BEST System Rules

Contents

Chapter 1. Introduction

This document includes the following topics:

- The Principals of Trading;
- Trade Price Determination;
- How queue priority is determined;
- Types of orders;
- Market states;
- Clearing & Settlement Principles;
- Market Control features; and
- Settlement Cap

1.1　Defining Business Rules

The Business Rules defined in this document are organised into an ordered set of areas. A Business Rule consists of a Term (i.e. All Or None) a definition and a set of rules.

By defining rules in a consistent manner it allows the users, the public, and the Exchange, to maintain a similar understanding. Each section, which explains a rule or principle, may contain any of the following headings:

Defining Business Rules	
Term	The terms are clearly labeled to ensure the Exchange, its members and the investing public uses the same terminology when describing certain concepts
Definition	A short, concise definition of the rule area itself, rather than the definition of the rules that apply in the area. The definition may include a fact or the business need (use) of the term.
Rules	The actual rules that apply to the Term and Defined meaning.

1.2   Glossary of Terms

The following list defines the principles used throughout this document:

1. **All Or None (AON)** - An order which must be executed in its entirety at the same time.

2. **Best Bid and Offer (BBO)** – The BBO is the best price available on the Exchange on the bid side and the offer side.

3. **BEST System -** The Bermuda Electronic Securities Trading (BEST) System combines the traditional principles of trading with state-of-the-art technology. Using computer terminals BEST traders can buy or sell securities. BEST encompasses the critical aspects of trading which includes the trading engine, scribes (database), message handling, market control, and trading workstation.

4. **Best Market -** The best market is the highest Bid and the lowest Ask from the queued orders in the Order Book.

5. **Board Lot -** A regular trading unit. The board lot size of a stock on the Exchange is set at 100 shares in the Regular Market.

6. **Book** – A Book is an electronic file containing a list of committed orders.

7. **Change Former Order (CFO) -** An order which changes the attributes of a previously entered order.

8. **Closing Price.** The Closing Price is the last trade price from the Regular Market.

9. **Continuous Trading** – The term "Continuous Trading" means trading that occurs during a trading session other than at the opening or re-opening for trading following a halt.

10. **Equities -** Common and preferred stocks, which represent a share in the ownership of a company.

11. **Exchange** – The term "Exchange" means the Bermuda Stock Exchange or BSX.

12. **Front Running** - Whenever a member trades ahead of a client order in the same or related market for the purpose of profiting from, or otherwise taking advantage of, knowledge of undisclosed material information concerning an imminent transaction.

13. **Index -** A statistical measure of the state of the stock market or economy, based on the performance of stocks.

14. **Interlisted or dual-listed -** A stock which is listed on the Exchange and one or more other exchanges (the Hong Kong Stock Exchange, New York Stock Exchange, etc.).

15. **Limit Order** - A Limit order does not have any special fill, special delivery, or contingent terms attached to it. A limit order has a specified price and volume.

16. **Live Order Window (LOW)** – The time period when the Exchange systems are operational and may accept orders, order cancel requests and order cancel and replace requests. The LOW ends at market close.

17. **Market Order & Price Protection -** A market order is given a limit price equal to the prevailing best market plus/minus price protection, this is to limit the amount of movement on market orders.

18. **Market Control -** Market Control is responsible for the day-to-day operations on BEST. Market Control has the authority to halt trading, enter corrected trades, enter trades, cancel trades and send bulletins.

19. **Mixed Lot -** An order with a volume that is a combination of any number of board lots and an odd lot. Mixed Lot orders are not allowed.

20. **Odd Lot -** Any volume less than one board lot or a certificate stating on its Face Value that it is an odd lot.

21. **Odd Lot Order Book** – The Exchange's electronic book of committed odd lot orders maintained by the System.

22. **Odd Lot Market** – The Exchange's marketplace that houses the Odd Lot Order Book.

23. **Order Book** – The Exchange's Regular Market Order Book and Odd Lot Order Book.

24. **Outstanding Orders (Booked) -** Orders that do not trade immediately upon entry are said to be booked. These orders are also known as outstanding orders.

25. **Price Imbalance** - A price imbalance exists when the Bid price is higher than the Ask price - the exact trade price is determined using Trade Price Determination rules see the section below.

26. **Primary Market** - Each symbol type must have a designated primary market. The Exchange determines a symbol's primary market when the symbol is listed on the Exchange. A symbol's primary market is used to determine some of the symbol's Exchange statistics and it is also is used to calculate the symbol's effect on the index. A symbol must have a primary market assigned because it can reside in multiple markets simultaneously (i.e., Odd Lot Market or Regular Market).

27. **Regular Market** – The Exchange's marketplace that houses the Regular Market Order Book.

28. **Regular Market Order Book –** The Exchange's electronic book of committed board lot orders maintained by the System.

29. **Regular Order** – An order without Special Fill Terms.

30. **Special Fill Terms** - Special Fill Terms include orders with Minimum Fill (MinFill), Minimum Block (MinBlock), and All Or None (AON) qualifiers.

31. **Special Fill Term Orders** – Orders with Special Fill Terms. These orders will only trade if their volume restrictions are satisfied. Special Fill Term Orders are not included in BBO calculations.

32. **Special Term Orders** – Orders with Special Fill Terms.

33. **Symbol** – a unique combination of letters and numbers used to represent a security listed on an exchange.

34. **System** – The automated trading system used by the Exchange for the trading of securities.

Chapter 2. Electronic Trading Rules

2.1 Principles of Trading

Definitions

The principles of trading are the philosophies governing the intent of the trading rules. Each rule should be in accordance with the general principles of trading.

