



## **Automated Trading Regulations for Lahore Stock Exchange (LOTS)**

# Automated Trading Regulations for Lahore Stock Exchange (LOTS)

Whereas the Lahore Stock Exchange has decided to introduce automated trading through Lahore On-line Trading System:

And whereas it is necessary and expedient to frame regulations for operation, regulation and control of the automated trading:

Now, therefore, the Board of Directors of the Lahore Stock Exchange (Guarantee) Limited, with the prior approval of the Federal Government, hereby make these regulations which shall be deemed to be effective from the first day of operation of automated trading as notified by the Board of Directors: -

## 1. SHORT TITLE AND COMMENCEMENT

1. These Regulations may be called "Automated Trading Regulations" of Lahore Stock Exchange (Guarantee) Limited.
2. These Regulations shall apply to the Members in respect of the trading conducted through Lahore On-Line Trading System.

## 2. DEFINITIONS

In these Regulations: -

**"Buy-in Market"** means an electronic market, available through LOTS, whereby the Exchange buys the securities in its absolute discretion, for and on behalf of the account, cost and risk of a member, who is unable to fulfill the obligations vis-a-vis orders for trade in such securities executed/routed by the member under Ready Delivery Contracts Regulations of the Exchange.

**"Cancel Order"** means the order instructing the specified volume to be cancelled on a single order which already exists in the Exchange Order Book.

**"Carry Over Market"** means an electronic market other than all other markets on the LOTS dedicated for Carry Over transactions only.

**"Carry Over Trades"** means two inter-related transactions taking place simultaneously whereby a Member carries forward the existing outstanding buy or sell position concerning any trade by the Member with respect to the listed securities from the existing clearing period to the next clearing period by paying forthwith a premium to the seller, getting forthwith a discount from the buyer, or vice versa.

**"Clearing Schedule"** means the schedule published by the Clearing House, on a regular basis and contains information, inter alia, about settlement dates of Current Clearing and Next Clearing.

**'Contingent Order'** means a buy or sell order which contains both queue and trigger prices and stays dormant in the memory of the LOTS after submission by a member. Such Order is queued in LOTS for execution till the time that a trade in the Regular Market satisfies its trigger price.

**'Cross Trade Entry (Explicit)'** means a single Order where both the buyer and seller originate in the same Member firm. A single order is entered to record the cross.

**"Cross Trade Entry (implicit)"** means a two separate (buy and sell) Order entered from the same firm that then trade with each other.

**'Current Clearing'** means the clearing date mentioned in the Clearing Schedule, as published by the Clearing House of the Exchange, concerning the settlement period for trading in the securities through LOTS or otherwise.

**"Exchange-** means Lahore Stock Exchange (Guarantee) Limited.

**"Governing Board"** means the Governing Board of Directors of the Exchange as defined in the Memorandum and Articles of the Exchange.

**"Hours of Operation-** means the time periods on each day that the Exchange is open for trading during which LOTS is available to the Members for automated trading in the Exchange.

#### **'LOTS or Lahore On-Line Trading System'**

For automated trading by the Exchange means the computerized system.

**"Market Control'** means a duly authorized officer of the Exchange.

**'Member'** means a member of the Exchange as defined in the Memorandum and Articles of the Exchange.

**"Negotiated Deal"** means a deal which has been negotiated between two parties outside the regular market.

**"Next Clearing"** means the clearing date published in the Clearing Schedule, following the Current Clearing.

**'Odd Lot'** means the sum of security, which is less than the minimum market lot of the security.

**"Odd Lot Market'** means an electronic market other than all markets on the LOTS, whereby the member uses LOTS for trading in the securities which are less the minimum market lot.

**"Order"** means a valid sale or purchase order placed by a Member through LOTS.

**"Price Protection"** means if the price of a security fluctuates to the extent of 25% or Rs. 5/-, whichever is higher, than its closing price of the previous clearing period, the trading in such security shall be stopped immediately till settlement of all trades in such security in respect of that clearing. In the event of stoppage of trading as aforesaid, trading in such security shall be shifted to the Spot counter.

**"Queue Price"** means the price at which an order placed by a Member for either buying or selling of a security being traded through LOTS is queued.

**"Regulations"** mean the Regulations formulated concerning the Lahore On-line Trading System or any modification or re-enactment thereof for the time being in force.

