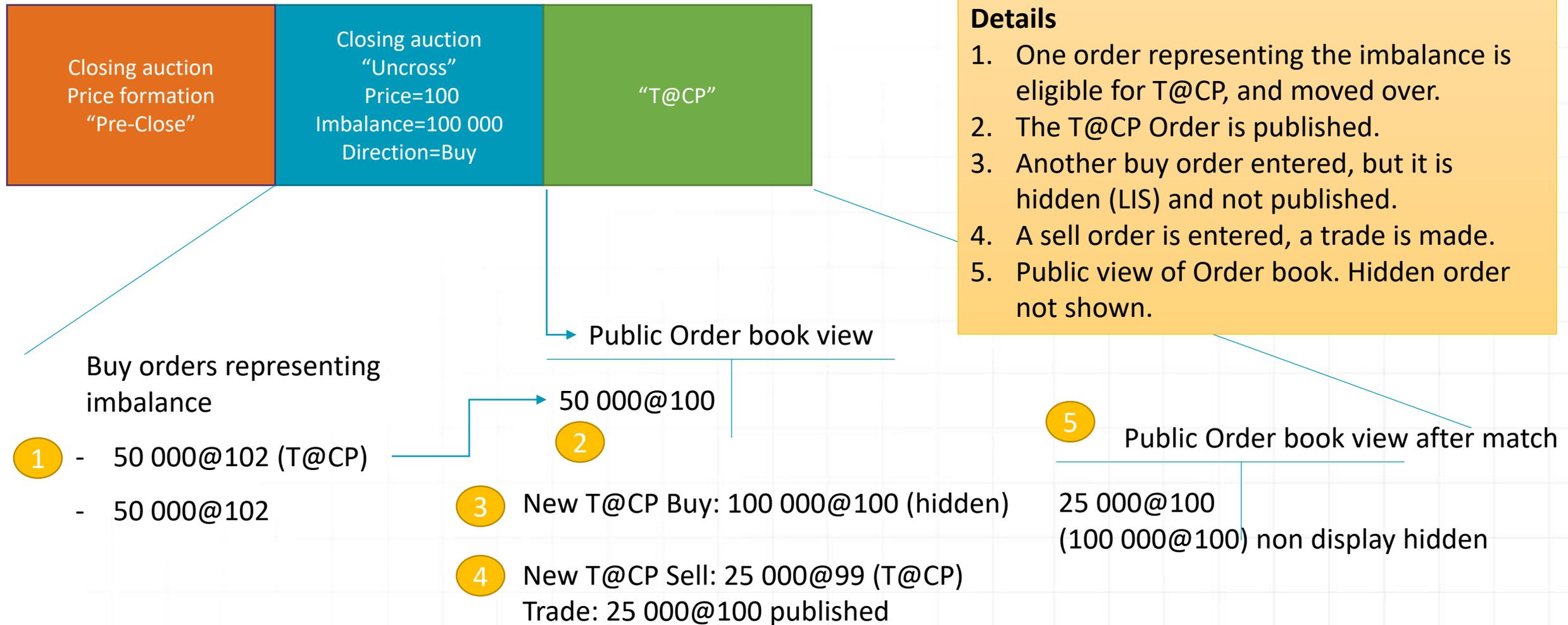
The Order Types eligible for the T@CP service is, all existing unmatched Imbalance Orders after the Closing Auction Uncrossing that simply will transition (if opted into T@CP) , including New Orders sent in during the optional T@CP trading phase :

- ✓ Limit Orders
- ✓ Iceberg Orders (Display and Non-display part) to Limit price
- ✓ Hidden Orders to Limit price



How it works - Example

Trading@ClosingPrice



Narratives for the Trading@ClosingPrice

The use cases for members & end-clients

Demand for a functionality like T@CP - and what kind of flow that could get into a T@CP:

- ✓ Nasdaq Copenhagen see the Optional T@CP phase extension of trading, post the Closing Auction uncross in shares, as a general strengthening of the INET Auction model.
- ✓ Regulated Trading Venues have come with a similar MiFID II initiative to attract more flow to be trading in LIT market, where other competitors estimates to get 2 to 5 percent additional volumes, than before their implementation, due to matching in their @CP.
- ✓ All imbalance from the Closing Auction, is potential value to be **Traded** after the normal uncross @ the **Closing Price**
- ✓ Potential more liquidity to come into the @CP when the price is fixed, which Buy-sides holds back from the Closing Auctions, in order not to impact the equilibrium price too much.
- ✓ Investors just losing out of being within the Equilibrium Price, or Share Allocation, would potentially like to accept the fixed Closing Price – and use the Option of the @CP can give - just to get a change to be fully done on the day.
 - ✓ Institutional clients like the option of being done on the day, or potentially accept to change their Limit in a T@CP after knowing where the auction price has been fixed at.
 - ✓ Why should retail investors not also like to be fully filled on the day?
- ✓ HFT's/ELP's/Market Makers who would like to close a position on the day (or buy not to be short) might also like to use the @CP not to bare the risk of having (or be short) inventory overnight in a given share.
- ✓ Negotiated trades at the close, where the Inst. Sales Trader take part against a Client, can be “Printed” in the @CP, and build market share for member - and avoid it to be published as an OTC trade (using an APA service).
- ✓ T@CP is seen as a possibility from a Nasdaq Copenhagen perspective to capture more Turnover as Lit On-Exchange trading, rather than potentially be traded on the following day in a fragmented trading environment, or to be reported OTC. Also to ensure the possibility to capture what DVC's otherwise might limit the ability to get it On-Exchange.

Legal framework

Trading@ClosingPrice

- T@CP is a continuous order book trading
 - Matching in real time
 - Pre- and Post trade transparency and information follows the same principles as for the Lit Order book continuous trading. Orders are published to the Closing auction price
 - Almost all regular Order types, including non-display hidden and Icebergs can be subject for T@CP if indicated. Large In Scale (LIS) waiver and Order Management waivers apply.
 - The trades made in the T@CP trading state will update the Official Turnover and Numbers of Trades, but will not impact the Latest Paid nor the VWAP price calculation in an instrument.

Nasdaq Trading@ClosingPrice

“trading Danish shares with more opportunitets”