If a conflict arises, the Executive Management Committee determines if the rule and/or principle is correct as stated. An additional overriding principle is implemented if the rules do not satisfy the business and/or trading needs of the Exchange.
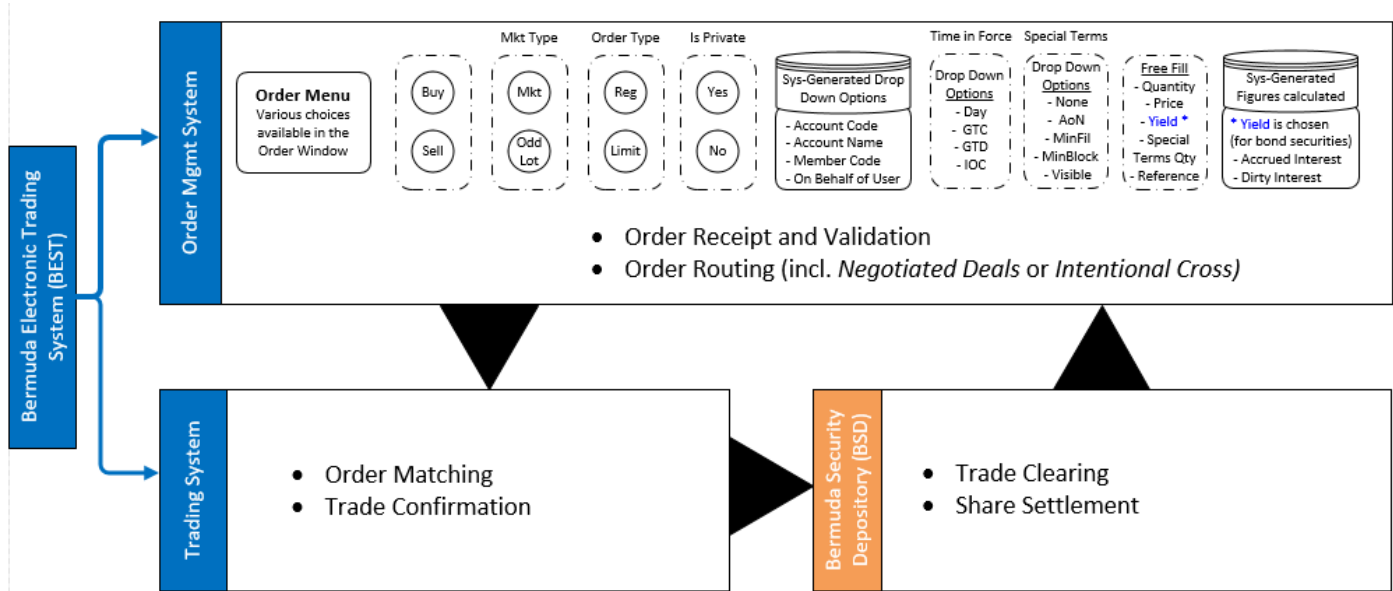
Rules

1. **Hours of operation** – Hours of operation on each business day are 8:30 – 9:00 (Pre-Open); 9:00 – 16:30 (Continuous Trading); and Market close at 16:30.

2. **Business Day** – The Exchange is open for trading on every business day from Monday to Friday inclusive, excluding statutory holidays.

3. **Determining the Aggressive Order** – For every trade there is a designated "aggressive" order and a designated "passive" order - this rule does not apply to trades at the open. *(Please see the Determining the Aggressive Order section below for more details).*

4. **Queue Priority by Price** – Best price principle affords an order the highest queue priority.

5. **Queue Priority by Cross Priority** – Cross priority exists when a queued order(s) can trade with an aggressive order, and both orders are from the same investment house. Orders from the same investment house have higher fill priority compared to orders from another house. After Price priority, Cross priority has the next highest fill priority.

6. **Implicit Cross** – An implicit cross occurs when a match occurs between two orders from the same house due to cross priority.

7. **(Intentional) Cross Trade** – An intentional cross trade occurs when a trader receives an order to sell and an order to buy the same stock at the same price, the transaction can be entered using one order window as an (intentional) cross trade.

8. **Queue Priority by Regular Term over Special Term** – Orders with the least trading restrictions (Regular Orders) are given priority over orders encumbered with trading restrictions (Special Term Orders).

9. **Queue Priority by Time of Entry** – Time of arrival of an order at the Exchange is timestamped. The sequence of arrival, as reflected by this timestamp, may affect the sequence in which the order is considered for execution.

10. **Order History** – The entire history of an order is traceable from initial order entry, any subsequent CFOs, partial fills and final fill or cancel.

11. **Changing an Order's Characteristics** – Changes made to orders affect the timestamp only if the change effectively advances the status of the order in the marketplace, for example in terms of potential volume. Changes that would not cause advancement would not be re-timestamped.

12. **Changing an Order's Timestamp** – Timestamp changes should occur when the price changes, quantity increases, or terms of the order change. The timestamp should not change due to trade execution needs. In principle, this allows for the ease of following orders by the member and the Exchange.

13. **Determining Valid Orders** – Acceptability of an order in the current orderly market is determined when the order is posted to the Trading Engine. This is an interactive process. The trader receives a message the order was queued or rejected or filled. The trader is unable to continue trading until one of these messages is received.

14. **Market Control** – Market Control is responsible for the day-to-day operations of the Exchange. Market Control has the ability to halt symbols, markets, and the entire Exchange.

2.2   Defining a Typical Order

To accommodate each order entry scenario an order may contain the following information:

2.3   Determining the Aggressive Order

Definition

The Exchange's trading model designates an aggressive order and a passive order for each trade. Typically, the aggressive order triggers the trade and receives the best possible trade price and the passive order is the queued order established in the market.

For every trade an aggressive order must be determined because the aggressive order receives the better price if one is available - thus the Better Price Rule *(please see Trade Price Determination (Better Price Rule) section for more details of the Better Price Rule).*

Please see the rules below for more details of how aggressive orders are determined:

Rules

1. If a match between two or more orders is found, the aggressive order is the one that caused the trade to occur, normally the incoming order. The passive order is the one previously queued.

2. During the opening allocation, the concept of an aggressive order and passive order does not exist because the open is based on an arithmetic algorithm.

3. During the opening allocation there is an Allocation side and Least Remaining Volume side *(please see the Pre-Open to Continuous Trading Transitions section of this document for more details).*

4. Special Term Orders can only be aggressive when they enter the System - once they are queued they can not be termed an aggressive order.

5. If a Regular Order exists in the market and a Special Term Order is queued into the appropriate Order Book (Regular Market or Odd Lot Market), determining which order is the aggressive order depends on which side of the market the orders exist on:

6. If the existing order(s) and the Special Term Order(s) are on opposite sides, the existing order in the market has lower priority than the recently queued order. This ensures the symbol will trade at the established best market price. Therefore, the recently queued order is classified as the aggressive order and the existing order is the passive order.

7. If the existing order(s) and the Special Term Order(s) are on the same side of the market, the existing order has queue priority.

8. If an order enters the market, it is the aggressive order by default. However, the buy side is considered the aggressive order. After the buy side has been exhausted the sell side is considered to be the aggressive order. Once the sell side is exhausted the entire market is analyzed to identify any other possible aggressive orders.

9. For the purposes of cross priority, the member number for the aggressive order is used to select the order from the opposite side of the market with the same member number which will have "cross priority" for trading within each price level (assuming cross priority is set to high).

2.4   Trade Price Determination (Better Price Rule)

Definition

Once a match in the market is found the System must determine the exact trade price. If a price imbalance occurs, the aggressive order receives the better price. However, the exact trade price may vary if a current best market exists on one or both sides of the market.

