



## NYSE LIFFE US NOTICE No. 15/2013

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### Introduction of the Reserved Quantity Order Modifier

#### Summary

This Notice announces the introduction of the new Reserved Quantity Order Modifier. The Reserved Quantity Order Modifier will only be allowed to be applied to limit orders placed on the NYSE Liffe US Trading Platform to trade in Futures. Additionally, this Notice provides guidance with respect to the submission and revision of limit orders with a Reserved Quantity Modifier and the matching of such orders by the NYSE Liffe US Trading Platform.

#### 1. Introduction

- 1.1 From trade date July 29, 2013, the Exchange will introduce a new order modifier, the Reserved Quantity Order Modifier (“RQ Modifier”). The RQ Modifier may only be used to modify limit orders placed on the NYSE Liffe US Trading Platform to trade in Futures. The RQ Modifier may not be used to modify order types other than limit orders to trade in Futures and may not be used for any order (limit or otherwise) placed to trade in Options on Futures.<sup>1</sup>
- 1.2 The RQ Modifier allows a market participant to specify a portion of the total quantity of a limit order that is visible to other market participants in the central order book. As more fully detailed below, the remainder of the total quantity of a limit order submitted with an RQ Modifier will be not be disclosed to other market participants while the limit order rests in the central order book, unless and until the entire visible quantity of the order has traded.

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<sup>1</sup> Capitalized terms in this Notice will have the meaning ascribed to them in the Exchange’s Rules, unless the context demands otherwise.

## **2. Selected Functional Details Regarding the Placement of Limit Orders with a Reserved Quantity Order Modifier**

- 2.1 Market participants will have the ability to enter limit orders with an RQ Modifier to the NYSE Liffe US Trading Platform electronically through their own front end software that has been conformed to the NYSE Liffe US Trading Platform.<sup>2</sup>
- 2.2 An RQ Modifier can be submitted with either a normal Limit Order or a Good-Till-Cancelled Limit Order.
- 2.3 As stated above, the RQ Modifier may only be used to modify limit orders placed to trade Futures. The NYSE Liffe US Trading Platform will not accept other order types, such as market orders, market on open orders or stop market orders which a market participant attempts to modify with an RQ Modifier.
- 2.4 The visible quantity parameter of a limit order with an RQ Modifier must be:
  - at least one lot;
  - less than the limit order's total quantity; and
  - at least ten percent of the limit order's total quantity.

There is no requirement that the total quantity of a limit order with an RQ Modifier be a multiple of the visible quantity. The visible quantity cannot be set greater than the total quantity (either as originally set or as subsequently reduced through order modification or trading activity).

- 2.5 Both the total limit order quantity and the visible quantity for a limit order with an RQ Modifier may be revised by the market participant placing the order within the restrictions set forth above.
- 2.6 In a case where the visible quantity is equal to the total remaining quantity due to trading activity, if a market participant revises the total remaining quantity held on the NYSE Liffe US Trading Platform to an amount below the visible quantity, the existing visible quantity will be reduced to the revised amount.
- 2.7 If a market participant revises the total quantity for a limit order with an RQ Modifier held on the NYSE Liffe US Trading Platform to an amount greater than the visible quantity, the visible quantity will remain unchanged.

## **3. Selected Functional Details Relating to the Matching of Limit Orders with a Reserved Quantity Modifier**

- 3.1 The NYSE Liffe US Trading Platform will match the visible quantity at any point in time of a limit order with an RQ Modifier using the same allocation algorithm as applied to all Orders for the relevant Futures being traded. In matching the visible quantity, the NYSE Liffe US Trading Platform will match the visible quantity with a

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<sup>2</sup> As solely a central order book Order modifier, the introduction of the RQ Modifier will have no impact on the execution and reporting of Block Trades or Exchange for Related Position transactions.

time priority based on the time that visible quantity becomes visible to all market participants on the central order book.

- 3.2 As set forth above in Section 1.2, the hidden quantity rests undisclosed until the entire visible quantity trades. When the entire visible quantity trades, the NYSE Liffe US Trading Platform will enter a new visible limit order in the order book with a quantity equal to the visible quantity as originally set (or as subsequently modified) by the market participant. As set forth in Section 3.1 above, that new visible limit order will trade with a time priority based on the time at which the NYSE Liffe US Trading Platform places it in the visible order book. When entering such a new visible limit order in the order book, the NYSE Liffe US Trading Platform will reduce the remaining hidden quantity by the amount newly made visible.

#### **4. Rule Amendment for the new Reserved Quantity Order Modifier**

- 4.1 To provide for the RQ Modifier for limit orders, Rule 405(b) is amended by adding the following sub-section:

(iv) *Reserved Quantity* – Reserved Quantity orders are executed based on the amount of the order not reserved, i.e., made visible to all market participants on the NYSE Liffe US Trading Platform. Once the entire visible amount has traded, the reserved amount will be reduced by the visible amount (or, if the remaining reserved amount is less than the visible amount, the remaining reserved amount) and such amount will be made available for execution. A Reserved Quantity modifier may only be used with limit orders placed to trade Futures.

Members who have questions or seek additional information in respect of this Notice should contact:

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