**"Securities"** as defined in the Securities & Exchange Ordinance, 1969

**"Sell-Out Market"** means an electronic market, available through LOTS, whereby the Exchange sells the securities, in its absolute discretion, for and on behalf of the account, cost and risk of a Member who is unable to fulfill his obligations vis-a-vis orders for trade in any such security executed/routed by the Member under Ready Delivery Contracts Regulations of the Exchange.

**"Special Terms Orders"** means an order, which has special conditions for trading.

**"Tick Size"** means the minimum price increment/decline at which trades can be made on the LOTS/ULTRA."

**"Trigger Price"** means the price, other than the queue price, at which an order placed by a Member for either buying or selling of a security being traded through LOTS is triggered.

### **1. HOURS OF OPERATON**

The Hours of Operation for automated trading through LOTS shall be notified from time to time by the Exchange with the approval of the Board.

2. (C). The Exchange may shut down automated trading in the event, that LOTS is inoperative or inaccessible to more than such number of trading workstations as may be prescribed by the Board.

### **3. AVAILABILITY**

- a) The Exchange will make available LOTS to the Members by providing one trading workstation connection. The number of trading workstations for each Member may be increased by the Exchange with the prior approval of the Board of Directors.
- b) In the event of a failure of any Member's trading workstation the Exchange will provide, subject to availability, a substitute trading workstation from its contingency pool.

- c) The Exchange may shutdown automated trading in the event that LOTS is inoperative or inaccessible to more than 10% of the trading workstations.
- d) In the event of shut down of automated trading in accordance with (c) above the Exchange will notify the time of resumption of automated trading to the Members.
- e) If the Exchange cannot resume trading prior to close trading will not be resumed on that trading day. If this should occur on the last day of the clearing cycle, the clearing week may be extended by the Exchange.
- f) If the Board of Directors is satisfied that the trading through LOTS cannot be resumed within reasonable time then the Board of Directors may revert the trading in the Exchange to the conventional outcry method for such time as it deems fit.

## **2 A : CONTIGENT ORDER**

- a. A Contingent Order shall not be considered Special Terms Order, unless a Member who executes the same applies a Special Term to it. Prior to activation of such Orders (which activation shall occur upon the fulfillment of Trigger Price) the same shall stay dormant in LOTS and only the owner of such orders and Market Control of the Exchange shall view them.
- b) The time of entry of a Contingent Order, prior to it being queued for processing through LOTS shall be recorded in LOTS. Such time of entry shall be used by LOTS to determine the queue priority if multiple Contingent Orders are entered in LOTS by a member(s) at the same time.
- c. A Contingent Order shall be activated when trade satisfying its trigger price takes place through LOTS.
- d. As the exact point where a Contingent Order is queued is determined by LOTS through a complex interactive process, the order priority displayed by LOTS in respect of each Contingent Order shall be conclusive, except in the case of manifest error. The Governing Board, with due notice and right of hearing the concerned Member(s), shall determine whether a case of manifest error has occurred concerning the order of priority of a particular Contingent Order. Such determination by the Governing Board shall be final.
- e. Contingent orders, which are triggered at the opening price, which price shall be determined by LOTS, shall be queued immediately after the open period as specified in the regulations and may a trade immediately after commencement of an open period.
- f. Change Former Order is a process whereby member changes the existing order regarding the security in LOTS provided such order has not been acted upon and consequent trade has not been initiated. In this process, LOTS shall give a new time stamp to the order if its total volume is increased.

### **3. QUEUE PRIORITY**

a) Orders that cannot be immediately executed shall be queued for future execution in a specific order of priority mainly based on the following factors

- i) price
- ii) time of entry

The remaining factors affecting the order of queue priority shall be determined and notified by the Exchange with the prior approval of the Board of Directors.

- b) In case an Order is not executed in full, the remaining part of such Order shall be queued as aforesaid.
- c) The Queue Priority shall be determined by LOTS through an interactive process and the order of priority displayed by LOTS shall be conclusive except in the case of manifest error, which shall be determined by the Board of Directors.
- d) Acceptability of an Order in the current orderly market will not be determined until the order is posted to the Trading Engine.

#### **3 (A). Tick Size**

a) The Tick Size will be 1 (one) paisa for all orders placed on LOTS/ULTRA."

### **4. DISCLOSED AND UNDISCLOSED VOLUME**

a) An Order may specify the total share volume and may specify a lesser amount that is disclosed to the market. The disclosed volume shall not exceed the total volume.