The current best market is the existing market before the aggressive order entered the market *(Please see the rules below for more details of how the trade price is determined).*

Rules

1. Only Regular Orders, established before the aggressive order entered the System, are used to determine the current best market.

2. If a best market only exists on the passive side, where an aggressive order initiates trading through a range of prices, the aggressive order trades at each price level of the passive side, not at the specified limit price of the aggressive order.

3. If a best market exists on both sides, the trade price is the passive side's established price unless a price imbalance occurs.

4. If a price imbalance exists (e.g. sell price lower than buy side) the trade price is dependent on whether an order(s) exists on the same side of the aggressive order or not.

5. If there are no existing orders on the same side of the aggressive order the trade price is the passive sides established price (same as rule # 2 above).

6. If a market exists on the same side as the aggressive order the trade price is determined at 1 (one) tick better than the best price of all the Regular Orders on the aggressive side.

7. An exception to this rule occurs if the aggressive order and the passive order have cross priority (assuming cross priority is set on high). In this scenario the trade can occur at or between the best market price established before the aggressive order entered the market.

8. Therefore, the aggressive order trades at a better price if a price imbalance occurs - this is known as the Better Price Rule.

## 2.5   Special Term Order Processing

Definition

The automated system can maximise the possible trading matches by attempting to trade Special Term Orders which have a price which is better than the best market.

After each time an incoming order loses its aggressiveness, the System attempts to identify other orders, in particular previously queued Special Term Orders, which can trade.

Rules

1. After every trade, Special Term Order(s) better than the current best market attempts to trade.

2. The priority in which orders attempt to trade is based on their price. The best-priced order is chosen first, then the next best price, etc.

3. When a Special Term Order(s) only exists on the buy side, the aggressive Special Term Order is chosen based on:

   - The best-priced order(s) are attempted - one at a time - to see if they can trade.
   - The best-priced order on the buy side is the highest bid(s) above the best market. If multiple orders exist at the same price level FIFO priority is used
   - After the highest bid is attempted, it either trades or does not trade; the next highest is attempted. This continues until the price level is equal to the best bid
   - The first Regular Order is then attempted. Only the first Regular Order is attempted because any other orders behind it can not be traded until after the first order is traded - FIFO priority
   - If no Regular Orders exist the remainder of the Special Term Orders are attempted

4. When a Special Term Order(s) only exists on the sell side, the aggressive Special Term Order is chosen based on the following:

   - The best-priced order(s) are attempted - one at a time - to see if they can trade.
   - The best-priced order on the sell side is the lowest offer(s) below the best market. If multiple orders exist at the same price level FIFO priority is used
   - After the lowest offer is attempted, it either trades or does not trade; the next lowest is attempted. This continues until the price level is equal to the best offer
   - The first Regular Order is then attempted. Only the first Regular Order is attempted because any other orders behind it can not be traded until after the first order is traded - FIFO priority
   - If no Regular Orders exist the remainder of the Special Term Orders are attempted

5. If Special Term Orders exist on both sides of the market - the aggressive order is chosen by FIFO priority between the best-priced order(s) on the buy side compared to the best-priced order(s) on the sell side.

Diagram - How to determine the Aggressive Order after a Trade
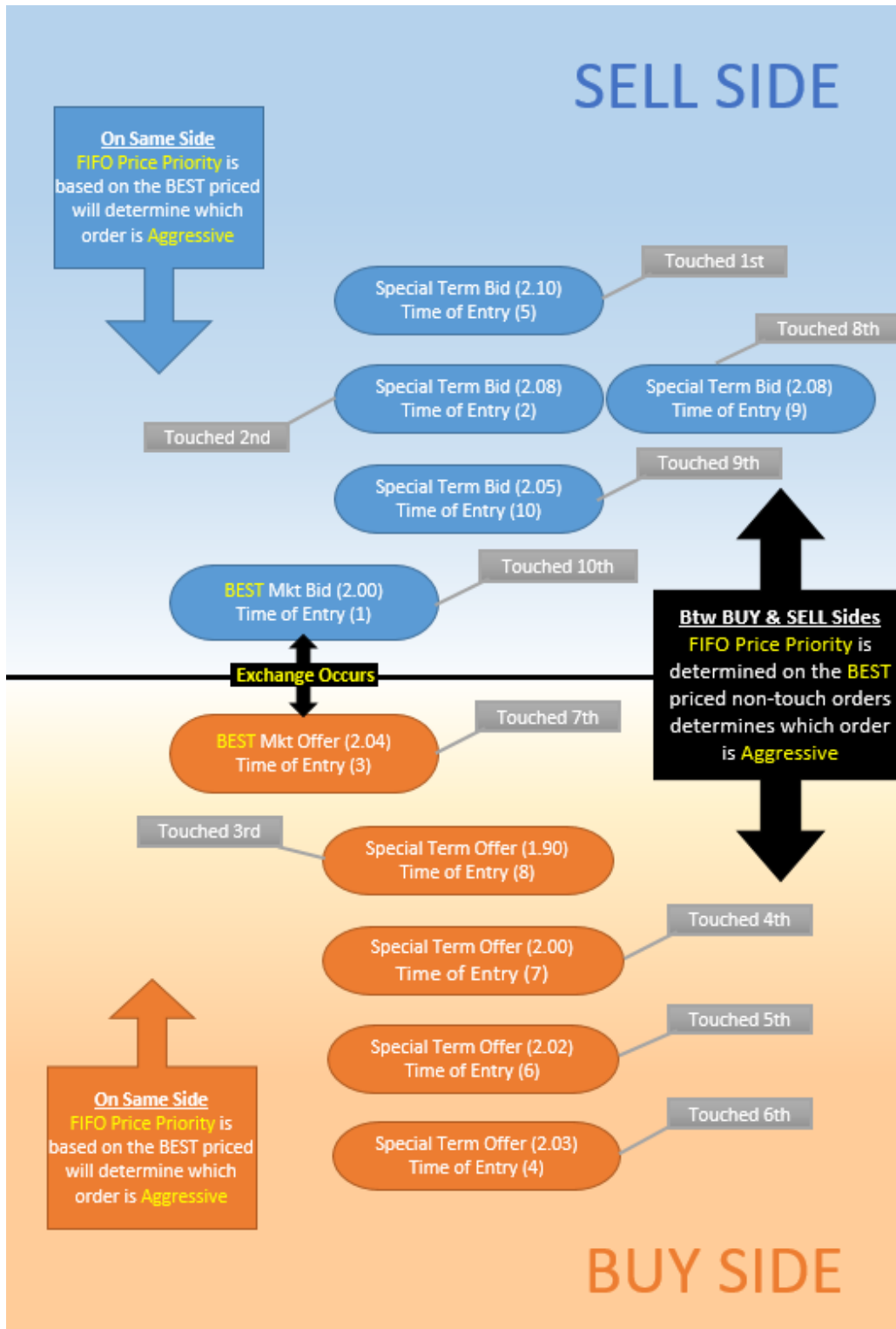
Chapter 3. Factors Affecting Priority

3.1 Factors Affecting Queue Priority

Definition

Orders that can not be immediately executed are queued in a specific order based on queue priority principles.

