



The Swiss Stock Exchange

# Trading InfoSnack #06: Last Orders

16 December 2020

# Last Orders

**‘So the last shall be first...’ – we never imagined to open our InfoSnack with a Biblical quote but since Christmas is just around the corner we feel inspired. In this last piece of the year, we look at the post-closing auction trading sessions across major stock exchanges with the particular focus on the Swiss Stock Exchange and its Trading-At-Last that was launched six months ago.**

With the introduction of the Trading-At-Last (TAL) session, the Swiss Stock Exchange joined other European peers in offering a post-closing auction trading phase in which participants can trade at the official closing price. Despite offering a similar service, there are some differences across the TAL on different markets, which is summarized in Table 1.

**Table 1: Overview of Europe’s alternative closing mechanisms**

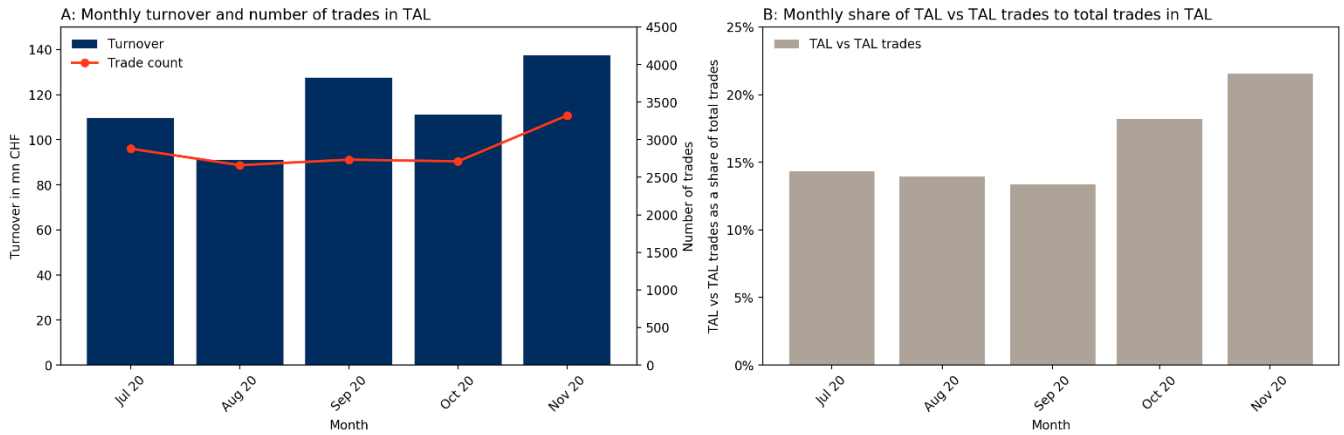
Venue	SIX	LSE	Euronext Paris	Xetra
<b>Post-Close Segment</b>	Trading-At-Last (TAL)	Closing Price Crossing Session (CPX)	Trading-At-Last (TAL)	Trade-at-Close (TaC)
<b>Duration</b>	10min	5min	5min	10min
<b>Pre-trade transparency</b>	No	Yes	Yes	Yes
<b>Closing auction order roll-over</b>	Yes, opt out possible	Yes	No	Yes, opt out possible
<b>Live since</b>	06.2020	04.2012	n.a.	11.2020
<b>TAL Average daily turnover</b>	€5.1mn	€11.0mn	€10.1mn	€3.0mn

\* Data source: BMLL | Securities: Blue Chip shares | Sample period: November 2020

Such trading sessions across Europe provide market participants with the ability to trade residual liquidity at a fixed price. This guarantee of price certainty and parity with a key financial market benchmark (i.e. the official auction closing price) is tempered by the trade-off between finding available liquidity and signalling unexecuted positions to the market. Removing information leakage (and thus next-day price impact) by making the Trading-At-Last session dark, helps to maximise the same-day trading of residual positions.

