



SIX Swiss Exchange

Auction Volume Discovery (AVD)

Introducing a new order type to execute hidden volume at the uncrossing of the opening and closing auctions.

SIX Swiss Exchange registered increased appetite from the industry to execute in auctions. AVD orders support the discrete submission of liquidity into the primary auction remaining hidden from the market.

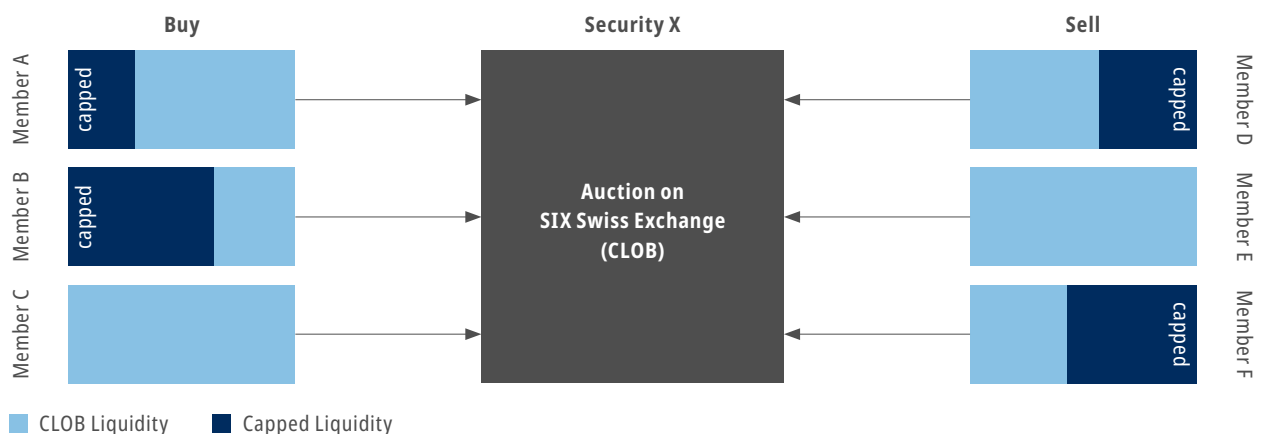
Finding Additional Liquidity

European equity markets have seen a swell in value traded in primary auctions and SIX Swiss Exchange registered increased appetite from the industry to execute primarily at the close – but there is an understandable caution about price impact. The expression of this caution is often the use of a “participation cap/rate”. The use of participation caps/rates leaves contra-liquidity on the sidelines of the auction. Our new AVD order type has been designed to stitch this capped liquidity together, without information leakage or price impact.

Your Advantages at a Glance

- AVD orders will support the discrete submission of currently non-participating (auction) liquidity into the primary auction.
- AVD orders remain hidden from the market, not contributing to theoretical uncross price or volume during the auction call phase.
- At the uncross AVD orders are considered for matching, only contributing volume at an already established uncross price.

Aggregating Capped Liquidity without Leakage of Information or Price Impact



Worked Example

1. In this example, the market would close, respectively uncross with 50,000 shares traded at CHF 8. A sell overhang of 5,000 shares would remain in the order book. **The AVD orders* are not affecting the formation of the opening or closing price.**

Central Limit Order Book				
AVD Orders	Theoretical Auction Price = 8			AVD Orders
Bid Size	Bid Size	Price (CHF)	Ask Size	Ask Size
	20,000	Market		
25,000 *	30,000	9		
		8	20,000	
		Market	35,000	20,000 *
Uncross Price		Uncross Quantity		Uncross Value
CHF 8		50,000		CHF 400,000

Theoretical auction sell order overhang of 5,000 shares

2. It is **only at the uncross that AVD orders** are considered** for matching and will therefore add volume to an already established opening or closing price (CHF 8).

Central Limit Order Book				
AVD Orders	Auction Price = 8			AVD Orders
Bid Size	Bid Size	Price (CHF)	Ask Size	Ask Size
	20,000	Market		
25,000 **	30,000	9		
		8	20,000	
		Market	35,000	20,000 **
Uncross Price		Uncross Quantity		Uncross Value
CHF 8		75,000		CHF 600,000

3. The AVD buy order of 25,000 shares absorbs the theoretical auction sell order overhang of 5,000 shares (see point 1).

4. The remaining 20,000 shares from the original AVD buy order (25,000 shares) can be traded against the AVD sell order of 20,000 shares.

The total number of shares executed increases from 50,000 to 75,000, for a total value of CHF 600,000.

For unmatched orders from the closing auction, participants can decide on a per order basis whether or not they wish to participate in the Trading-At-Last (TAL) period by indicating their preference when entering or updating an order.

Functionality Description

AVD orders can execute in the auction uncross in two scenarios:

1. Against auction overhang liquidity
2. Against a contra-AVD order

AVD orders will support both market and limit varieties and will be matched on size/time priority, supporting optional MEQ.

The matching priority of AVD falls behind all price forming orders, meaning their use cannot guarantee a fill, avoiding where possible cannibalisation of existing auction liquidity and attracting incremental liquidity.

Executed AVD orders will be flagged in the market data to indicate their contribution.

AVD orders will be eligible to be used in all fixed time auctions on SSX (opening and closing); non-executed AVD orders can be optionally rolled (silently) into our TAL session but are only available GFD (Good for Day)

Technical Details

All participants can enter Auction Volume Discovery orders via OTI and STI for the opening and closing auctions using the order Condition field value "Auction Volume Discovery". No subscription or configuration is required for the service. As these orders are subject to a pre-trade transparency waiver, no pre-trade data will be disseminated for them via IMI or MDDX.

Contact us for more information:
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