Rules

1. A valid order arriving at the Exchange can either be entirely rejected, immediately executed in full, partially executed with any remaining volume queued, partially executed with any remaining volume rejected, or totally queued.

2. An order being queued will be given a relative position in the order queue based on queue priority.

3. The factors used to determine the queue priority in order of consideration are:

    - *Queue priority by Price*
    - *Queue priority by Time of Entry*

4. **Queue Priority by Price Priority** – Orders with the best price are given the highest queue priority.

5. **Queue Priority by Time of Entry** – If multiple orders exist at a single price level, they are queued in FIFO priority. Special Term Orders are queued in time priority separately from Regular Orders.

3.2 Factors Affecting Fill Priority

Definition

If an incoming order can be filled by more than one order, the order is filled by the counterpart which has the highest fill priority.

Rules

1. The factors used to determine the fill priority in order of consideration are:

    - *Fill priority by Price*
    - *Fill priority by Cross Priority*
    - *Fill priority by order type (Regular Orders before Special Term Orders)*
    - *Fill priority by Time of Entry*

2. **Fill Priority by Price Priority -** Price is the primary priority factor when determining fill priority. If multiple orders can trade, the order with the best price is filled first.

3. **Fill Priority by Cross Priority** - At a single price level, if multiple orders may be filled, priority is given to orders where the member (house) is on both sides of the trade - this is implicit cross priority, which is different than an intentional cross trade (*please see the Intentional Cross Trade section for a comparison*)

4. **Fill Priority by order type (Regular Orders before Special Term Orders)** - Orders with special terms are treated with a lower priority than similar orders without special terms. Special Fill Terms include minimum fill, minimum block, and All Or None, order volume restrictions.

5. At a single price level, the least restricted order(s) must be filled before any Special Term Orders are filled (assuming cross priority is not in present). Such priority does not extend to price, as it would be unfair to not trade at the best possible price, provided the terms of the special condition(s) can be met.

6. **Fill Priority by Time of Entry** - At a single price level, time of entry of an order governs its fill priority on a first in, first out (FIFO) basis.

3.3   Fill Priority by Price

Definition

The price of an order determines its priority for execution and queue position. An order can be specified with a limit or market price.

Rules

1. The priority of buy orders and sell orders are considered separately.

2. A buy order at a higher price will take priority over other buy orders at a lower price.

3. A sell order at a lower price will take priority over other sell orders at a higher price.

4. A market order being queued at a limit price will be treated the same as if it had been entered as a limit order at that price.

3.4 Fill Priority by Cross Priority

Definition

On entry of a new order, priority for filling the order is given to the entering member's own orders at the same price on the opposite side of the market.

Rules

1. During Continuous Trading, at each price, priority is given to the member's pre-existing orders over the normal queue priority.

2. Special Term Orders whose fill conditions can be met in the cross will be automatically traded using cross priority ahead of Regular Orders of other houses (members) at the price level.

3. After cross priority orders have been matched, trading continues following normal trading rules.

4. Market orders which have cross priority follow the same price protection rules which apply to regular market orders.

3.4.1 Cross Priority Settings

Definition

An *intentional cross trade* occurs when a trader enters a cross trade explicitly. When a trader receives a buy and a sell order from the same house for the same security, the trader enters the orders into the System as an intentional cross trade.

This differs from an *implicit* cross trade priority, where a separate buy/sell order currently in the market trades with an incoming sell/buy order from the same house due to cross priority.

Settings

The Exchange's Cross priority is described in the table below.

Cross Priority Settings	Implicit Cross Priority	Intentional Cross Trades
During Pre-Open	Not Applicable	Intentional Cross Trades are not allowed during pre-open.

During the Opening Process	Not Applicable	Intentional Cross Trades are not allowed during the Opening Process
During Continuous Trading	Buy and sell orders from the same house have the *highest* fill priority at a given price level regardless of their relative positon in the queue.	Can trade **at** or **between** the market price only.

3.5   Fill Priority by Special Fill Terms

Definition

Special terms attached to an order affect the orders fill priority. Special Fill Terms include: *All Or None (AON)*, *Minimum Fill (MinFill)*, and *Minimum Block (MinBlock)* order attributes. Special Fill Terms are used by investors who want to have a minimum amount of volume to be filled or no volume filled.

Rules

1. Special Fill Term Orders are removed from the normal time priority and given last fill priority within a single limit price.

2. Multiple Special Fill Term Orders at a single limit price are treated in time priority amongst themselves.

3. There is no distinction made between types of Special Fill Term Orders - in terms of queue priority.

4. When an order is eligible to match multiple Special Fill Term Orders, a match will be attempted with the first order in the queue. If its terms cannot be fulfilled, the second Special Fill Term Order in the queue will be attempted, etc.

5. Time in Force terms are **not** considered special terms in that they do not affect the order priority and they do not result in the order being labeled as a special term.

6. Special Fill Term Orders are automatically matched to orders in the Order Book as long as their terms can be met. The terms that allow for automatic matching are *Minimum Fill (MinFill)*, *Minimum Block (MinBlock)* and *All Or None (AON)*. The matching takes place after all other regular market orders are matched; that is, attaching a special term results in a lower priority than similar orders entered later without special terms.

3.6　Fill Priority by Time of Entry

Definition

Typically, an order's time of entry is the time recorded when the order entered the System - orders with the earliest timestamp have the highest fill priority.

Rules

1. Orders entering the System are given a timestamp noting their date and time of entry.

2. The effective timestamp or time of entry is the time the trading engine receives the order and responds.

3. **Single Price Limit:** at a single price, the earliest time of entry takes priority in the queue (FIFO).

4. **Cross Trade Priority:** supersedes FIFO priority within each price level. However, if multiple orders can be filled with cross priority they are filled in FIFO order.

5. **Special Term Orders:** are removed from the normal time priority and are given last priority within a single limit price. Multiple Special Term Orders within a single limit price are treated in FIFO priority among themselves.

6. **Inter-Day:** An order entered prior to the current day is given priority in the queue over orders entered today for trades that take place after the open.

7. **Pre-Open:** All new orders entered in the current day during Pre-Open are given a unique timestamp and any uneven board lots are distributed in FIFO priority. If any portion of the order(s) remains after the Open Algorithm, these orders will have a time priority based on their actual time of entry during the pre-open.

