



Order book help guide

1.0 Introduction

1.1 Fundamental principles of the market model

- ◆ The order book is a collated view of the orders (or expressions of interest) received from interested buyers and sellers
- ◆ Orders (or expressions of interest) are entered as “limit orders” to buy or sell shares at a specified price or better
 - Buy orders are filled at the specified limit price or *below*
 - Sell orders are filled at the specified limit price or *above*
- ◆ All orders are “fixed orders” where an order is to **buy or sell a set number** of shares at the limit price or better. For example, a fixed order to “sell 10,500 shares at 200 pence per share” is an explicit order to sell 10,500 shares at 200 pence per share, and an implicit order to sell the same 10,500 shares at 210 pence per share and any other price above the limit price
- ◆ Participants can enter, cancel and amend orders up to the specified closing date and time of the auction
- ◆ All Asset Match periodic auctions use a matching engine to determine a single auction price
- ◆ Throughout the auction, the order book will display an “indicative price” where available, being the price at which shares would trade should the auction close at that moment
- ◆ Allocation to successful participants is conducted on a “price and time” basis

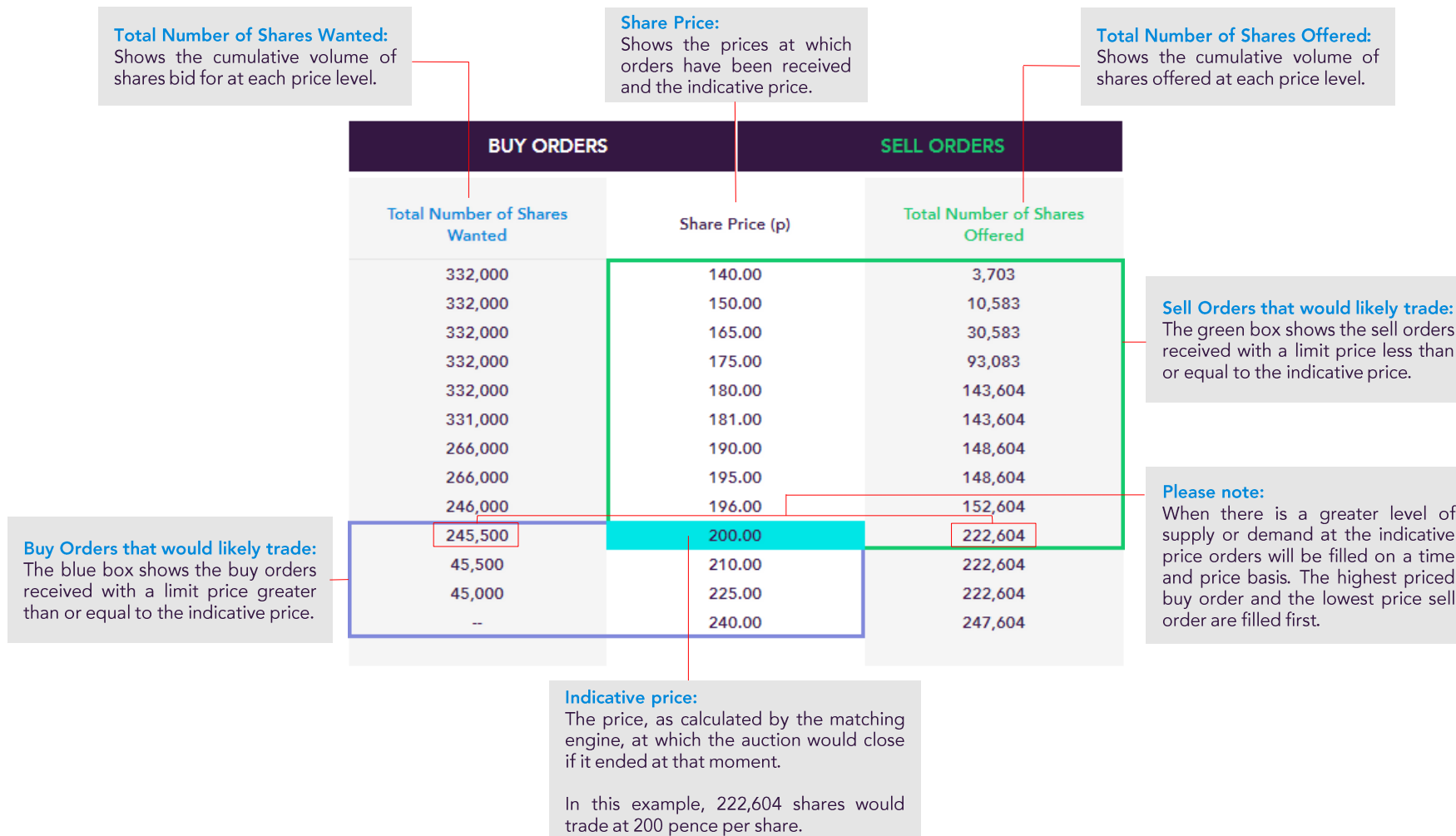
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1.2 Matching engine and allocation

- ◆ Asset Match uses specifically designed algorithms to match orders, determine the price for matched orders and allocate shares to successful auction participants
- ◆ Matching engine
 - Price determination in auctions is effected by identifying the prices either side of where the supply and demand curves in the order book cross and then selecting the price which maximises executable volume
 - In most auctions this is simply the price at which most shares would trade
 - If two or more prices can maximise executable volume, then the indicative price is whichever of those prices has the lowest undealt excess
 - If a unique price is still not found, then further tie-break conditions are used
- ◆ Allocation
 - **Price and time** – Priority is given to the most price-aggressive buy and sell orders, with any orders at the same price being prioritised on a time basis, earliest first

2.0 The order book

2.1 How to read the order book



Key contacts

Matt Wilson

CEO

+44 (0) 20 7634 9452

matthew.wilson@assetmatch.com

Stuart Lucas

FOUNDER & EXECUTIVE CHAIRMAN

+44 (0) 20 7634 9451

stuart.lucas@assetmatch.com

Iain Baillie

FOUNDER DIRECTOR

+44 (0) 20 7634 9450

iain.baillie@assetmatch.com

Ben Weaver

BUSINESS DEVELOPMENT DIRECTOR

+44 (0) 20 7634 9455

ben.weaver@assetmatch.com

Michael Barker

OPERATIONS & COMPLIANCE

+44 (0) 20 7634 9454

michael.barker@assetmatch.com

Warren Won

ANALYST

+44 (0) 20 7634 9495

warren.won@assetmatch.com

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Asset Match Limited

1 Bow Lane, London EC4M 9EE

+44 (0)20 7248 2788

info@assetmatch.com

assetmatch.com



@assetmatch



www.linkedin.com/company/asset-match-limited