

**Bulgarian  
Stock  
EXCHANGE - СОФИЯ**



БЪГАРСКА  
ФОНДОВА БОРСА  
СОФИЯ

**Xetra IPO Auction for the Bulgarian Stock Exchange-Sofia**

**User's Guide**

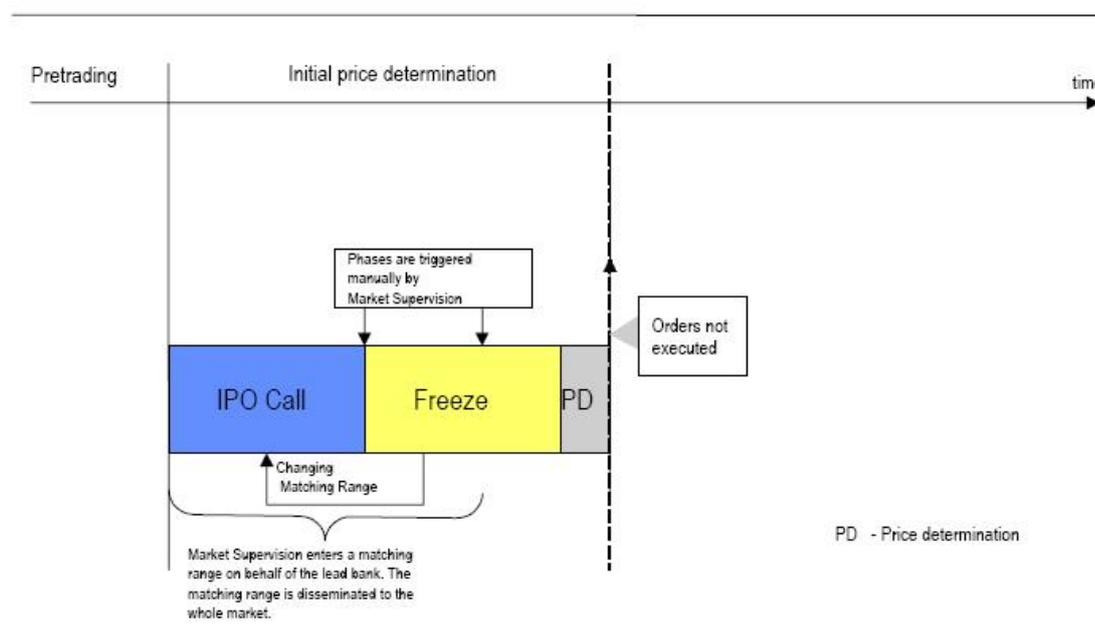
## Description

An IPO on the Exchange is carried out by an authorized by the issuer exchange member through the admission on the segment for Initial public offerings of the financial instrument, which is offered for underwriting. Generally, the IPO auction resembles a standard auction, but differs in terms of procedure and transparency. Additional information such as: indicative auction price, executable volume and surplus, or, respectively, the best bid and/or ask limit are not published for market participants at any time of the IPO auction phases. Only the Exchange and the lead manager have access to the order book.

Xetra supports special functions supporting the initial price determination for new financial instruments (IPOs). One functionality is a matching range preset by the lead manager of the IPO. The "IPO matching range" defines the lower and upper limits for the first price determination, offering both lead manager and members certainty that there will be no erratic price fluctuations during the first price determination. The price range is officially entered by the Exchange. The price is determined on the principle of the largest executable volume and the smallest surplus within the IPO matching range. The market participants are informed of the price range via messages entered by the Exchange on the "News" window and "Message Log" window.

## Phases of the auction

Fig. 1.



The phases of the auction are initiated manually by the Exchange.

### 1. Pre-trade phase

Prior to the call-phase of the IPO auction the financial instrument, offered for underwriting, is in the pre-trade phase (PRETR). During the pre-trade phase market participants will be able to enter orders and to modify or delete their existing orders.

### 2. Call phase

According to the specified start time of the auction, the phase changes to the call-phase (IIPO), and messages are published in the "News" window and the "Message Log window" for the start of the auction (fig. 3 and 4). During this phase, the lead manager of the IPO will be enabled to enter an IPO matching range via Exchange. Matching Range is published to all participants in the "News" window and the "Message Log" window (fig. 3 and 4). In the case, that the lead manager has the right to narrow or broaden the Matching Range, this can

happen during the timeframe of the auction, as well as with its explicit extension under the request of the lead manager. The parameters can be changed formally until the end of the Call phase.

