



FIX Global Exchanges and Markets Committee

BMV Short Sale Minimum Price Extension

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Document History

Revision	Date	Author	Revision Comments
0.1	September 27, 2010	Aaron Pryce, RapidAddition	Initial draft
0.2	October 12, 2010	Hanno Klein, Deutsche Börse	Updates after GExMC meeting on Oct 11: <ul style="list-style-type: none">· Remove SSMP acronym· Add market data side to publish short sale minimum price· Rename proposal to emphasize short selling
0.2	2011-08-22	Jim N	As Built
	November 26, 2011	L. Taikitsadaporn	Replaced TBD with actual assigned values in text of proposal
	January 11, 2012	L. Taikitsadaporn	pre-publish final clean up: regenerated TOC

1 Introduction

The Mexican Stock Exchange is introducing new Pegged Order products via their FIX gateway. One of these products is not supported by existing **PegPriceType** (1094) enumerations.

This proposal requests that a new enumeration is added to the **PegPriceType** (1094) field within the PegInstructions component block in FIX 5.0. The following table describes the new Peg Type required.

New Peg Order Type Requirements	PegPriceType (1094)
Sell Short Minimum Price (SSMP) – The price that a short sale order must meet in order to comply with SEC uptick rules for short selling. For markets where SEC SSMP is not in force this peg type may be used to track a published short sale price.	10

The publication of this price should occur through market data and requires a new value for **MDEntryType** (269) as well as a new value for **TradeCondition** (277).

2 Business Workflow

2.1 Pegging Orders to the Short Sale Minimum Price

FIX supports peg order types by means of the PegInstructions component group with the **PegPriceType** (1094) defining the type of peg. Currently the field **PegPriceType** (1094) supports the following type of pegs:

- 1=Last peg (last sale)
- 2=Mid-price peg (midprice of inside quote)
- 3=Opening peg
- 4=Market peg
- 5=Primary peg (primary market - buy at bid or sell at offer)
- 7=Peg to VWAP
- 8=Trailing Stop Peg
- 9=Peg to Limit Price

BMV's Short Sell Peg Order will comply with the SEC uptick rule "*that disallows short selling of securities except on an uptick. For the rule to be satisfied, the short must be either at a price above the last traded price of the security, or at the last traded price if that price was higher than the price in the previous trade. The rule was defined by U.S. Securities and Exchange Commission (SEC) which summarized it: "Rule 10a-1(a)(1) provided that, subject to certain exceptions, a listed security may be sold short (A) at a price above the price at which the immediately preceding sale was effected (plus tick), or (B) at the last sale price if it is higher than the last different price (zero-plus tick). Short sales were not permitted on minus ticks or zero-minus ticks, subject to narrow exceptions."*

(<http://en.wikipedia.org/wiki/Up-tick_rule#cite_note-0>)

Based on the previous rule every new trade on the matching engine determines the Short Sell Minimum Price , which can be equal to the last trade price or equal to the last trade price + 1 tick.

When a Short Sell order is matched, the system validates the trade price and qualifies the Trade as a Short sell trade only if the trade price is => short sale minimum price peg, otherwise the trade is not considered short sale and the broker must cover this trade with own account stocks and send the short sell order again.

The short sale minimum price Pegged Order is an order whose price is pegged to the short sale minimum price peg.

It is proposed to add a new enumeration to PegPriceType (1094) as follows:

- **10=Short sale minimum price Peg (order is pegged to published Short Sale Minimum Price).**

2.2 Publication of Short Sale Minimum Price

The short sale minimum price needs to be calculated and depends on one or more previous trade prices in addition to the current trade price. It is proposed to enhance the market data messages by adding valid values to existing fields as follows:

- New value **d**=Short Sale Minimum Price for MDEntryType (269) to publish a price that is one tick above the last sale price (plus tick)
- New value **s**=Short Sale Minimum Price for TradeCondition (277) to be able to flag a last sale price as also being the short sale minimum price (zero-plus tick).

It is also possible to use the new MDEntryType value to express both plus tick and zero-plus tick. It is slightly redundant in case of a zero-plus tick but a simpler solution which allows to publish the short sale minimum price without having to attach it to a trade.

3 Issues and Discussion Points

3.1 Regulatory Order Restrictions

It was discussed as to whether Peg Type is the appropriate field to facilitate regulatory rules of this kind and whether a new repeating component group such as **RegulatoryRestrictions** may be more appropriate however given the specific nature of this requirement and there not being a broader range of requirements this approach was discounted.

4 Proposed Message Flow

4.1 Short sale minimum price Peg

There is no proposed change to the existing workflow for pegged orders.

5 FIX message tables

There are no changes to existing message structures.

6 FIX component blocks

There are no changes to existing component blocks.

7 Appendix A – Data Dictionary

Tag	Field Name	Action	Data type	Description	FIXML Abbreviation	Add to / Deprecate from Message type or Component block
1094	PegPriceType	ADD ENUM	int	Defines the type of peg. Valid values: 1=Last peg 2=Mid-price peg 3=Opening peg ... 10=Short sale minimum price Peg (published price that a short sell order must meet in order to comply with regulatory requirements, e.g. SEC uptick rules).	@PegPxTyp	
269	MDEntryType	ADD ENUM	Char	Type Market Data entry. Valid values: 0 – Bid 1 – Offer 2 – Trade ... d – Short Sale Minimum Price	@Typ	
277	TradeCondition	ADD ENUM	MultipleStringValue	Space-delimited list of conditions describing a trade Valid values: A – Cash (only) Market B – Average Price Trade C – Cash Trade ... 5 – Short Sale Minimum Price	@TrdCond	

8 Appendix B – Glossary Entries

Term	Definition	Field(s) where used
Short Sale Minimum Price	The minimum price that a short sale order must trade at in order to comply with SEC uptick rules	PegPriceType, MDEntryType, TradeCondition
Short Sale Minimum Price Peg	A short sale order that is pegged to the SSMP	PegPriceType
SEC	Securities and Exchanges Commission, the U.S. body that regulates U.S. securities trading.	PegPriceType
Uptick rule	The SEC rule “that disallows short selling of securities except on an uptick. For the rule to be satisfied, the short must be either at a price above the last traded price of the security, or at the last traded price if that price was higher than the price in the previous trade. The rule was defined by U.S. Securities and Exchange Commission (SEC) which summarized it: "Rule 10a-1(a)(1) provided that, subject to certain exceptions, a listed security may be sold short (A) at a price above the price at which the immediately preceding sale was effected (plus tick), or (B) at the last sale price if it is higher than the last different price (zero-plus tick). Short sales were not permitted on minus ticks or zero-minus ticks, subject to narrow exceptions." (http://en.wikipedia.org/wiki/Up-tick_rule#cite_note-0)	PegPriceType

9 Appendix C - Usage Examples