

# **POSIT MTF UK Participant Manual**

**Effective: 4 December 2020**

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## 1. Introduction

This document is designated a Manual under and in accordance with the POSIT MTF UK Rulebook ('**the Rulebook**'). This Manual (the **Participant Manual**) explains the policies and procedures used by **Virtu ITG UK Limited**, the operator of POSIT MTF UK ('**the Operator**').

This Participant Manual supplements the Rulebook. To the extent there is any inconsistency between this Participant Manual and the Rulebook, the Rulebook shall take precedence.

Information contained in this Participant Manual is subject to change at any time. The latest version of the Participant Manual is available at [www.virtu.com](http://www.virtu.com) (the **Website**).

Unless otherwise defined herein, terms defined in the Rulebook shall have the same meaning as in this Participant Manual.

## 2. Participant requirements

Any participant that meets the application requirements set out in the Rulebook may become a participant in the MTF by submitting to the Operator the following documents and/ or tests, as applicable:

- a) a signed agreement with the Operator;
- b) conformance testing for each segment that the participant expects to trade which includes, without limitation, connectivity and end to end order handling (for example submission, order amendments and executions) between the participant and the MTF;
- c) a Legal Entity Identifier for the relevant legal person proposing to become a participant;
- d) the independently verified regulatory status, the domicile of the participant (to consider potential transactions reporting requirements) and an AML risk assessment and relevant KYC due diligence checks completed;
- e) documentary evidence of effective oversight and control over the proposed participant activities versus the MTF and that the proposed participant is able to take adequate measures to ensure that it does not pose a risk to the fair and orderly trading on the MTF; and
- f) as may be requested, any credit or financial information for designating a trading limit to that participant.

## 3. Governance

In accordance with the MTF Rulebook, participants are required to ensure that their employees, officers or other related persons accessing the MTF are fit and proper, have a sufficient level of trading experience, knowledge, ability and competence. Participants must have and maintain internal procedures and controls to ensure the competency of their employees, officers and other such related persons who access the MTF on behalf of the participant. Subject to applicable rules and regulations, the Operator is not required to provide any support or service for participants to meet their obligation to maintain such internal procedures and controls.

Participants shall provide to the Operator details of the person(s) appointed to be a contact person in relation to:

- a) ensuring compliance with the Rulebook, Manuals and Guidance;
- b) technology, operations, legal and finance function matters; and
- c) requesting changes to the trading profile of the relevant participant such as order or trade cancellations.

Participants shall immediately notify the Operator of any changes to persons who are points of contact for any of the mentioned functions.

#### **4. Information covenant**

Participants must, for the greater of 5 years or the period that they are required to under applicable rules and regulations, retain records of any activity undertaken pursuant to their membership in the MTF. Such records must be kept in a legible and durable format and be made available to the Operator on demand.

#### **5. Market making**

In accordance with the MTF Rulebook, any participant that is engaged in pursuing a market making strategy (as defined in article 17(4) Recast MiFID) is subject to the Operator's assessment and required to enter into an agreement with the Operator to post firm and competitive prices on a regular and predictable basis in the relevant financial instruments admitted to trade on the MTF.

The Operator may in its discretion suspend or withdraw the relevant participant's right and/ or obligation (as applicable) to undertake any such market making strategies in the MTF in the event of market disruption which may (in the Operator's assessment) impact the fair and orderly trading in the relevant financial instrument(s) in the MTF.

Where required (due to the existence of participant(s) that meet the requirements pursuant to article 17(5) Recast MiFID), the Operator will publish on the Website the required quote sizes, prices and amount of time (the **Market Making Obligation**) that participants subject to a market making agreement must meet during the relevant MTF hours of operation in order to be in compliance with such agreements.

During the MTF hours of operation, the Market Making Obligation will apply only after the first transaction in the primary market of the relevant financial instrument on that particular day on which the MTF and that relevant primary market is open for business. Also, the Market Making Obligation will not apply in relation to a specific financial instrument between the period that the relevant financial instrument is subject to a suspension from trading and the first transaction, in each case, in the primary market of that financial instrument.

#### **6. MTF notifications**

The Operator shall publish from time to time on the Website new or revised interpretations, supplements or amendments to the Rules, Manuals or Guidance. Removals or additions of a financial instrument to the POSIT MTF Universe will also be published on the Website.