8. **CFO:** CFO'ing an order may result in a new effective timestamp and may change the relative priority position of the order in the queue. Whether or not a new timestamp is assigned depends upon the nature of the change to the order.

9. **Partial Fill**: An order that participates in a fill that does not entirely deplete its volume will retain its effective time of entry and its position in the queue.

Chapter 4. Types of Orders

4.1   Limit Order

Definition

A limit order is an order to buy or sell a stated number of shares at, or better than, a specified price (limit price).

Rules

1. Limit orders must be entered in defined tick sizes within a price range.

2. Changes to the limit price will cause an order's effective timestamp to be changed in accordance with the rules set out for Change Former Order (CFO).

3. Changes to the effective timestamp can have an effect on the sequence in which orders are executed and displayed, particularly if queue priority is governed (in part) by time of entry.

Tick Sizes for Securities

Table 1 – Tick Size for all types of Common & Preferred Stock, Rights, Warrants	
Price $	Tick Size $
Under 1.00	0.01
At 1.00 and under 100	0.01
At 100 and above	0.01

Table 2 – Tick Size for Fixed Income Securities	
Price $	Tick Size $
All Prices	Par to 4 decimal places [100.0000]

4.2   Market Order

Definition

A market order is an order to buy or sell a stated number of shares at the best price available in the market. A market order is given a limit price which is equal to the BBO plus/minus price protection.

Rules

1. If a market order is entered and there are orders on the opposite side of the market, the market order has a limit price equal to the opposite side BBO plus/minus price protection.

2. If a market order is entered and there are no orders on the opposite side of the market, the market order has a limit price equal to the same side BBO plus/minus price protection.

3. If no orders exist in the market, a market order is rejected.

4. Price protection is determined by multiplying the tick size by the number of ticks of price protection, see table below for the value amount of price protection in the Regular and Odd Lot Markets:

Price Range $	Tick Size $	Number of ticks of price protection	$ Amount of movement
Under 1.00	0.01	5	0.05
At 1.00 and under 100	0.05	2	0.10
At 100 and above	1.00	1	1.00

5. If price protection is applied and the value is not a valid tick size the price is rounded to the nearest valid tick size. For example, an order may be given a protected price of 1.09 which would then be rounded up to 1.10.

4.3   Intentional Cross Trade (Explicit)

Definition

An *intentional* cross trade occurs when a trader enters a cross trade explicitly. When a trader receives a buy and a sell order from the same house for the same security, the trader enters the orders into the System as an intentional cross trade - this trade only has one order number.

This differs from an *implicit* cross trade, where a separate buy/sell order currently in the market trades with an incoming sell/buy order from the same house due to cross priority - this trade has two order numbers.

Rules

1. An intentional cross is the recording of a trade where both the buyer and seller originate in the same member firm. A single order is entered to record the cross.

2. An implicit cross may also occur where separate buy and sell orders are entered from the same firm that then trade with each other. Such implicit crosses are affected by any cross priority in effect.

3. A cross trade is allowed within a price range. The price range is relative to the current best buy and current best sell at the time the cross is entered.

4. The allowable price range for an intentional cross trade is **"at" or "between"** the market price.

5. A cross trade is not allowed if, prior to trade execution, the market has fluctuated and the cross trade order price is no longer within the allowed price range.

6. An intentional cross trade is not allowed if there is a one-sided market or no market.

7. An intentional cross trade may not be entered during the pre-opening period as it is impossible to validate the entry price until after the open has occurred.

8. An intentional cross trade entered at or between the best markets is not subject to interference.

9. An intentional cross trade cannot be entered as a market order - a limit price must be specified.

4.4   Negotiated Deal

Definition

A Negotiated Deal is a transaction negotiated between brokers. Once the details of the transaction are confirmed by both parties, the two sided order is submitted to the trading system for execution.

Rules

1.   A Negotiated Deal may only be comprised of round lots.

2.   Minimum transaction size is 1,200 shares.

3.   The initiating broker selects the counterparty and the counterparty must acknowledge, amend, or cancel the Negotiated Deal.

4.   Negotiated Deals can only be consummated during Continuous Trading.

5.   The deal price must be at or within the market or it will be rejected.

4.5   Cancel Order

Definition

A trader would use a Cancel Order to purge a specific order from the System.

Rules

1.   Cancel Order can only cancel an outstanding order. If an order is cancelled it is no longer accessible to a trader- it is removed from the System.

2.   If a trader submits a Cancel Order for an order which has already traded, a message is sent stating "Order has traded," and the trader can not cancel the order.

3.   If the order number entered does not exist, a message will be sent stating, "Order not found."

4.6   Change Former Order (CFO)

Definition

A CFO is used to change a component (e.g. volume) and/or attribute (e.g. Time In Force) of an existing order in the System.

Rules

An order may be changed only in the manner defined and authorised by the member. However, the following changes cannot be made using CFO. The order must be cancelled and re-entered if the trader wants to change any of the following:

1. Symbol

2. Market

3. Order Action (e.g. Buy, Sell, Cross, Match, etc.)

4. Order Type (e.g. Regular Order, etc.)

The following changes cause a **new effective timestamp:**

1. Change in Price

2. Increase in Volume

3. Add/Removal of a Special Term description

4. Changes that cause an order to move between order queues (Special Fill Term Order to Regular Order and vice versa).

The following changes will **not** cause a new effective timestamp to be given to the order:

1. Changes in the Time In Force description

2. Changes in the Special Term description (e.g., MinFill to MinBlock)

The change of any other component of an order not mentioned above will not cause a new effective timestamp to be given to the order.

4.7   Order Features

4.7.1 Time In Force Restrictions

Definition

Orders can have restrictions which limit the period of time the order is valid to trade. BEST provides protection mechanisms to ensure time restrictions are not exceeded. The System automatically removes orders after the market close and/or time stipulated.

Rules

1. There is no preference given in the trading rules based on time restrictions.

2. Terms allowed include:

    - Day
    - Immediate or Cancel (IOC)
    - Good Till Cancelled (GTC) (i.e. open)
    - Good Till Date (GTD) (Month-Day-Year)

3. A Day order is valid until the close of trading on the day the order is entered- the order is automatically purged from the System at the end of the trading day.

4. A GTC order is valid until the order is cancelled, and is automatically cancelled by the System after one year. The trader must cancel their outstanding GTC order if it is not filled and they want to remove it from the System.

5. A GTD order is valid until the close of the date specified - the order is automatically purged from the System at the end of the date specified. GTD orders are only accepted if the date is a valid calendar day (i.e. September 33, 2025 can not be entered - but September 28, 2025 a Sunday (non-trading day) can be entered).