Since its introduction on 22 June 2020, turnover and volume traded in the TAL session at the Swiss Stock Exchange has trended upward with the largest monthly volume being recorded in November 2020 as per Chart 01 A below. This session allows unexecuted (or residual) orders from the closing auction to match at the closing price in the TAL phase on a continuous basis. Whilst such residual orders represent a significant proportion of the current TAL liquidity, the proportion of TAL order executions from non-residual orders (i.e. unique TAL orders) continues to grow and now accounts for circa 20% of total TAL liquidity – as per Chart 01 B below. This suggests an evolution in how participants are managing residual liquidity in and around the closing auction uncross and their subsequent interaction with the TAL phase.

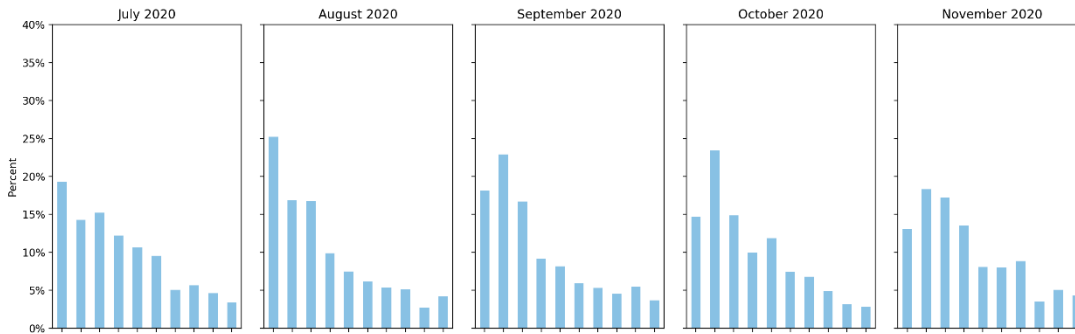
Chart 01: Growth in turnover, number of trades and the share of TAL vs TAL trades



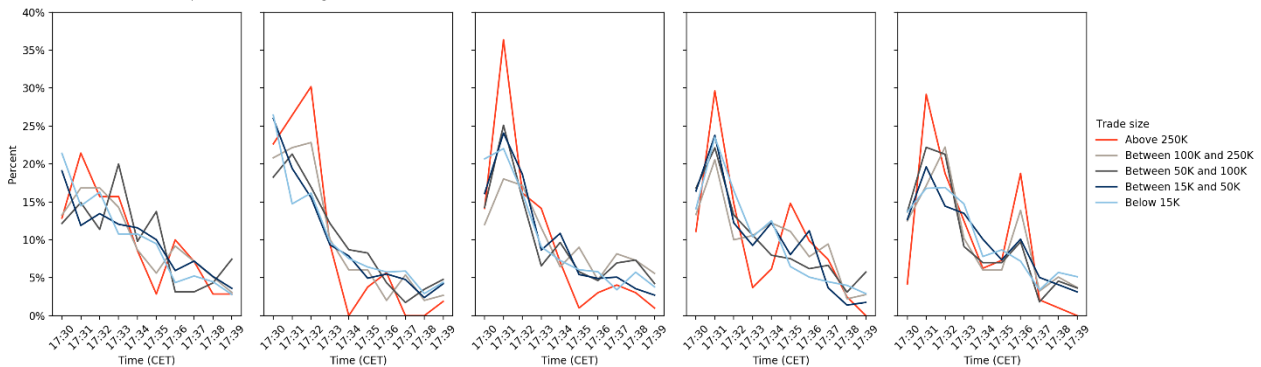
Data source: SIX | Securities: Swiss equities  
Sample period: 01 Jul - 30 Nov

Further evolution in the trading behaviour in TAL can be seen when examining the liquidity distribution across the duration of the TAL phase as per Chart 02 A and B below. We observe a bigger slice of trading activity occurring in the first few minutes after TAL commences, which can be associated with a significant portion of the residual closing auction liquidity being rolled-over into TAL.

