

31 January 2008

MARKET NOTICE NO – 04/2008

CHANGES TO RULES AND DIRECTIVES

Following consultation with the ETF market makers, virt-x is proposing to migrate the ETF market to Quotematch (the Quote System).

The consultation set out the proposed introduction of a published quote order book, stop trading parameters and changes to the trading hours. The following changes will become effective with the migration of ETF:

- the published quote order book for ETFs will show an accumulated market depth up to 5 different price levels of aggregated volumes of all orders and quotes on that price level
- a stop trading condition to prevent executions outside the spread of market maker quotes will be introduced for ETFs
- trading in ETFs will continue on the Order System but will close without a closing auction
- the closing time of ETFs will be changed from current time of 16:30 (17:30 CET) to a new closing time of 16:15 (17:15 CET).

Changes are proposed to virt-x's Directive 4 (Orders, Off-order Book Trades and their Attributes) as set out in the Appendix to this Market Notice. Proposed new wording is shown underlined.

In response to members' feedback on Market Notice 47/2007 (Changes to Directive 9 – Fees), the proposed Exchange Traded Funds (ETF) Quotes Per Second (QPS) allocations have been revised as set out in the Appendix to this Market Notice.

Members are invited to comment on the changes to the Directive by contacting Emma Vick at emma.vick@virt-x.com or on +44 (0) 20 7074 4412 on or before 14 February.

Please direct any questions to the Market Helpdesk on

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APPENDIX TO MARKET NOTICE

CHANGES TO DIRECTIVE

Directive 4: Orders, Off-order Book Trades and their Attributes

Proposed new wording is underlined.

5. Attributes for Quotes

Quotes in trading on virt-x Exchange Limited (virt-x) must be entered with the following attributes. If a required attribute is missing, the quote is rejected by the Exchange System

<u>Attribute</u>	
<u>Security Identification</u>	<u>required</u>
<u>Buy Order, consisting of both a price⁷ and a quantity⁸</u>	<u>optional – at most one buy order is allowed per quote</u>
<u>Sell Order, consisting of both a price⁷ and a quantity⁸</u>	<u>optional – at most one sell order is allowed per quote</u>
<u>Broker Reference</u>	<u>optional</u>

Each new quote for a given security replaces both sides of any existing relevant quote in that security.

Where neither a buy order attribute nor a sell order attribute is supplied, this has the effect of removing any existing quote in that security.

The trading capacity for quotes is “Nostro”.

⁷ The price must conform with the defined price steps for the security in question

⁸ The quantity must be a multiple of the smallest tradable quantity for the security in question

Directive 9: Fees

A3-3. Capacity fee

Each market maker is allotted a certain number of QPS free of charge for those ETF for which it has assumed market-making obligations. It may increase its QPS capacity up to a certain maximum for a fee of CHF 500 per QPS per month.

Number of committed products	Free QPS	Additional rentable QPS	Max. QPS
1-10	1 QPS	4 <u>2</u> QPS	2 <u>3</u> QPS
11-30	3 QPS	2 <u>5</u> PS	5 <u>8</u> QPS
31 – 60	7 QPS	3 <u>8</u> PS	4 <u>15</u> QPS
> 60	4 <u>12</u> QPS	5 <u>3</u> QPS	15 QPS