6. With **both** Immediate or Cancel (IOC) **and** All Or None (AON) specified on an order, the order must be filled completely at the time of entry or not at all.

7. With **both** Immediate or Cancel (IOC) **and** Minimum Fill (MinFill) specified on an order, at least the specified fill amount must be able to be satisfied at the time of entry or the order will be immediately cancelled. If at least the minimum fill can be immediately satisfied, any remaining volume will then be cancelled.

4.8   Special Order Attributes & Types

Definition

A Special Term Order is an order which specifies an amount of volume which must be traded. The terms are such that the order is not shown as part of the Order Book but is instead maintained in a separate order queue.

The Special Term Order may eventually be queued in the Order Book in some instances (see the table below). The types of Special Fill Terms and their definition are as follows:

Special Fill Term	Code	Description
All Or None	AON	The total volume of the order must be traded in entirety, or not at all. An AON order may be filled by multiple orders.
Minimum Fill	MinFill	The minimum volume of shares must be filled in entirety, before the total remaining volume of the order is queued in the Order Book. Once the order has been queued in Order Book the order can trade in its entirety or in partial increments. This can be thought of as a "minimum initial fill." No facility is available to ensure that each successive fill of an order is of at least a minimum size
Minimum Block	MinBlock	The order trades in amounts of the minimum block or greater and remains a special terms order. After each trade, an additional block of shares will be available with either the original minimum block volume or the remaining volume for the order, Any remaining volume (less than the minimum block amount) is flagged to trade All Or None.

Special Fill Terms can be entered in the following Markets		
Special Fill Term	Regular Market	Odd Lot Market
AON	Yes – allowed	Yes – allowed
MinFill/MinBlock	Yes – allowed	Yes – allowed

4.8.1 Special Fill Types

Rules

1. Special Fill Term Orders are removed from the normal time priority and given last priority within a single limit price.

2. Special terms can be categorized as Special Fill Terms.

3. At a single price limit, all Regular Orders (i.e. unrestricted orders), must be satisfied before any Special Fill Term Order(s) can trade (unless cross priority is in effect).

4. Special Fill Term Order(s) are automatically traded using cross priority ahead of Regular Orders of other members at the same price level.

5. When an incoming order trades through a price range, Special Fill Term Order(s) retain their price priority and will be filled if their restrictions can be met by the available balance of the incoming order.

6. Multiple Special Fill Term Orders at a single limit price are treated in time priority amongst themselves.

7. There is no distinction made between types of Special Fill Terms in queue priority (e.g. between MinFill, AON, and MinBlock).

8. When an order is eligible to match with multiple Special Fill Term Orders, a match will be attempted with the first order in the queue. If its terms cannot be fulfilled, the second Special Fill Term Order in the queue will be attempted, etc.

9. Time in Force terms are **not** considered Special Fill Terms in that they do not affect the order priority.

10. Special Fill Term Orders will be automatically matched to orders in the Order Book as long as their terms can be met. The terms that allow for automatic matching are MinFill, AON, and MinBlock.

11. **Best Market View no Regular Order(s) exist:** If no Regular Order(s) exist, Special Fill Term Order(s) do **not** establish the best market. However, if no Regular Orders exist, a Special Fill Term Order(s) may be displayed in some inquiries with an asterisk denoting the order is not a Regular Order.

12. Special Fill Term Order(s) volume is **not** included in the size disseminated in the Best Market. However, if no Regular Orders exist, a Special Fill Term Order(s) may be displayed in some inquiries with an asterisk denoting the order is not a Regular Order.

13. Special Fill Term Orders do not trade at the open.

14. Special Fill Term Orders are not taken into consideration when determining the opening price and opening allocation.

4.8.2 Clearing

Definition

The settlement date is the date on which the buyer must pay for the securities and the seller must deliver the securities. Settlement can be affected by the type of security traded. The settlement terms and definitions are:

Settlement Types		
Settlement	Start	End
T+2	Trade Date	T+2

4.8.3 Clearing Rules

Definition

Settlement is the process of delivering the security after the original transaction has been executed. The settlement rules are:

Rules

1. Standard rolling settlement for a security is on a T+2 basis which takes into consideration business days and the Exchange's trading calendar.

2. Cash settlement is a condition of trading enforced by the Exchange for all orders for a security.

Chapter 5. Secondary Market

5.1   Odd Lot Market

Definition

The Odd Lot Auction Market or Odd Lot Market contains orders which have a volume (number of shares) less than a board lot, or, an order with a size less than the minimum round lot number designated for a security (odd lot).

Rules

1. Odd lot orders are entered in a separate Odd Lot Market.

2. The minimum order size in the Odd Lot Market is set at one (1) share.

3. The maximum order size in the Odd Lot Market is set at 99 shares.

4. The Odd Lot Market is open from 8:30 a.m. to 4:30 p.m. each business day.

5. Odd lot orders are posted and executed through a FIFO matching process.

6. Odd lot market orders are subject to price protection.

7. The Better Price Rule applies to the Odd Lot Market.

8. Odd lot orders may participate as a cross trade but they are not subject to cross trade price restrictions of the Regular Market (e.g. odd lot cross orders do not have to trade at or between the regular market). However, the cross trade may only be made at or between the Odd Lot Market's best market.

9. Odd lot orders are included in the Exchange statistics of volume traded, value traded, and number of trades.

10. Odd lot trades do not affect the index.

11. Odd Lot Market statistics are available for:

    - Number of symbols advancing;
    - Number of symbols declining;
    - Number of symbols unchanged;
    - Volume traded;
    - Number of Trades;
    - Value Traded; and
    - Number of symbols traded.

Chapter 6. Market States

6.1   Pre - Open

Definition

Prior to the start of trading each day, there is a Pre-Opening period during which orders can be entered but are not immediately processed. The purpose of the Pre-Open Market State is to allow for price discovery of all existing orders.

Price discovery at the Pre-Open

At the open, an opening algorithm is run which initiates all possible trading. At the completion of this algorithm, the market is open for trading.

Rules

1. Orders entered during the pre-opening period are queued and not executed at the time of entry. As each order is queued (whether or not the symbol is expected to open) and the price at which it is expected to open is calculated.

2. A market imbalance can be created during the pre-opening period where the buy price is higher than the best sell price. If a price imbalance exists, or if multiple possible opening prices exist, the opening price chosen is based on the following criteria in order of priority:

    •   Maximum volume of shares to be traded;
    •   Minimum imbalance in share volume;
    •   If the lowest imbalance has the same price and side, the highest price will be used.

6.1.1 Pre-Open to Open to Continuous Trading Transitions

When the range of prices spanned for the pre-opening orders crosses a price level transition, the opening price calculation takes into account any limitations or variations inherent in the transition.