During the Call-phase, via the trading platform, market participants can enter orders as well as modify or delete their own orders.

The orders are checked for deviation from the reference price and in the occurrence of substantial deviation a message „Price Reasonability Check” is displayed, requiring a confirmation of the order.

The order book is closed to participants. They can only see their own orders, accessible through the window “Own Order Overview.”

The following types of orders are allowed by exchange members:

- Limit order – buy orders for a particular amount of shares with a specified limit price within the price range. By submitting a limit order all investors agree to receive shares at the price determined by the IPO auction, in the case that this price is equal to or lower than the limit price assigned to the respective order. Limit orders can be executed in their entirety, or as a portion thereof.
- Market order – buy orders for particular amount of shares without limit price. By placing a market order, each investor agrees to receive shares at the price determined at the IPO auction. Market orders can be executed in their entirety, or as a portion thereof.

The orders are entered through the standard windows for entering orders in Xetra (Order Entry, Fast Order Entry or Mass Order Entry).

Fig. 2.

The screenshot shows a window titled "XETRA - SIMU - INDUSTRIALOH KAPITAL DW 1 - Fast Order Entry". The interface includes a menu bar (Window, Select, Help) and a toolbar. The main area contains a table for order entry with the following fields:

Exch	Instr	Qty	Limit	OrdT	ExR	TrR	Act	Valcity	Text	MIOrdNo	CrossD	StcpLimit	PeakQty
BJY	BUL	418	1.000.000	2,200			P	05.06.2018					

Below the table, there are fields for "ClientID", "LiquInvDec" (with a checkbox), and "InvndOrBstat" (containing "SIMU01"). At the bottom, there are buttons for "QR", "Submit", "Apply", and "Reset".

The priority for the execution of market orders is determined by the time of their entry, while the priority for limited orders is the price. Market Orders are given priority over Limit Orders.

**Note:** During the IPO auction, information for the aggregated Order book of all participants in the auction, as well as for the surplus, is visible only to the lead manager. For all remaining participants of the auction only the following are visible: only their own orders through Own Order Overview window, phases of the auction through the Order Instrument Overview window, and through the windows: News and Message Log (see fig. 3 and 4).

### 3. IPO Freeze phase

Upon completion of the Call phase, The Exchange will switch to the Freeze phase. During this phase, market participants will still be able to see their own orders, as well as those of their user group, however, the entry, modification or deletion of orders will be disabled. The order book is frozen to allow the lead manager to assess the market situation. The message from the system during an attempt to enter an order by a market participant during the Freeze phase is: „IPO Freeze - FUNCTION REJECTED DURING THIS TRADING PERIOD”.

Only the lead manager can enter orders during the Freeze phase via the Exchange, by way of trading on behalf.

Decision for price and execution volume is up to the lead manager of the offering. The decision is reflected by entry of „sell” order/s within the determined matching range during the Freeze phase. The „sell” order of the lead manager is entered officially by the Exchange.

**In the case, that there are orders entered outside the specified matching range of the supply, or „sell” orders from other market participants other than the lead manger, they are deleted officially by the Exchange.**

### 4. Price determination Phase

Following the entry of the order of the lead manager the Exchange manually initiate the Price determination phase, executing existing orders at the auction price within the limits of the

IPO matching range. Fulfillment of the „buy”orders is executed from the highest price „buy” up to the determined by the lead manager „sell” price (the lowest price, at which the order will be fulfilled), and is in the full executable volume for this price range. In a scenario where only market orders are in the orderbook during the timeframe of the auction, the auction price is either the upper end of the range (in case there is a surplus on the bid side) or the lower end of the matching range (in case there is a surplus on the ask side). If there is no surplus (buy quantity is equal to sell quantity), the auction price is the one which is nearer to the reference price, determined by the issuer with the admission application.