The Operator is under no obligation to notify participants of pending market events or corporate actions which may impact the price of a financial instrument included in the MTF Universe.

#### **7. Participant notifications**

All notifications to the Operator by participant(s) should be made at least five working days (each such working day must be a day on which POSIT MTF is open for business) prior to the effective date of any known material change to the participant that is required to be notified to the Operator under the Rules, Manuals and/ or Guidance. Any issue that arises and which would impact a participant's ability at any time to comply with its obligations under the Rules, Manuals and/ or Guidance must be notified immediately to the Operator.

#### **8. Complaints process**

All complaints should be processed in accordance with section 16 of the Rulebook. Where the relevant participant deems necessary or where the matter relates to the conduct of another/ other participant(s), complaints should be sent to the Chief Compliance Officer either at [itqe-legal&compliance@virtu.com](mailto:itqe-legal&compliance@virtu.com) or at the postal address which can be found on the Website.

## **9. Participant suspension/ termination**

In accordance with the Rulebook, the Operator may suspend, restrict or terminate a participant's access and rights to the MTF. The Operator will seek to notify the affected participant at the address, email and/ or telephone numbers notified by that participant for its compliance function and chief executive officer.

The Operator is under no obligation to notify the relevant participant before suspending or restricting the participant's right to place orders, execute transactions or receive other MTF services.

## **10. Fees and charges**

Participants shall pay all applicable fees, charges and any other costs for the provision of the various services provided by the Operator. All such fees, charges and other costs relating to MTF services are available at the Website.

All such fees and charges will be charged in Great Britain Pound Sterling (£), on a monthly basis.

The Operator reserves the right to charge interest on any amount due to the Operator from the date on which payment was due to the date of actual receipt at such rates as may be specified from time to time in the Website.

## **11. Tax**

Fees, charges and other costs relating to the provision of the various services provided by the Operator may also be subject to sales tax/ value added tax and/ or other applicable taxes.

Purchases of certain securities on the MTF may also be subject to stamp duty, levies, financial transaction taxes and/ or other forms of taxation. The Operator does not provide tax advice and nothing in the Rules, Manuals or Guidance can be construed as providing any such advice to participants. Participants must obtain their own advice in relation to any tax liability or exemptions that they may be entitled to claim or obtain.

## **12. Connectivity/ technology**

The technology and infrastructure requirements which are necessary to connect to and operate on the MTF, including connectivity requirements, FIX specification and market data specifications are published in the POSIT MTF UK FIX and Connectivity Guidance available on the Website.

## **13. Trading hours and days**

Where a primary market of a given financial instrument is closed on a business day, the MTF will be closed for that instrument.

If a primary market for a financial instrument suspends trading, the trading in such financial instrument in the MTF will also be suspended.

A schedule of the trading hours for open business days for each MTF segment is available through Guidance which is may be reviewed at the Website.

## **14. Market segments**

The MTF has an Equities Dark Segment and an Equities Periodic Auction Segment.

The MTF only takes orders for such financial instruments as listed in the POSIT MTF UK Universe (which can be found at the Website).

Execution is not guaranteed on the MTF and, in the absence of any further statement, direction or instruction in this Participant Manual or Guidance, unexecuted orders may be withdrawn

from the MTF or left in the system for participation in the next MTF match in the relevant segment.

In the interests of improving liquidity, the Operator may publish general information about the amount and general size of orders as well as disclosing the countries in which they are traded and general sector information. Participant's identities are not disclosed before or after the match, save as required by any applicable law or regulation.

#### **a) Equities Dark Segment**

In the systems of the Equities Dark Segment, participants may trade shares, certificates, depositary receipts and exchange traded funds on a non-pre-trade transparent basis in the following ways:

- i) POSIT Now UK matches orders continuously during the POSIT Now UK trading hours (please see Guidance which is available for review at the Website).
- ii) Within the relevant day's trading session, unmatched orders will participate in successive matches until:
  - 1) any specified expiration time or time in force instruction on the order;
  - 2) the order is fully filled;
  - 3) cancellation of the order (by the participant or the Operator); or
  - 4) the end of that day's trading session.

Any orders unmatched at the end of the trading session will be cancelled.

