



London
Stock Exchange Group

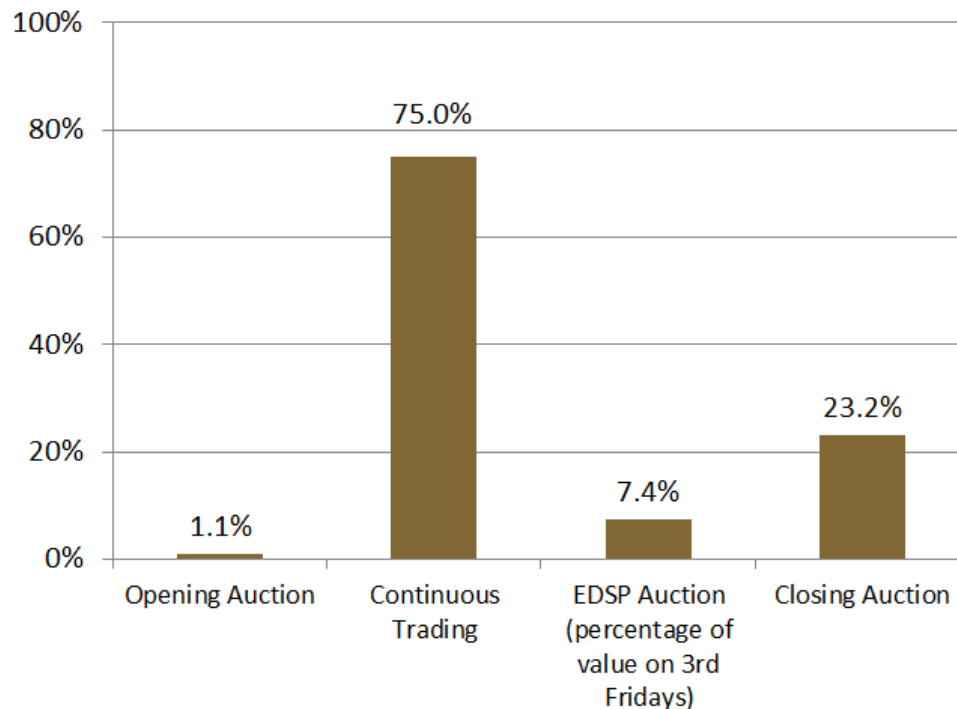
Trading in Auctions

London Stock Market Show, 12 September 2015

Auctions Explained

- What is an auction?
- When are auctions used?
- How does it work?
- Why would I think about using auctions?
- I'm interested, what should I do next?

LSE SETS intraday trading profile, traded value



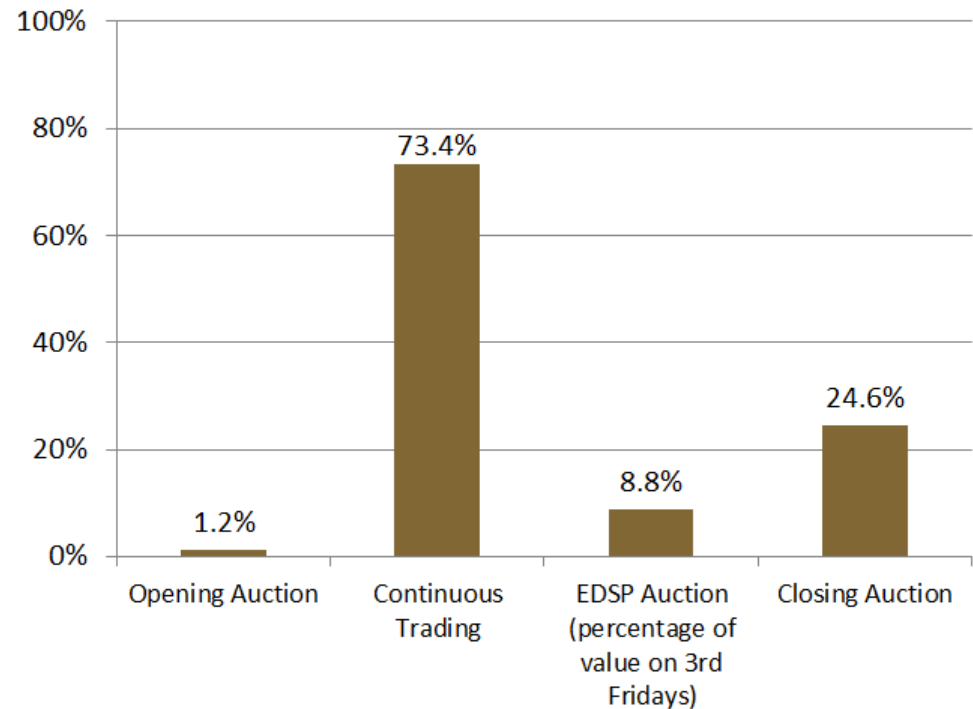
Auctions represent circa 25% of the daily turnover of LSE SETS Equities.