### Example:

**Table 1:** Orders entered during the Call phase with the price range 1,80 – 2,35 лв.:

1. Buy Quantity	2. Sell Quantity	3. Price	4. Executable quantity	5. Surplus
6 000 000		M		
7 000 000		2.800		B 7 000 000
7 260 000		2.700		B 7 260 000
7 410 000		2.000		B 7 410 000
8 910 000		1.990		B 8 910 000
9 498 962		1.970		B 9 498 962
9 554 962		1.950		B 9 554 962
9 804 962		1.900		B 9 804 962
9 954 962		1.850		B 9 954 962
10 755 018		1.820		B 10 755 018

**Note:** Quantities, shown in columns 1 and 2, are cumulative. Quantities in columns 4 and 5 are the results of columns 1 and 2.

**Table 2:** Situation of the order book during the freeze phase and after official deletion by the Exchange of orders entered outside of the matching range:

1. Buy Quantity	2. Sell Quantity	3. Price	4. Executable quantity	5. Surplus
6 000 000		M		
6 150 000		2.000		B 6 150 000
7 650 000		1.990		B 7 650 000
8 238 962		1.970		B 8 238 962
8 294 962		1.950		B 8 294 962
8 544 962		1.900		B 8 544 962
8 694 962		1.850		B 8 694 962
9 495 018		1.820		B 9 495 018

**Table 3:** Situation of the order book during the freeze phase after entry of the order of the lead manager with the price 1,85 and quantity 8 694 962:

1. Buy Quantity	2. Sell Quantity	3. Price	4. Executable quantity	5. Surplus
6 000 000		M		
6 150 000	8 694 962	2.000	6 150 000	A 2 544 962
7 650 000	8 694 962	1.990	7 650 000	A 1 044 962
8 238 962	8 694 962	1.970	8 238 962	A 456 000
8 294 962	8 694 962	1.950	8 294 962	A 400 000
8 544 962	8 694 962	1.900	8 544 962	A 150 000
8 694 962	8 694 962	1.850	8 694 962	

9 495 018		1.820		B 9 495 018
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**Table 4:** As a result of the price determination phase in accordance with the modified principle of highest volume transacted and smallest surplus, the following transactions are excluded with total quantity 8 694 962 shares:

	Количество на изпълнение	Цена
1	6 000 000	1.850
2	150 000	1.850
3	1 500 000	1.850
4	588 962	1.850
5	56 000	1.850
6	250 000	1.850
7	150 000	1.850

With the Price determination phase and execution of the „buy”orders, the market participants are informed through the News window (News) and the window for messages (Message Log) for the auction end (fig. 3 and 4).

**In the case, that there is more than one auction planned during a few consecutive days, at the end of the auction on the first day the financial instrument goes to the SUSP phase, with which all existing and unexecuted orders are deleted.**

Fig. 3.

Exch	Date	Time	Severity	Message
BUL	29.05.2018	15:16:17	INFO	90623 INSTRUMENT UNSUSPENDED (418 - A0MX27)
BUL	29.05.2018	15:15:04	INFO	90613 INSTRUMENT SUSPENDED (418 - A0MX27)
BUL	29.05.2018	15:14:31	INFO	IPO 418: FINISHED
BUL	29.05.2018	15:10:29	INFO	90618 MARKET ORDER INTERRUPTION (6A6 - A0JD6L)
BUL	29.05.2018	15:06:59	INFO	IPO 418: FREEZE PHASE
BUL	29.05.2018	15:05:35	INFO	IPO 418: MATCHING RANGE: 1,80 / 2,35
BUL	29.05.2018	15:03:48	INFO	IPO 418: START IPO-AUCTION-CALL: 14:00 CEST
BUL	(29.05.2018)	(14:57:08)	SUCCESS	05004 - USER LOGGED IN SUCCESSFULLY

Fig. 4.

Exch	Date	Time	Priority	Subject
BUL	29.05.2018	15:14:31	H	IPO 418: FINISHED
BUL	29.05.2018	15:06:59	H	IPO 418: FREEZE PHASE
BUL	29.05.2018	15:05:35	H	IPO 418: MATCHING RANGE: 1,80 / 2,35
BUL	29.05.2018	15:03:48	H	IPO 418: START IPO-AUCTION-CALL: 14:00 CEST