

Cancellation Guidelines for ETP's on Spotlight Stock Market



Introduction

These Cancellation Guidelines provide a specification of the Spotlight Stock Market's procedures in connection with erroneous transactions in Exchange Trades Products - ETP's. The guidelines clarify what members normally can expect in connection with erroneous transactions in these instruments and shall be viewed as a supplement to the Member Rules. The purpose of the Guidelines is to improve the transparency of the Spotlight procedures. However, Spotlight always reserves the right to decide any matter in its full discretion, in accordance with the Spotlight Member Rules applicable from time to time.


1. Erroneous Transactions

Spotlight Stock Market is authorized - if so required - to ensure the integrity of the Market or in other extraordinary situations, to cancel a transaction that is the result of obvious error or mistake caused by a Member or which, in Spotlight Stock Market's opinion, constitutes an obvious violation of the applicable provision of law, regulation, another enactment, or Spotlight Stock Market's rules, or which has arisen due to disruptions in the technical system of the Member, a DEA client or Spotlight Stock Market including in cases of malfunctioning of the Spotlight Stock Market's mechanisms to manage volatility.

An Erroneous Transaction is defined as an execution of an order that is clearly entered by mistake by a user in the trading system, e.g. a situation where the executed transactions deviate from the existing and recent price pattern, according to the issuer or liquidity provider, to such extent that it is apparent that the transactions were not meant to be executed at all or at least not on such terms.

An Erroneous Transaction can occur when entering an order that is matched against an existing order(s) or when entering an order that another Member thereafter matches against.

Spotlight Stock Market may cancel any transaction in the Trading System which is the result of an obvious error or mistake caused by a Member or which, in Spotlight Stock Market's opinion, constitutes an obvious violation of the applicable provision of law, regulation, another enactment, or the Spotlight Stock Market's rules, or which has arisen due to disruptions in the technical system of the Member, a DEA client or Spotlight Stock Market (including in cases of malfunctioning of the Spotlight Stock Market's mechanisms to manage volatility).



Cancellation as a consequence of above means that transactions are being compulsory cancelled, which in turn means that the counterparties in the affected transactions will have no obligation to settle the transactions.

2. Cancellation criteria

In determining whether a specific situation will give reason to a forced cancellation, the Spotlight Stock Market will consider the following criteria:

2.1. The transactions shall be a consequence of an indisputable error e.g. technical fault or transactions based on an Issuer or ETP liquidity provider's order clearly made beyond market level, wrong security, switch of price/volume, extra digits

2.2. The transactions shall cause substantial change in the pricing of the instrument. The transactions must have been executed at a price which deviates substantially from the prevailing market price of the instrument before the erroneous order was entered. The change in the pricing of the instrument must be sudden and of an extraordinary nature where one side of the spread is moved substantially or is cleared altogether.

2.3. The transactions shall be perceived as unreasonable, considering the current market conditions and the trading activities for related instruments.

2.4. The prevailing market conditions, market activity, volatility and the transaction value of the instrument will be taken into consideration. Members are always expected to be aware of publicly available information. Failure of a Member to acknowledge publicly available information will not be regarded as an indisputable error, unless extreme conditions apply.

3. Cancellation procedure

The Spotlight Stock Market procedure for cancellation of erroneous transactions in ETP and equivalent instruments on Spotlight Stock Market is as follows:

During Normal Trading Hours, a request for cancellation by a Member on the grounds referred to in **these guidelines** must be submitted for determination to Spotlight Stock Market not later than within sixty (60) minutes of the Time of the Transaction. If a cancellation request is submitted later than sixty (60) minutes from the Time of the Transaction, Spotlight Stock Market may decide to cancel the Transaction only if, in Spotlight Stock Market opinion, there is a special cause. Normal Trading Hours are defined by Spotlight Stock Market from time to time.

After Normal Trading Hours, a request for cancellation by a Member on the ground referred to above must be submitted for determination to Spotlight Stock Market no later than one (1) hour before the commencement of Normal Trading Hours in the relevant Order Book.

Decisions as to whether a Transaction is to be regarded as the result of an obvious error or mistake in accordance with cancellation criteria above are made by Spotlight Stock Market. The following price deviations (from fair market price according to the issuer or liquidity provider, as defined below) will normally be applied as qualifiers for whether transactions will be eligible for cancellation:

ETP and equivalent instruments


Table 1

Price of instrument	Deviation
<0.05 SEK/NOK/DKK / 0.05 EUR EUR (2 ticks for sale)	300% or 0.05 SEK/NOK/DKK / 0.05
0.05-0.49 SEK/NOK/DKK / 0.05-0.09 EUR EUR (50% for sale)	100% or 0.25 SEK/NOK/DKK / 0.05
0.50-0.99 SEK/NOK/DKK / 0.10-0.49 EUR EUR	50% or 0.25 SEK/NOK/DKK / 0.125
1-4.99 SEK/NOK/DKK / 0.50-0.99 EUR EUR	25% or 0.75 SEK/NOK/DKK / 0.15
5-49.99 SEK/NOK/DKK / 1-4.99 EUR	15% or 5 SEK/NOK/DKK / 0.5 EUR
50-100 SEK/NOK/DKK / 5-10 EUR	10%
>10 EUR	>100 SEK/NOK/DKK / 5%

The percentages are applied based on the Issuers or ETP liquidity providers accurate market price (asked for and approved by Spotlight Stock Market) = fair market price.

Spotlight Stock Market will as part of consideration concerning possible cancellations of transactions request a fair market price from the Issuer or ETP liquidity provider in the concerned instrument. The Issuer or ETP liquidity provider shall provide information concerning fair market price to Spotlight Stock Market without delay.

Transactions that are executed after the erroneous transaction at or around the same price level - including transactions arising from stop loss orders - will be eligible for cancellations on the same basis as the initial erroneous transactions.



Transactions in other Instruments, executed as a direct or indirect consequence of the Erroneous Transaction, will only be cancelled if they too meet the cancellation criteria.

For an instrument quoted in percentage, the deviation from fair market price in accordance with the table above shall be calculated using the relative difference from the fair value. If for instance an instrument is traded at 130% of the nominal value when the fair value of the instrument should have been 155% of the nominal value, the deviation is not 25 % but $(155-130)/155 = 16,1\%$ 5 (5)

When Spotlight Stock Market initiates a forced cancellation, the cancellation normally does not include the transactions which are considered to be at the market price even though the cancellation criteria for the erroneous transactions would be met. Transactions at the spread or close to the spread will normally not be cancelled unless there is an extraordinary reason.

In the event of missing prices in the underlying instrument, for example due to the fact that a so-called volatility guard or trading safeguard has been triggered and a fair price cannot be calculated, table 1 (shown above) is not applicable. Transactions that have been executed in connection with such an event can be cancelled if Spotlight Stock Market deems that the transactions, in relation to the market situation before and after the event, do not reflect a reasonable market price.

4. Reservations

Spotlight Stock Market may cancel transactions in all cases where it can be established that the transactions have been executed as a result of an error. In the event that Spotlight Stock Market cannot get in contact with the Member having initiated the erroneous transactions before making the decision, Spotlight Stock Market reserves the right to still enforce cancellations if needed, to maintain a true and fair pricing of the instrument.

Any transaction offsetting the buyer's/seller's previous transaction of financial instruments will not be taken into consideration.