Chart 02: Trading activity in TAL  
A: Distribution of TAL turnover, in minute buckets



B: Distribution of TAL turnover per minute, according to trade size

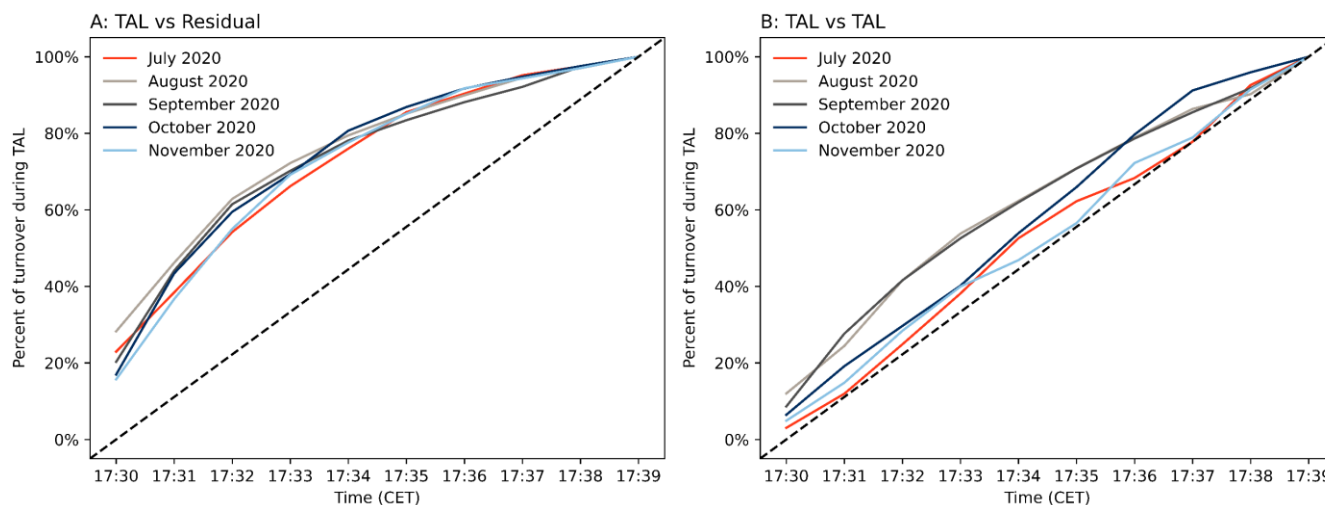


Data source: SIX | Securities: Swiss equities  
Sample period: 01 Jul - 30 Nov | Sampling frequency: 1 minute

However, with the expected continued growth in the proportion of unique TAL order executions, we are likely to see a change in the shape of the volume distribution curve across its duration. Chart 03 A and B below give us an indication of the difference in distribution curve for residual orders and unique TAL orders across the duration of the TAL phase. As such, with growth in the

proportion of unique TAL orders we can expect a degree of flattening of the overall TAL volume development curve in the future.

Chart 03: Residual vs unique liquidity during TAL, in minute buckets



Data source: SIX | Securities: Swiss equities  
 Sample period: 01 Jul - 30 Nov | Sampling frequency: 1 minute

Taking the above into consideration, along with the evolutionary trends we outlined in our previous Trading InfoSnack on [Closing Auctions](#), it is clear that liquidity interactions surrounding the close continue to evolve. Given that a relationship exists between the closing price deviation (relative to the last mid-point in continuous trading) and the side and size of the closing auction imbalance, post-close trading sessions are unlikely to exhaust auction imbalances in their entirety. However, if non-displayed, they do offer a way to maximise the potential for residual liquidity to be traded in a way that minimises information leakage. Furthermore, we begin to see emerging evidence that trading at a known price (i.e. the closing price) acts as an inducement for specific types of market participants to trade.

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