For price tick transitions, the appropriate tick size is used to determine which price levels to use in the calculation of Buy volume, Sell volume, trading volume, minimum remaining volume, etc. Once the opening price is chosen, all trading takes place at that single, opening price. Therefore, no price level transition is possible.

6.2   Opening Price Calculation

The opening price is chosen as the price that causes the greatest number of shares to trade at the open. If the same number of shares can be traded at different price levels, the price level is chosen, which leaves the least number of shares remaining after the opening trading.

On a more technical basis, the actual calculation proceeds as follows:

Opening calculation

1. For all price levels, the maximum trade volume is calculated on the Buy side and Sell side separately. When determining the maximum possible amount which can trade at each price level the System takes into account the board lot size at each potential price level.

2. The Buy volume at each price level is the total volume which would trade assuming an infinite Sell volume at this level. First, the System calculates the maximum amount of volume which would trade if the lowest Buy price was chosen as the open price.

3. The System then calculates the total amount of volume which would trade at the next higher Buy price. At the next higher price level, the Buy volume is reduced by the volume of all Buy orders at a lower price.

4. This process is carried out for the entire Buy side price range.

5. For a given Buy price the potential total Buy volume includes the volume at that specific price level and the volume of all other Buy orders at higher price levels.

6. The Sell volume calculation is carried out in a similar fashion. First, the total amount of Sell volume which would trade at each price level is the total volume that would trade assuming an infinite Buy at this level.

7. At the highest Sell, the entire Sell volume could trade. At the next lower price level, the Sell volume is reduced by the volume of the Sells at the now higher price.

8. For a given Sell price the potential total Sell volume includes the volume at that specific price level and the volume of all other Sell orders at lower price levels.

9. This process is carried out for the entire Sell side price range.

10. The potential trading volume is calculated for each price level. The trading volume is the minimum of the Buy & Sell volume for a specific price level. The process looks for the price level (or levels) with the highest trade volume. If no trading is possible, this trade volume is zero (0).

11. If one, and only one, price level has the highest trade volume, that price level is used as the opening price. If more than one price level can trade the same, highest number of shares, other criteria is applied.

12. The least remaining volume is the next criteria checked. This is the number of shares that are left remaining on one side of the market if we were to trade the specified number of shares indicated by the trade volume. (By definition, the other side has the Least Remaining volume). This is calculated for each potential price level in the range of the prices with the same, highest trading volume. If there is a unique level with the least remaining volume, that price level is used as the opening price.

13. When all other criteria fail to select a single, unique opening price, the highest price level of the available alternative prices is chosen.

Opening Calculation Example

The illustration below demonstrates the possible opening price calculation scenarios:
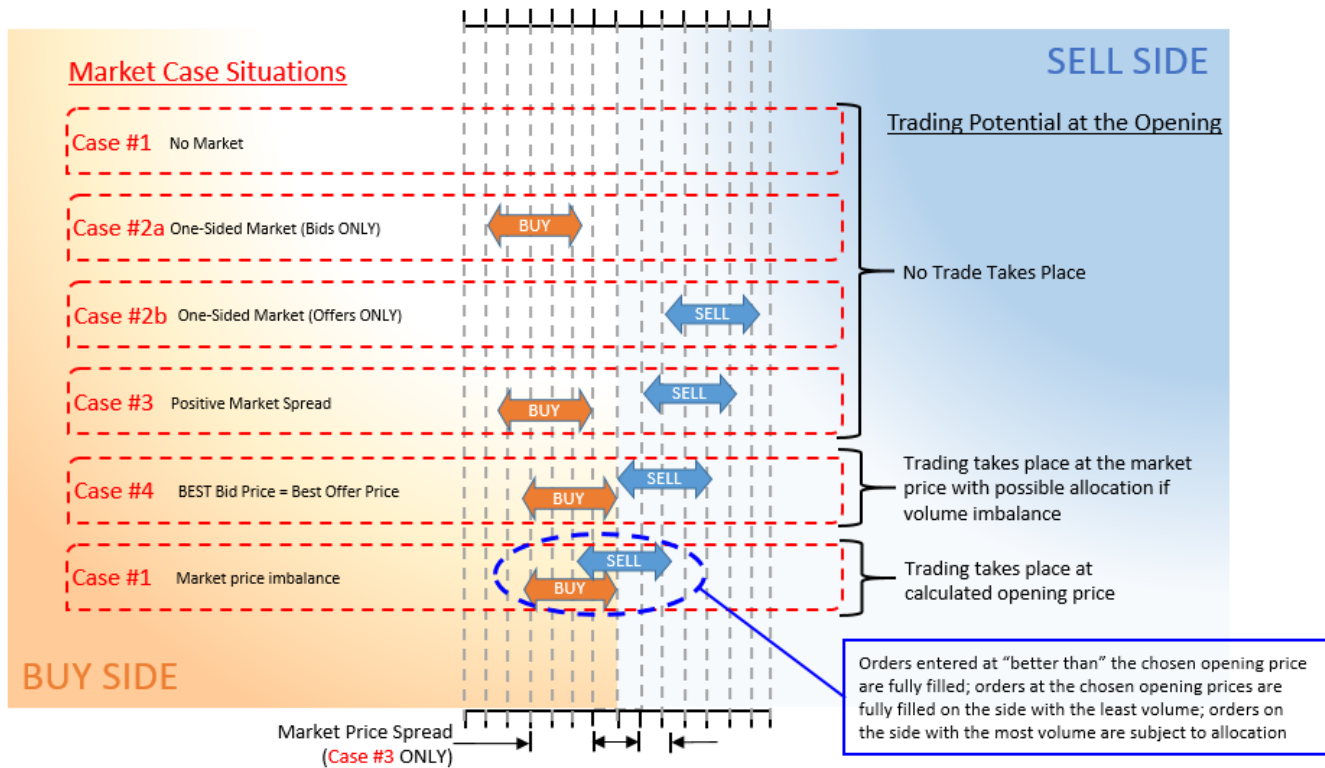
6.2.1 Displaying Information (During the Pre - Open)

The actual price entered for limit orders entered in the pre-opening period which are at better than the current predicted opening price is considered private information - only the member entering the order and the Exchange can see the actual limit price.

In the Market By Order (MBO) & Market By Price (MBP) displays, the member can view the actual price entered and be able to clearly see that the order is causing an "imbalance." Market Control can also see the actual price.

For all other members, the order is treated as if it had been entered at the currently predicted opening price. Absolute privacy of the fact that certain orders have been entered at a price better than the calculated opening price is not possible.

