



Regulation Briefing

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These briefings are issued quarterly and contain information on a number of regulatory issues. The intended audience is member firms.

International Retail Service - Settlement and Treatment of Public Holidays

Member firms should note that the standard settlement of trades in International Retail Service securities settled in CREST will follow the home market timetable e.g. T+2 for German securities and T+3 for French. In addition, settlement will follow the home market calendar and therefore take account of public holidays in these countries.

UK bank holidays should be ignored for the purposes of calculating the intended settlement date (ISD) for input of matching instructions into CREST for International Retail Service trades. If the resulting ISD falls on a UK bank holiday, the trade should still be matched on this basis, although actual settlement will take place the next available day that CREST is open for sterling settlement. For more detailed guidance, please refer to the Regulatory Guide to the International Retail Service, available on the Exchange’s website at www.londonstockexchange.com/regulation/pdfs/irs.pdf

Buying-in

Stock Exchange Notice N13/01 advised member firms that securities traded on the International Retail Service and International Order Book would be treated as “other securities” for the purposes of buying-in. As such, buying-in requests may be submitted to the Exchange if a bargain remains unsettled 90 business days after the ISD.

In addition, member firms should note that in the case of International Order Book securities, which do not settle in CREST, the buying-in request submitted to the Exchange must state "residual" in the "settlement method" field. Please refer to Stock Exchange Notice N08/01 for more information on the buying-in procedure www.londonstockexchange.com/regulation/notices/.

Expiry of Orders

Member firms are advised that, in order to ensure participation in closing auctions and closing auction call periods at the end of the trading day, it is recommended that the default order expiry time should be set at no earlier than 17:00 for SETS and SEAQ crosses. In relation to orders entered to the International Order Book, it is recommended that the default order expiry times should be no earlier than 16:00.

Member Firm Continuing Obligations

The Exchange's rules relating to notification to the Exchange of changes to a member firm's operations, namely paragraphs 1.21 to 1.31, are designed to assist all member firms by ensuring they receive up to date and accurate information about other member firms on a timely basis. Notification of changes, as required by the rules, enables the Exchange to issue member firm details via a Member Firms Information Sheet.

Failure to provide the Exchange with the necessary notifications may lead to inaccurate information circulating in the market which in turn can lead to uncertainty for market participants. As such, breaches of these rules may result in disciplinary action where appropriate. Any questions on this issue should be directed to Membership on 020 7797 3483.

Contra Requests under the Central Counterparty ("CCP")

Stock Exchange Notice N14/01 issued on 11 May 2001 restated the rules in relation to the entry of orders to the electronic order book and SEAQ Crosses, and explained how contra requests are made and processed under CCP arrangements. Member firms are reminded of their obligations to have adequate internal management procedures and controls, thereby ensuring that erroneous orders are minimised. In addition, where a member firm wishes to contra a trade that resulted from an erroneous order, the Exchange expects that the contra request will be made on a timely basis as the timing of the request is likely to influence a counterparty's decision as to whether or not to accept.

Disciplinary Action

If the Exchange has reason to believe that a member firm is in breach of any of its rules it may refer the matter to the Disciplinary Committee or the Executive Panel. Pursuant to Exchange rule 14.87, the Executive Panel may issue the firm with a written warning or impose a fine of up to £25,000 for each breach. Details of the cases heard by the Executive Panel are published in this Regulation Briefing for the benefit of other member firms.

For the period 23 February 2001 to date, the Executive Panel heard two cases, both of which resulted in fines. The details are as follows:

- Rule 4.64(e) - A firm was fined for failing to have sufficient order management procedures and controls in place. The Exchange had previously advised the firm of its concerns about the firm's management of orders following a previous incident.
- Rule 4.5(b) - A firm was fined for failing to fulfil its market making obligations. The firm did not answer its STX lines on two occasions and, when approached through its switchboard number, refused to trade with an enquiring counterparty.

Stock Exchange Notices

The following Stock Exchange Notices have been issued from 23 February 2001 to date. All these Notices are available on the Exchange's website at www.londonstockexchange.com/regulation/notices/

N08/01	23/02/01	Confirmation of Procedural Changes Buying-In System following the Introduction of the Central Counterparty
N09/01	07/03/01	Revised Sets Parameters
N10/01	26/03/01	Domestic Equity Market When Issued Dealing - Michael Page International Plc
N11/01	05/04/01	Confirmation of Proposed Rules Trading Services Enhancements - April 2001
N12/01	26/04/01	Suspension of Trading W & R Morrogh
N13/01	27/04/01	Trading Services Enhancements - April 2001
N14/01	11/05/01	Order Entry and Contra Requests
N15/01	11/05/01	Consultation on Proposed Rule Changes Non-ISD Proprietary Trading Firms