



# Market Maker Incentive Scheme

# Trading

---

Members of AQSE are to be charged by the message traffic that they generate, rather than a basis point commission on the value of their trades. The subscription tiers for market makers are as follows:

	Basic Membership*	Tier 1	Tier 2	Tier 3	Tier 4	Unlimited
Monthly Subscription	£2,000	£5,000	£15,000	£30,000	£50,000	£80,000
Average Daily Chargeable Message Count	Up to 1,000	Up to 5,000	Up to 15,000	Up to 25,000	Up to 50,000	Unlimited

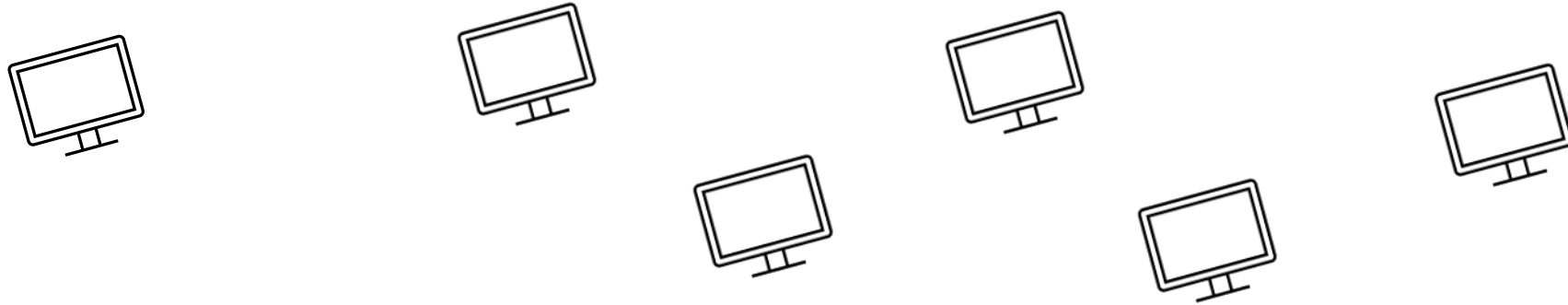
\*AQSE Broker Member Basic Membership is £500 pa for up to 250 messages



# Data

---

All AQSE exchange data is free for AQSE Member Firms



*Ambition is to get AQSE Data on as many screens as possible*



# Connectivity

---

## Members connecting directly to AQSE:

- Receive an allocation of physical connectivity (cross-connects) and application sessions (trading ports and drop copies) in the Production and Test environments.
- May request up to 3 cross-connects (set of 2 in LD4 datacentre and 1 in LN1 datacentre) at no extra cost.

## Members connecting via Fidessa:

- Available today, but fees may be payable to Fidessa.
- Opportunity for Members to approach Fidessa collectively?

# Market Maker Incentive Scheme

---

Incentive scheme designed to improve the liquidity and functioning of the AQSE markets.

- Term Sheet and Model provided for review
- Warrants available that represent in aggregate up to 19.9% of the equity in AQSE, allocated over three years.
- To be eligible, market makers must:
  - pay minimum membership fee (£2,000);
  - make a market in no less than 50% of the APEX market securities (the top tier of the AQSE Growth Market, currently estimated to be 20 securities);
  - meet the AQSE size and spread requirements for the securities in which they are registered for at least 75% of the period. The size and spread requirements for the first year shall be a spread of no more than 5% in AQSE APEX stocks at an EMS equal to £1,000.
- Warrants are to be allocated to the top five performing market makers ranked on average number of “reward credits” achieved in a month over the year.



# Objectives

---

Introduce easy to understand incentives to reward market makers that improve exchange quality

- Trading Liquidity
- Over a continuous period
- Across markets and securities
- By a range of market makers

# Schedule

Reward Credits are calculated per day for each market maker and security on the total volume of executed trades at tiered volume levels for a credit rate per security market as indicated in the following schedule:

Volume						
> 0, <= 10,000	> 10,000, <= 100,000	> 100,000, <= 500,000	> 500,000, <= 1,000,000	> 1,000,000, <= 3,000,000	> 3,000,000	
Volume Level 1	Volume Level 2	Volume Level 3	Volume Level 4	Volume Level 5	Volume Level 6	
0	10,000	100,000	500,000	1,000,000	3,000,000	
Market	Credit Level (bps) 1	Credit Level (bps) 2	Credit Level (bps) 3	Credit Level (bps) 4	Credit Level (bps) 5	Credit Level (bps) 6
Apex	100	50	10	5	1	0
Access	80	40	8	4	1	0
Trading	5	2	0	0	0	0

Apex = Growth Companies with 25% free float and >£10m MC  
 Access = Growth Companies with 10% free float and <£10m MC  
 Trading = Other (AIM, ETC, ETF)

# Calculation Example

---

Given example trade executions within a day for a market maker of:

## **1,150,000 for an Apex security**

- Credit Level 1 (100 bps \* 10,000) + Credit Level 2 (50 bps \* 90,000) + Credit Level 3 (10 bps \* 400,000) + Credit Level 4 (5 bps \* 500,000) + Credit Level 5 (1 bps \* 150,000) = **1,215 credits**

