

# Enhancements to UBS MTF

## *Well-formed Market Checks*

10 November 2015

### Summary

UBS MTF is introducing additional checks on the market data used in the operation of the venue. From 24 November 2015, UBS MTF will also consider whether a better price is available on an alternative market to the primary market.

UBS MTF will continue to use a single primary market reference price (bid, mid, or offer) for matching two orders on the platform. However, the new checks will mean that that reference price will need to be at least equal to the best bids and offers of the additional venues which UBS considers to be viable alternative execution venues for instruments listed on UBS MTF (UBS EBBO<sup>1</sup>).

### Details of Well-formed Market Check

The reference price used for matching on UBS MTF (at bid, mid and offer from the reference market) will not change. However, matching orders will only execute if the primary (i.e. reference) price is inside the UBS MTF EBBO.

### Validation logic

On each book (bid, mid and offer), UBS MTF will only cross when the reference price is at or within the EBBO; i.e.:

$$\text{Extended Best Bid Price} \leq \text{Reference Price} \leq \text{Extended Best Offer Price}$$

Additionally, both the reference and extended BBOs must also be unlocked; i.e.:

$$\begin{aligned} &\text{Reference Best Bid Price} < \text{Reference Best Offer Price} \\ \text{and} \\ &\text{Extended Best Bid Price} < \text{Extended Best Offer Price.} \end{aligned}$$

If this and other all conditions necessary for two orders to match are met, the match will occur at the primary best bid, mid, or offer price according to the order book on which it occurs.

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<sup>1</sup> UBS MTF will use a consolidated EBBO compiled using UBS's market data feed handling technology from the following Trading Venues: BATS Europe (lit CHIX and BATE segments), and Turquoise, in addition to the primary market for each instrument available on UBS MTF. We will consolidate the top of the book prices from each of these venues and check if the primary order book is offering the best price; if the prevailing primary market reference price used for matching is not within the EBBO price spread, matching orders will not execute on the quote.

# Examples

Solid lines indicate reference prices while broken lines show the EBBO as described above. Red crosses indicate the mid reference price.