**Explanation:** Undisclosed Volume amounts are private and can only be seen by the trading Member or house entering the Order. All others will see an indication that Undisclosed Volume is present. The indicator is presently a "U" When fills have reduced an Order to the point where there is no remaining Undisclosed Volume, the indicator will no longer appear.

- b) Total and Disclosed Volume of an Order must be a marketable lot.
- c) An increase in Disclosed Volume will cause a new time stamp and change in Queue Priority but a decrease in Disclosed Volume will not cause a new time stamp or change in queue priority.

### **5. TIME IN FORCE RESTRICTION**

a) All orders shall be valid only for the relevant trading day unless a time restriction is specified otherwise in which case such order shall be automatically removed on the close of the day or after expiry of the specified time, as the case may be, if remain unfilled till then.

- b) No Order shall be given any preference in the trading procedures on the basis of time restrictions. Terms allowed for time in Force Restriction include:
  - i) Day
  - ii) Good Till Cancelled (GTC) (**i.e. Open**)
  - iii) Good to Date (Month)
  - iv) Day-year (GTD) Good for Week (GTW) Fill or Kill (FOK)

## **6. CROSS TRADE**

- a) A Cross Trade is allowed within the price range as stipulated in Clause (b) below.
- b) The price range is relative to the current best Buy and current best Sell at the time the Cross Trade is entered. The allowable price range for a Cross Trade is 'at' or 'between' the market.
- c) A Cross Trade is not allowed if:
  - i) prior to trade execution, the market has fluctuated and the
  - ii) there is a one sided market or no market.
- d) Cross Trade shall not be entered during the pre-opening period.
- e) Cross Trade entered at or between the best markets shall not be subject to interference.
- f) A limit price must be specified for a Cross Trade.

## **7. CANCEL ORDER**

A Cancel Order can only cancel an outstanding order and cannot cancel a trade completed with the specified Order. It will not act as a Cancel Trade Request if that Order has already traded.

## **8. CANCEL ORDERS GLOBALLY**

- a) A global cancellation of Orders can be effected through commands notified by the Exchange from time to time in this regard.
- b) The options available for global cancellation of Orders shall be notified by the Exchange from time to time with the prior approval of the Board of Directors.

## **9. CHANGE FORMER ORDER (CFO)**

- a) The terms of an Order posted to the Exchange Order Book cannot be changed except by the Change former Order (CFO) option.

- b) The options available for CFO shall be notified by the Exchange from time to time with the prior approval of the Board of Directors.

## **10. SETTLEMENT**

The Settlement of the trading through LOTS shall take place through Clearing House as per the existing rules and regulations of the Exchange as amended or substituted from time to time.

## **11. NEGOTIATE DEAL**

- a) Negotiated Deals shall not participate in the open market but trade throughout the Operation Hours of the Exchange and thereafter until a time set by the Exchange.
- b) Price protection procedures shall **not apply to Negotiated Deals**.
- c) Negotiated Deals have no minimum volume requirements.
- d) A Negotiated Deal will trade in its entirety (as if it were an AON transaction) - partial fills and Undisclosed Volumes shall not be allowed.
- e) Negotiated Deals will be between two separate houses otherwise the same shall be treated as Cross Trade.
- f) Negotiated Deals can be an Odd Lot.
- g) All unconfirmed Negotiated Deals will be cancelled when the LOTS engine is dumped.

## **12. CARRY OVER MARKET**

- a) Provisionally listed securities shall not participate in Carry Over Market.
- b) Carry Over orders shall be made in market lots only and may have special fill terms, partial fills and undisclosed volumes.
- c) Carry Over orders would only be available with respect to ready delivery cycle for trade in the securities and shall occur on the last day of clearing which shall be mentioned in the Clearing Schedule published by the Clearing House of the Exchange.
- d) Carry Over orders shall only relate to the trade in the securities of companies, which are on the approved list. The approved list shall be decided by the Governing Board and published by Clearing House of the Exchange.
- e) Subject to the Next Clearing, trades in the securities regarding Carry Over orders through the Carry Over Market shall either be at discount, premium or at par with respect to the market price of such orders in the Regular Market.
- f) The Governing Board shall (included but not limited to cases of apprehended loss to the Exchange/Member(s)/ investor(s) have the power to direct member(s) to stop from under taking Carry Over orders.

- g) Carry Over orders shall not be entered during the Pre-Open session.
- h) Transaction rate for carry over trade in a security shall be the last trading rate of such security in regular market plus/minus the carry over rate.