Source: LSE analysis (data for 2015)

What is an Auction?

- Auctions aggregate orders from all market participants into one large trade at the same price
- Widely used in equity markets around the world to open and close the market
- Set reference prices for securities (opening and closing prices)
- Some markets also have auctions during the trading day
 - EDSP
 - SETSqx
 - German midday auction
 - LSE midday auction from early 2016

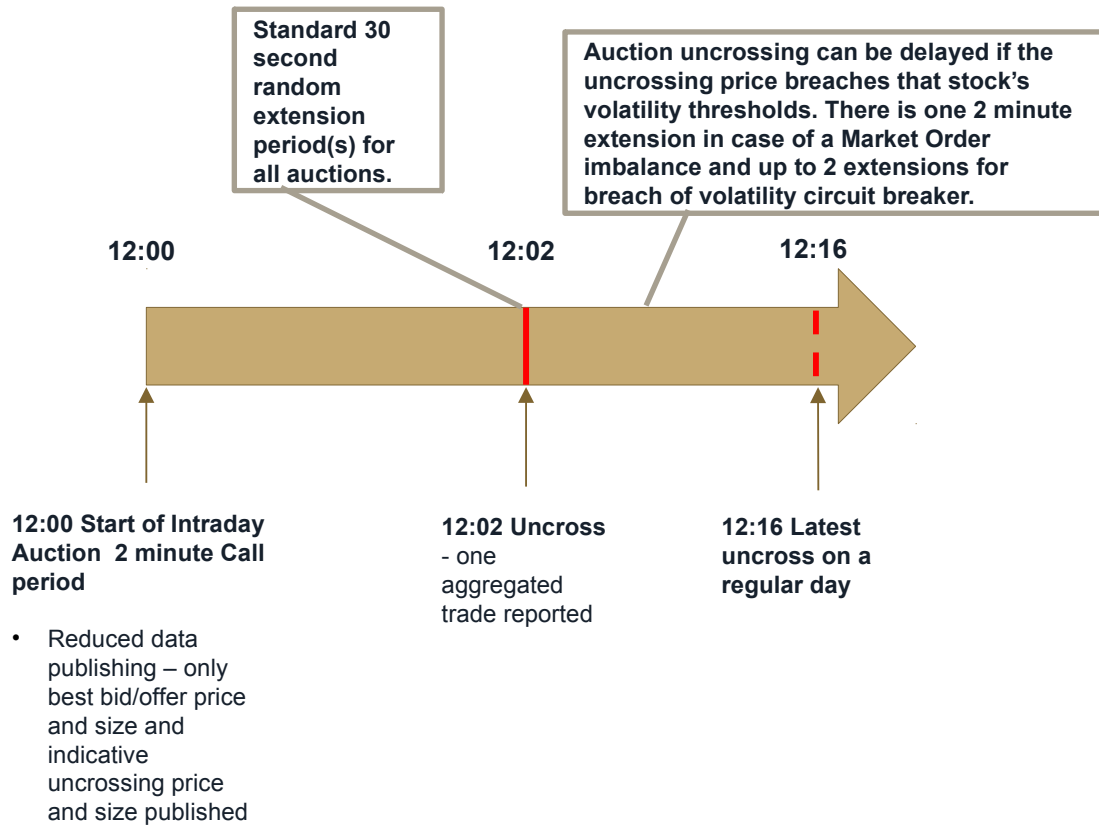
LSE FTSE 100 intraday trading profile, traded value



Source: LSE analysis (data for 2015)

How does it work?