- iii) POSIT Now UK crosses at the midpoint of the bid and offer prices (**Midpoint**) of the relevant financial instrument where it was first admitted to trading or the most relevant market in terms of liquidity. Orders that benefit from a size that is equal to or greater than the thresholds set out in Table 1 of Annex II of Commission Delegated Regulation (EU) 2017/587 may enter the system as a large in scale order (**LIS**) so long as such LIS orders are entered with a Midpoint peg.
- iv) Following a partial execution of any LIS order and where the residual size of the relevant orders are less than the large in scale thresholds set out in Table 1 of Annex II of Commission Delegated Regulation (EU) 2017/587, such residual orders will in all instances remain available for matching in the system and continue to be non-displayed. Execution of such residuals will be possible against other pegged Midpoint orders entered into the system.
- v) POSIT Close UK matches orders continuously during the trading hours (please see Guidance which is available for review at the Website). Within the relevant day's trading session, unmatched orders may be withdrawn from POSIT Close or left in the system for participation in the next matching opportunity.
- vi) Unmatched orders will participate in successive matches until:
  - a. any specified expiration time or time in force instruction on the order;
  - b. the order is fully filled;
  - c. cancellation of the order (by the relevant participant or the Operator); or
  - d. the end of that day's trading session.

Any orders unmatched at the end of the trading session will be cancelled.

- vii) POSIT Close UK crosses at the official closing price (**Closing Price**) for that financial instrument where it was first admitted to trading or the most relevant market in terms of liquidity. Orders that benefit from a size that is equal to or greater than the thresholds set out in Table 1 of Annex II of Commission Delegated Regulation (EU) 2017/587 may enter the system as a large in scale order (**LIS**) so long as such LIS orders are entered with a Closing Price peg.
- viii) Following a partial execution of an LIS order, and where the residual size of the relevant orders are less than the large in scale thresholds set out in Table 1 of Annex II of Commission Delegated Regulation (EU) 2017/587, such residual orders will in all instances remain available for matching in the system and continue to be non-displayed. Execution of such residuals will be possible against other pegged Closing Price orders entered into the system.
- ix) Orders are matched on a pro rata basis to the size of each order, but subject to the trading constraints attached to the orders entered in the match. In the event that no orders can be matched due to such trading constraints, then orders are matched in order of priority: Size (from largest to smallest) and order entry Time (from earliest to latest).
- x) Participants may elect to submit a self-match order type. Self-match orders will only execute against a participant's own orders.

#### **b) Double Volume Cap for POSIT Now UK and POSIT Close UK**

Pursuant to and in accordance with article 5 MiFIR, orders that are traded using the POSIT Now UK or POSIT Close UK matching logic, and are not able to avail of the Large in Scale waiver, are limited based on the percentage of trading carried out in a particular financial instrument in the MTF and/ or in the European Union.

Those limits are set on a twelve month rolling basis to four percent of the total volume of trading in the relevant equity or equity like financial instrument in the MTF (the **4% Volume Cap Threshold**) and/ or eight percent of the total European Union volume of trading in such equity or equity like financial instrument (the **8% Volume Cap Threshold**).

Where the MTF has been notified by its national competent authority of a suspension in trading as a consequence of exceeding the 4% Volume Cap Threshold and/ or the 8% Volume Cap Threshold, the Operator will publish and suspend the relevant financial instrument from trading in the POSIT Now UK and the POSIT Close UK systems.

A 'capped indicator' for each financial instrument is made available in the POSIT MTF UK Universe reference file. This file is made public via the Website before the system begins to accept orders on any given trading day.

#### **c) Equities Periodic Auction Segment**

The Equities Periodic Auction Segment is a system that provides transparency of price and volume information on a short-duration prior to trade execution. The Equities Periodic Auction Segment is a separate segment from all other MTF segments and orders in the Equities Periodic Auction Segment do not cross with orders in the Equities Dark Segment.

The Equities Periodic Auction Segment is available to run auctions at any time during the segment's trading hours (please see Guidance which is available for review at the Website).

An auction in a particular financial instrument is only triggered when there is a potential match in a buy and a sell order in a particular financial instrument. An indicative auction uncrossing price and volume will be publicly disseminated. The indicative auction uncrossing price and volume will be calculated on the basis of a price determination rule. An uncrossing price at the end of an auction in a particular financial instrument will be calculated using the same price determination rule. The relevant financial instruments will be allocated to participants using an allocation algorithm.