### **13. BUY-IN/SELL-OUT MARKET**

- a) The Clearing House according to the Rules and Regulations of the Exchange initiates all Buy-in and Sell-Out orders.
- b) Members will enter their sell orders in the Buy-in market after the Clearing House has entered an order for buying in a particular security on behalf of the defaulting member.
- c) Members will enter their buy orders in the Sell-Out market after the Clearing House has entered an order for selling in a particular security on behalf of the defaulting member.
- d) LOTS will do automatic matching of trade in the securities on best market basis.

### **14. ODD LOT MARKET**

- a) All Odd Lot sell orders will imply an All or None condition of trade by Member(s) with respect to the security.
- b) All Odd Lot Buy Orders will imply a Fill or Kill condition of trade by Member(s) with respect to a particular security.
- c) No Odd Lot order will be protected by price protection provided in LOTS or otherwise.
- d) Odd Lot orders may participate as a cross trade but are not subject to cross trade price protection.

### **15. SPECIAL TERMS ORDERS**

- a) A Special Terms Order shall not be shown as part of the normal, round-lot order book but will be maintained in a Special Terms Order book that can be viewed separately from the round lot book.
- b) The options available for Special Terms Order shall be notified by the Exchange from time to time with the. prior approval of the Board of Directors.

### **16. OPENING**

- a) 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 will be calculated through LOTS.
- b) Where a market imbalance exists, an opening price will be chosen by LOTS through an interactive process.

- c) Once the opening price is chosen,, all trading shall take place at that single, opening price and no price level transition will be allowed.

**d) Opening Price Calculation**

The opening price shall be chosen as the price that will cause the greatest number of shares to trade at the open. if the same number of shares might be able to trade at different price levels, the price level chosen will be the one which leaves the least number of shares remaining on one side or the other at the opening price level after the opening trading. If more than one price could have the same remaining balance, the price level is chosen that results in the least net change from the last trading day's closing price. If all this fails to pick a unique price level, the highest trade price level of the remaining alternatives will be chosen as the opening price.

**e) Orders not completely filled**

All orders entered during the pre-opening will have a time priority based on the actual time of entry. For orders not completely filled at the open, this time priority will be maintained thereafter during the trading day and for subsequent trading days. Orders carried over from previous trading days have 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 procedures that govern their entry during the trading day.

**f) Frozen Trades**

Market Control can define parameters that can cause trade that violates them to be "frozen" so that it can be examined by Market Control before they decide to allow it or prevent it. This is based on such things as a drastic change in the trade price or an extremely high volume. The monitoring that takes place during the trading day is also in effect during the open. Any trade that violates a Market Control freeze parameter at the open will result in a freeze. All the trading done for the open of the current symbol is placed on hold until Market Control decides how to proceed. Only the specific symbol is frozen.

**17. CLOSING**

The closing prices of the scrips listed at the LSE will solely depend on the trades in those scrips at the LSE. The companies listed at LSE, that do not trade on a particular day will show their last trade as the closing price.

**18. HALTS**

- a) Trading in each symbol can be halted on demand by Market Control.
- b) A halt can be instituted for a symbol at any time during the trading day. Once halted, no further trading in the symbol will take place.
- c) All orders may be cancelled globally by the Exchange at discretion of the Exchange.
- d) Cancellation messages are forwarded to the traders.

- e) Prior to the resumption of trading following a halt, a pre-opening period will be held for the halted symbol.
- f) Order entry or reinstatement may take place during this period,
- g) The traders may use batch processing for order entry.
- h) Altered Orders and new orders will have priority assigned after Halt Open according to normal Open specifications.

## **19. GENERAL**

- a) A Member shall be responsible for all Orders entered from his trading workstation.
- b) The Board of Directors may issue any guideline and clarifications from time to time for removal of any difficulties in the execution or operation of these regulations, and in the exercise of these powers may add or delete any of the regulations contained herein.
- c) The terms and phrases used herein without a specific definition shall have the meaning in accordance with current trade practice.
- d) Any determination made by LOTS through an interactive process shall be conclusive.
- e) Any dispute arising out of or in connection with the trade executed under these regulations shall, within two trading days of arising of such dispute, in the first place be referred to a committee constituted by the Board of Directors. Any party dissatisfied with the decision of .the aforesaid committee may, within ten days of such decision, appeal to the Board of directors.
- f) Notwithstanding any thing contained in these regulations, the Exchange may in its sole discretion cancel any Order (before or after settlement) with the prior approval of the Board of Directors.