Intraday Auction Example



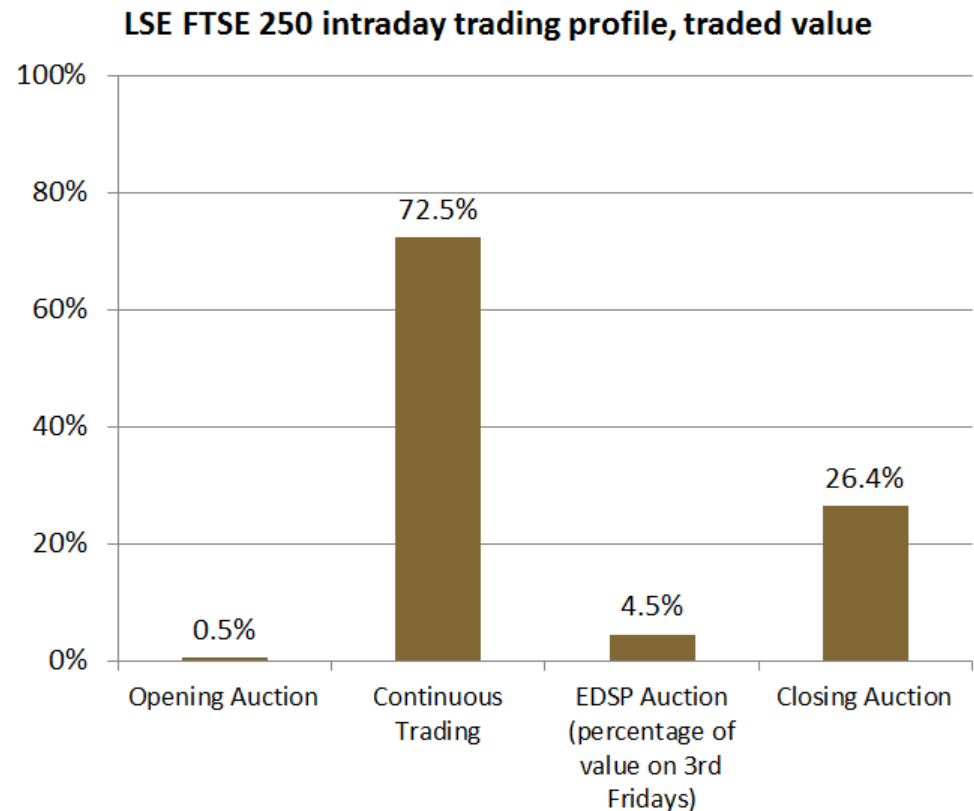
LSE Daily Auctions Schedule

Auction	Call Starts	Call Ends
Open	07:50	08:00
EDSP (third Friday)	10:10	10:15
Intraday (Feb 2016)	12:00	12:02
Close	16:30	16:35

Additional auctions may be called when securities breach volatility thresholds

Why are auctions used?

- Auctions are a popular trading mechanism used across the world
- Very effective in reducing volatility
- Open, close, circuit breakers, futures and options expiry (on LSE at 10:10 every third Friday)
- Growing interest in intraday auctions as an alternative to dark pools