As the opening price changes, the volume at the previously predicted opening price and the currently predicted opening price changes. It may be possible for an astute trader to "infer" some information (the true limit price) from this.

6.3   Open Allocation Principles

At the open, there is no concept of an aggressive and passive order(s). At the Open, there is an Allocation side and a Least Remaining volume side. The Least Remaining volume side is designated as the "balanced side"; that is, the side which is completely traded at the open.

The opening allocation is based on Shared Equal Allocation which is based on the allocation steps below.

When the Buy volume and the Sell volume are the same, both sides will be completely traded - therefore, determining an Allocation side and Least Remaining volume side is unnecessary.

Allocation Steps

1. Determine the volume available for allocation **(A)**

2. Determine the volume for full allocation at better than the opening price **(B)**

3. Determine the volume for equal allocation to the open price orders **(C = A - B)**

4. Any volume that can not be distributed using equal allocation is distributed in a board lot size using FIFO rules

5. This volume is allocated as evenly as possible, in board lots, between the number of remaining orders on the opposite side. The allocation is done in order of the queue priority. If the volume cannot be evenly allocated to the orders, orders at the bottom of the queue are allocated a lesser volume than those at the top of the queue.

6. Where the number of remaining orders on the opposite side exceed the number of board lots remaining to be allocated, some orders may receive no allocation at all.

6.3.1 Shared Equal Allocation (with Trade Consolidation)

Definition

Shared Equal allocation distributes equal board lot volumes to each order on the Allocation side in the queue. If the total volume can not be distributed equally, the remaining volume is allocated using FIFO allocation.

Rules

1. Shared Equal Allocation is done on an equal board lot basis.

2. The allocation may not be exactly equal if the volume on the least remaining volume side is not an exact multiple of the number of eligible orders on the Allocation side multiplied by the appropriate board lot size.

3. Inequalities in allocation should be distributed by Time of Entry Priority (FIFO). This is indicated by the actual timestamp, the time the order is queued. Successive allocated orders should net out to no greater or different allocation than if the entire volume had been present as one order.

4. If the volume cannot be evenly allocated, orders at the bottom of the queue receive less volume (equal to a maximum of one board lot) than those at the top of the queue.

5. If the number of remaining orders on the opposite side exceed the number of board lots to be allocated, some orders will not be allocated any share volume.

6. Each order participating in an allocation is given the same allocation under the equal allocation rules.

6.3.2 Special Term Orders at the Open

Special Term Orders can be entered during the pre-open. However, these orders do not affect the selection of the opening price because they are not eligible to trade at the open.

Special Term Orders that match (e.g. from both sides of the special term book) do not trade at the open. Once all trading in the Regular Market Order Book is completed, the engine checks for any trades that might remain between Special Term Orders and Regular Orders after the open. If such orders are found, they are automatically matched.

6.3.3 Trade Generation

Once the entire allocation process is carried out, including allocation at better than the opening price, the actual trade fills are calculated. This minimises the number of trades generated by the open.

6.3.4 Time Priority for Orders at the Pre-Open

All orders entered during the pre-opening have a time priority based on the actual time of entry. For orders not completely filled at the open, this time priority is maintained thereafter during the trading day and for subsequent trading days.

Orders carried over from previous trading days have FIFO priority over orders entered during the pre-opening for the purpose of opening. Limit orders entered during the pre-opening period are subject to the same rules that govern their entry during the trading day.

6.3.5 Intentional Cross Trades at the Open

Intentional Cross trades cannot be executed at the open and, therefore, cannot be entered during the pre-opening period. Orders have cross priority with: Regular Orders and Special Term Orders from the same house after the open.

6.4 Market Close

Definition

At the close, the Exchange does not allow orders to be entered, processed, or matched. Time restricted orders are automatically purged by the System. Any orders which are Good Till a later date are automatically carried over to the next trading session.

The closing price of a security listed on the Exchange depends on the last trade in the symbol's primary market. Symbols that do not trade on a particular day use their last traded price from their primary market as their closing price.

Chapter 7. Market Control

7.1 Halts

Definition

Trading of a stock, bond, option or future contract can be halted by the Exchange. Typically, halts are initiated by the request of the issuer while news is being broadcast about the security.

Suspension of a symbol is initiated by the Exchange because the issuing company has failed to comply with listing and/or disclosure regulations.

Rules

1. A halt can be instituted for a symbol at any time during the trading day.

2. A symbol can be halted on one or all of the markets.

3. Once halted, no further trading in the symbol will take place in the specific market.

4. All orders may be cancelled by the Exchange.

5. Cancellation messages are forwarded to the traders.

6. Prior to the resumption of trading following a halt, a pre-opening period will be held for the halted symbol in the specific market or markets it was halted in.

7. Order entry or reinstatement may take place during this period.

8. Altered orders and new orders will have priority assigned after Halt in accordance to normal Open specifications.

9. This approach removes any possibility that the orders would inadvertently remain in the market against the intent of the trader.

7.2   Cancel Trade Request

Definition

A trader may request that a trade be cancelled should it be determined that an error has occurred with the execution of an order by sending a Cancel Trade Request email to Market Control.

Rules

1. Market Control may only cancel a trade upon agreement by both parties.

2. A Cancel Trade Request must specify that the entire trade is to be cancelled and must contain (i) Trade ID; (ii) security; (iii) price; (iv) member; and (iv) requestor name.

3. At the sole discretion of the Exchange, trades can be cancelled during the same trading day.

4. Market Control cancels the trade on behalf of both parties.

5. If a cancel is requested on the day after the trade date, a trade reversal will be effected through the BSD if Market Control grants the request.

6. Under no circumstances will a trade be cancelled or reversed after settlement.

Chapter 8. Settlement Cap

8.1   Settlement Cap

Definition

There is a single cap for a clearing firm across all securities. A given brokerage house may have one or more clearing firms and hence settlement cap is managed at a clearing firm basis.

Rules

1. No trade will breach the available Settlement Cap value.

2. Simple Orders and negotiated deals (Buy side of Deal) must satisfy the condition of value less than Settlement Cap.

3. Intentional Cross Trades do no need an available Cap check.

4. A Broker may enter multiple buy orders of any size/price. Only during matching will the trading System perform a pre-check to determine if the Trade breaches the Cap. An order can be filled partially or completely up to the Cap value. Any remaining portion that may breach the Cap, or order that may not trade as is, is moved to the Private Order Book.

5. Each trade (partial or complete fill) will affect the Cap by the value of the trade. Buy trades will lower the available Cap by the value of the trade. Sell trades will increase the Cap by the value of the trade.

6. Resting orders do not impact the Settlement Cap.

7. A firm may deposit/withdraw money intraday to increase/decrease the Settlement Cap, effective following confirmation by the Exchange.

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