The auction matching period (the auction duration) consists of a fixed call period plus a random call period per financial instrument. The fixed call period is a specific period of time for orders to enter the auction system once the auction has started. The random call period is an additional maximum period of time after the fixed call period for the auction. The random call period reduces the risk of market manipulation where the exact time of when the auction match will occur cannot be pre-determined.

The fixed call period and the maximum amount of time for the randomised period will be specific per financial instrument and will be made public at the start of each Equities Periodic Auction Segment trading day, prior to the relevant start time of the trading day's first auction. The fixed call period and the maximum amount of time for the random period per financial instrument will be added to the POSIT MTF UK Universe reference data file.

## **15. Instrument universe, discovery/ formation, crossing, order type and attributes, tick size, erroneous trades**

### *a) Instrument Universe*

The MTF only accepts orders into the system's segments for financial instruments that are listed in the POSIT MTF UK Universe File' available on the Website.

### *b) Order and Trade Types*

The MTF supports the types of orders listed in the technology and connectivity Guidance available on the Website.

The order types are supported by the MTF in terms of the key attributes that determine their behaviour and handling. Those key attributes are also listed in the Guidance available on the Website.

### *c) Erroneous Orders and Cancellation*

A participant must submit a request to cancel an executed trade as soon as possible and, in any event, prior to the settlement of the relevant executed order. The Operator may, having obtained the consent of the party or parties to the relevant participant's match, agree to the cancellation of the relevant match. Neither the Operator nor its affiliates shall have any responsibility or liability for the failure of a participant to cancel an order.

Without prejudice to the generality of the foregoing, the Operator may, if in its sole discretion it determines that circumstances warrant, cancel a clearly erroneous order or transaction regardless of whether or not a participant has requested such a cancellation.

### *d) Minimum Tick Increment*

The MTF tick size rules are described in the Guidance available on the Website.

## **16. Order to trade ratios**



The MTF requires participants to adhere to its maximum order to trade ratio (OTR) policy as described in the Guidance available on the Website.

## **17. Fair and orderly trading**

### *a) Pre-trade Risk Controls*

All participant orders are subject to pre-trade risk controls that minimally include maximum order size, limit price control and, daily aggregated value limit. Orders that breach the relevant parameters and thresholds will be rejected back to the participant. The parameters and thresholds are subject to change at the sole discretion of the Operator and without prior notification. The parameters and thresholds will be provided to participants upon request.

### *b) Post-Trade Risk Controls*

All participant orders and executions are subject to the Operator's market surveillance framework that seeks to identify behaviours that are indicative of market abuse. The surveillance framework considers behavioural patterns directly in the MTF as well as the broader prevailing market and the impact on the MTF in a cross market surveillance context. All participants are required to respond to queries from the Operator as pertains to their trading strategies and methodologies.

### *c) Volatility Mechanisms*

The following volatility mechanisms are applicable by segment.

#### *i) Equities Dark Segment*

If the primary market of a relevant financial instrument is in a call/volatility auction, crossing in this segment will be suspended until such time as the relevant financial instrument in its primary market is back in a continuous auction phase.

#### *ii) Equities Periodic Auction Segment*

If the primary market component of the relevant financial instrument is in a call or volatility auction phase, the segment will cease to publish indicative auction prices and will cease to uncross until such time the primary market (of the relevant financial instrument) has resumed in a continuous auction phase.

If the price formation methodology determines an indicative price and uncrossing volume that is outside of the European Best Bid Offer the segment will not publish an indicative price or proceed with an uncrossing until such time the methodology has reverted to prices inside of the European best bid/ offer).

## **18. Clearing and Settlement**

The rights and obligations between two participants to a transaction executed on the MTF shall continue in force between those two participants prior and after settlement.

Transactions on the MTF will be settled in accordance with the settlement calendars of the primary market of the relevant financial instrument.

The Operator reserves its rights to suspend or extend a settlement period in relation to all or a particular transaction in a relevant financial instrument in order to comply with applicable rules, regulations and regulatory notices or instructions.

All financial instruments which are delivered in settlement of a transaction in the MTF must be free of charges or any other encumbrance of any kind.