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Tick Size Regime at WBAG

RTS 11: Tick size regime for shares, depositary receipts and exchange traded funds



Current WBAG Tick Size Regime for different Asset Classes

Instrument Type	Tick Size			Changes for MiFID II
	from	to	Tick Size	
<ul style="list-style-type: none"> Equities ETFs (Investment Funds) 	EUR 0,001	EUR 9,999	0,001	Yes!
	EUR 10,-	EUR 49,995	0,005	
	EUR 50,-	EUR 99,99	0,01	
	EUR ≥ 100,-		0,05	
Listing in units: <ul style="list-style-type: none"> Bonds Certificates & Warrants 	price > EUR 1 -> 0,01			No!
	price ≤ EUR 1 -> 0,001			
Listing in percentage: <ul style="list-style-type: none"> Bonds Certificates & Warrants 	0,01 percentage points			No!



Scope of MiFID II Tick Size Regulation

- According to Article 48 (6) and Article 49 of Directive 2014/65/EU as well as according to RTS 11 a mandatory change in the tick size regime is required in respect of
 - Shares
 - ETFs (having as sole underlying equities or a basket of equities) and
 - depository receipts
- Tick size has to be applied which are equal to or greater than the one corresponding to the liquidity band of Tick Size Table under MiFID II according to RTS 11 Annex
- Liquidity bands are defined in accordance to the average daily number of transactions in the “**most relevant market**”^{*)} in terms of liquidity for that instrument and the price range in that liquidity band resultant to the price of the order and quote

^{*)} The most relevant market in terms of liquidity for a share, depository receipt, ETF, certificate or other similar financial instrument shall be the trading venue with the highest turnover within the Union for that financial instrument (RTS 1 Article 4 (1))

Tick Size table under MiFID II according to RTS 11 6 Liquidity Bands up to 4 decimals (currently 3)

Annex

Tick Size Table

Price ranges	Liquidity bands					
	0 ≤ Average daily number of transactions < 10	10 ≤ Average daily number of transactions < 80	80 ≤ Average daily number of transactions < 600	600 ≤ Average daily number of transactions < 2000	2000 ≤ Average daily number of transactions < 9000	9000 ≤ Average daily number of transactions
0 ≤ price < 0.1	0.0005	0.0002	0.0001	0.0001	0.0001	0.0001
0.1 ≤ price < 0.2	0.001	0.0005	0.0002	0.0001	0.0001	0.0001
0.2 ≤ price < 0.5	0.002	0.001	0.0005	0.0002	0.0001	0.0001
0.5 ≤ price < 1	0.005	0.002	0.001	0.0005	0.0002	0.0001
1 ≤ price < 2	0.01	0.005	0.002	0.001	0.0005	0.0002
2 ≤ price < 5	0.02	0.01	0.005	0.002	0.001	0.0005
5 ≤ price < 10	0.05	0.02	0.01	0.005	0.002	0.001
10 ≤ price < 20	0.1	0.05	0.02	0.01	0.005	0.002
20 ≤ price < 50	0.2	0.1	0.05	0.02	0.01	0.005
50 ≤ price < 100	0.5	0.2	0.1	0.05	0.02	0.01
100 ≤ price < 200	1	0.5	0.2	0.1	0.05	0.02
200 ≤ price < 500	2	1	0.5	0.2	0.1	0.05
500 ≤ price < 1000	5	2	1	0.5	0.2	0.1
1000 ≤ price < 2000	10	5	2	1	0.5	0.2
2000 ≤ price < 5000	20	10	5	2	1	0.5
5000 ≤ price < 10000	50	20	10	5	2	1
10000 ≤ price < 20000	100	50	20	10	5	2
20000 ≤ price < 50000	200	100	50	20	10	5
50000 ≤ price	500	200	100	50	20	10

shares, depository receipts

ETFs

Shares and DRs

- Tick Size according to liquidity band of most relevant market
- 6 Liquidity Bands (LB1 to LB6)
- e.g. daily average number of transactions = 4,593 -> LB5

ETFs (continuous and auction trading)

- all ETFs in LB6



General Remarks

- Adjustment of current tick size regime for all instruments of mentioned asset classes
- Adjustment of current tick size regime for shares and DRs in continuous and auction trading
- Tick Size will be set on ISIN level and is valid for all types of orders and quotes
 - Xetra/T7 MIFiD II releases will ensure that it is possible to set tick size on single ISIN
- Tick Size table applies regardless of currency of the instrument
 - effected WBAG instruments are all trade in Euro
- Tick Size adjustments will not be possible intraday
 - adjustments can be performed only through batch processing



Timeline of new MiFID II Tick Size Regime implementation

- Instrument list expected to be published by ESMA on December 1, 2017 and will contain ISINR and “average number of transactions”
 - WBAG will then map ESMA output with listed/traded equities

- WBAG will adjust new tick size regime in the trading system and downstream systems in the **night batch process by December 29, 2017 with effect of January 2, 2018**

- By adjusting tick sizes throughout night batch one business day ahead of January 3, 2018 ALL orders will be deleted by a bulk deletion
 - all WBAG products will be affected (also bonds and securitized derivatives) because to have a clean system (deletion of dummy data like Client IDs, etc.)
 - WBAG will inform market participants in due time ahead about the changes and order deletions and provide a list of all instruments effected



Transitional provision of Tick Size Regime

- Instruments that have been initially listed within the Union 16 weeks before 03.01.2018, will be covered by “regular” timeline, later listings are subject to “transitional provisions”
- NCA (where share or DR was first admitted to trading for the first time) calculates and publishes average daily number of transactions
 - by December 1, 2017 (if instrument was traded first before October 21, 2017)
 - by January 3, 2018 (if instrument was traded first between October 21, 2017 and January 2, 2018)
- Calculation methodology:

1st time Trading within Union	Calculation Period for average turnover
min. 16 weeks before 03.01.18	40 weeks, starting 1.1.2017
from 13.09.2017 (03.01.18 – 16 weeks) to 25.10.2017 (03.01.18 – 10 weeks)	first 4 weeks of trading
within 10 weeks before 03.01.18	based on trading history of similar instrument



Yearly updates for shares and DRs as of April 1, 2019

- Regular classification of the instruments to liquidity bands has to be done every year by end of March starting in 2019
- Average turnover for shares and DRs expected to be delivered each year by ESMA by mid of March, starting 2019
- Observation period will be first of March of year T to first of March of subsequent year T+1
 - If not full period of one year, available data will be taken into consideration
 - Shall not apply if share/DR first admitted to trading after 30 November of preceding year
- Tick sizes to be adjusted by WBAG valid as of April 1, starting 2019
 - Process will be similar to initial adjustment of tick sizes (mapping, order deletion, ...)



Tick Size for shares and DRs in case of an IPO

- In case of an IPO, NCA is expected to publish the estimated average daily number of transactions at least one day before the first trading date
- If first listing/trading on WBAG, NCA is expected to estimate and publish average daily number of transactions (basically based on trading history of similar instruments)
- Not later than 6 weeks after first trading day, NCA calculates average daily turnover of first 4 weeks
 - Basis for possible re-adjustment of Tick Size
- This tick size will then be valid until next regular yearly update
- Communication process NCA <-> WABG to be installed



Tick Size for shares and DRs in case of corporate actions

- If NCA is of the opinion that corporate action may modify the average daily number of transactions and would trigger new liquidity band, NCA shall determine and make public new applicable liquidity band
 - Treating as if admitted first for trading with respect to estimating liquidity and process of re-calculating