## **125,000 for an Access security**

- Credit Level 1 (80 bps \* 10,000) + Credit Level 2 (40 bps \* 90,000) + Credit Level 3 (8 bps \* 25,000) = **460 credits**

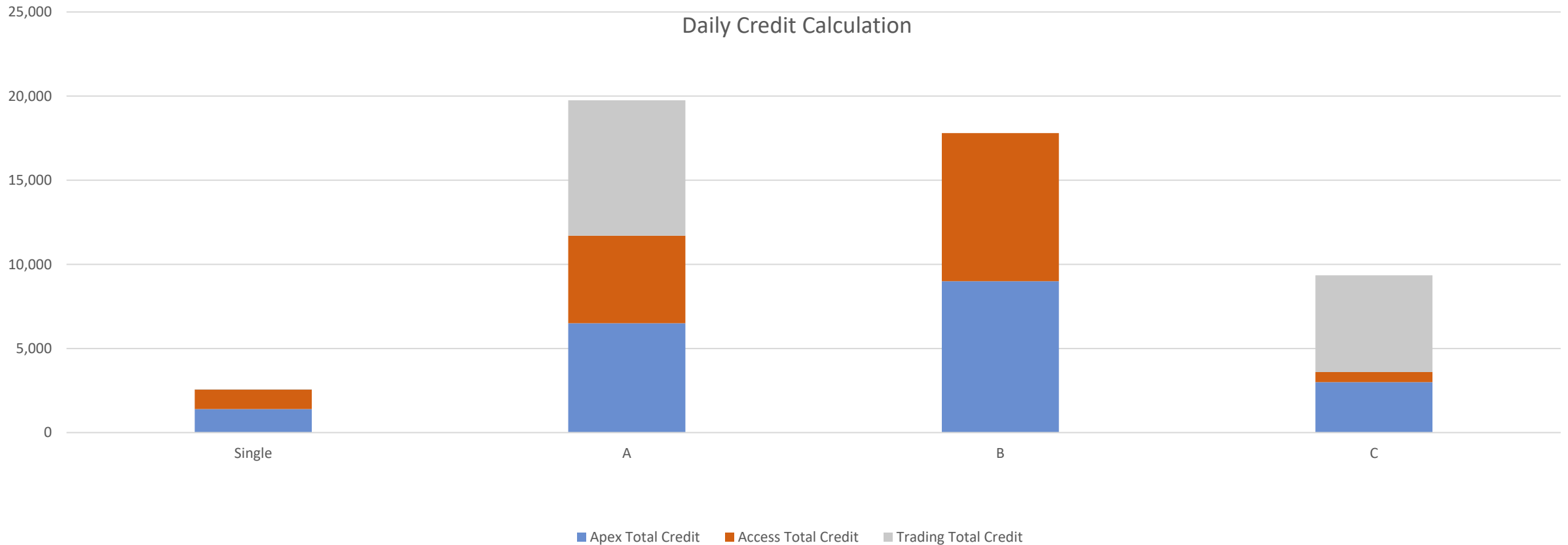
## **4,000,000 for a Trading security**

- Credit Level 1 (5 bps \* 10,000) + Credit Level 2 (2 bps \* 90,000) + Credit Level 3 (0 bps \* 400,000) + Credit Level 4 (0 bps \* 500,000) + Credit Level 5 (0 bps \* 2,000,000) + Credit Level 6 (0 bps \* 1,000,000) = **23 credits**

The total reward credits awarded:  $1,215 + 460 + 23 = \mathbf{1,698 \text{ credits}}$



# Credit Example for three types of Market Makers



# Average and Overall Ranking

The daily reward credits are accumulated monthly to rank the performance of each market maker.

Market makers with an equal amount of reward credits achieve the same rank.

If a market maker does not have qualifying activity during a month, their reward credits are 0.

The average rank for the qualifying period is used to determine the overall rank. The latest monthly rank that is not equal is used for any tiebreakers.

Market Maker	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average Monthly Rank	Total Rank
A	3	2	1	3	4	4	3	3	3	3	4	4	3.0833	3
B	4	6	5	4	3	3	6	5	6	5	7	5	4.9167	5
C	1	1	2	1	2	2	1	4	4	2	2	3	2.0833	1
D	7	7	6	7	7	6	4	6	5	6	5	6	6.0000	7
E	5	4	3	5	6	7	7	7	7	7	6	7	5.9167	6
F	2	3	4	2	1	1	2	1	2	4	3	2	2.2500	2
G	6	5	7	6	5	5	5	2	1	1	1	1	3.7500	4

# Warrant Allocation

---

Warrants will be allocated to the top five market makers ranked on the average number of reward credits achieved in a month in that year in such proportion as determined by AQSE in that year.

The allocation of the available Warrants for the first year will be as follows:

First place	39%
Second place	27%
Third place	17%
Fourth place	10%
Fifth place	7%

For example, the first issue of Warrants will be for 8% of AQSE. The market maker who attains first place at the end of the first year will receive Warrants over 3.19% of AQSE. The market maker in fifth place will receive Warrants over 0.56% of AQSE.