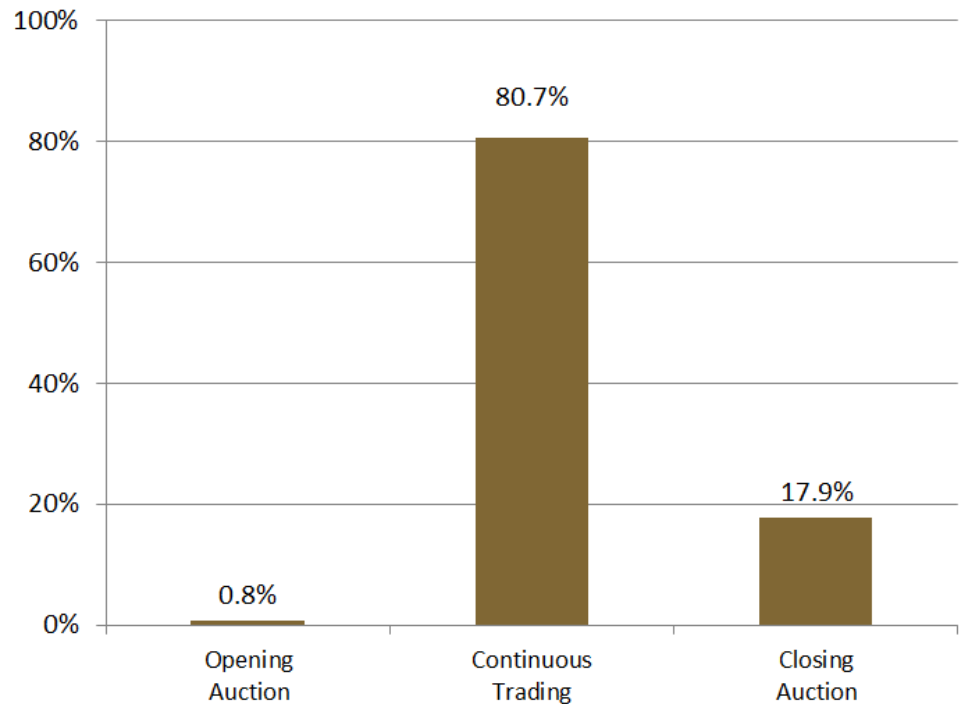


Source: LSE analysis (data for 2015)

Why would I use an auction?

- Auctions can give a good indication of “fair value” – a large number of participants all willing to trade at the same time and price
- Larger orders can be traded with minimal impact
- Very popular with fund managers
 - Fairness, liquidity, safety
 - Used for benchmarking
- Regulatory changes may encourage more auction trading in the future

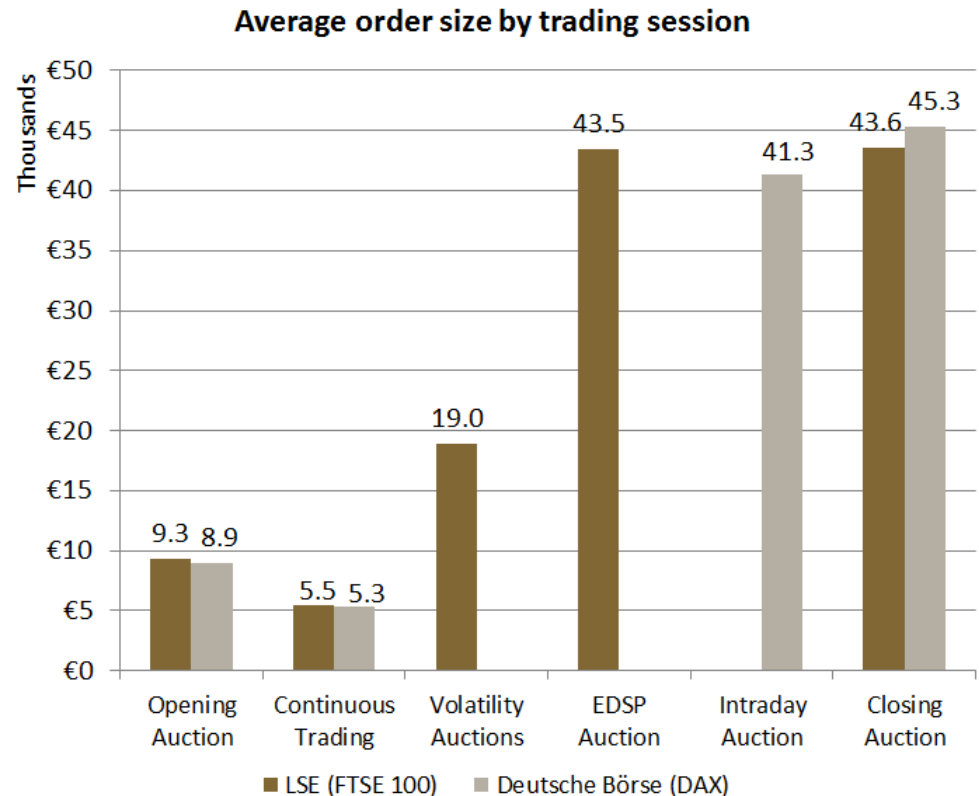
LSE FTSE SmallCap intraday trading profile, traded value



Source: LSE analysis (data for 2015)

I'm interested, what next?

- Talk with your broker
- Check
 - 1) Can your broker offer access to auctions?
 - 2) Is auction trading compatible with your investment goals?
- Go to www.lseg.com/tradingservices for more information on our markets



Sources: Deutsche Börse, www.bestexecution.net with data for Q3 2014, and London Stock Exchange, LSE analysis with data for 2015.