
Policy Guide

31 October 2013

Covered Warrants and Structured Products

policies and procedure

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London
Stock Exchange Group

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1.0 Introduction

This document summarises the process of being admitted as a new issuer of securitised derivatives and for admitting covered warrants and structured products to trading on the London Stock Exchange's Main Market. It also provides detail on the operational processes inherent in being an Issuer. This document is not a substitute for, and should be read in conjunction with:

- Rules of the London Stock Exchange;
- Admission and Disclosure Standards;
- Guide to Millennium Exchange;
- Millennium Exchange Business Parameters;
- Guide to trading Securitised Derivatives on Millennium Exchange; and
- Trading Services Price List.

All of these documents can be found at www.londonstockexchange.com.

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2.0 Contact information

Useful contacts	
Document submission	cwissuance@lseg.com
Admissions	+44 (0)20 7797 4310 admissions@lseg.com
SEDOL Masterfile	+44 (0)20 7797 3009 sedol@lseg.com
Market Abuse	marketabuse@lseg.com
Market Monitoring	+44 (0)20 7797 3666 option 2
Market Operations	+44 (0)20 7797 3666 option 1 mktops_supervision@lseg.com
Product Management	+44(0)20 7797 3921 listedproducts@lseg.com
UK Listing Authority – Listing applications	+44 (0)20 7066 8352

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3.0 Programme Establishment

3.1 New issuers

The UK Listing Authority (UKLA) is responsible for admitting securities to the Official List and should be contacted several months before the expected admission date to discuss listing requirements.

The UKLA Helpdesk can be contacted in the first instance on +44 (0)20 7066 8352.

The Listing Rules applicable to covered warrants and structured products are those of 'Securitised Derivatives'.

In conjunction with the Official List, application must be made for admission to trading on the London Stock Exchange.

The London Stock Exchange specifies the following criteria to be met before admission can take place:

- The issue must be listed by the UKLA;
- The issue must be accessible to retail investors as defined in UKLA's Listing Rules;
- For securities to admit to trading in any on order book sectors (appendix 1), issuers must ensure liquidity provision for the lifetime of the issue and at least one Member Firm of the London Stock Exchange must meet the specified market maker obligations for the issue;
- The issue must be eligible for electronic settlement in CREST for securities to admit to any on order book sectors; and
- For securities to admit to trading in any off order book sectors, alternative settlement venues may be used. Please see the Settlement section for further information.

Please note that the lead time can be considerable, therefore it is recommended that an interested issuer make contact with London Stock Exchange and the UKLA as early as possible.

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3.2 Programme establishment

In order to admit covered warrants and structured products to trading, a programme facility is required. The issuer must submit the following documents to the London Stock Exchange by email to:

cwissuance@londonstockexchange.com

- Form 1 – draft version is required 11 business days (by 12 pm) before target admission date;
- Form 1 – final and signed version required 3 business days (by 12pm) before target admission date;
- Notice of Board Resolution – required 3 business days (by 12pm) before target admission date; and
- Programme Prospectus – required 3 business days (by 12pm) before target admission date.

A copy of the Form 1 can be downloaded from: www.londonstockexchange.com/form1

A programme must also be established with the UKLA who may require different documentation and work to a different timetable from the above. Issuers should contact the UKLA directly for clarification.

The UKLA can be contacted on +44 (0)20 7066 8352.

3.3 Programme renewal

The above procedure must be repeated every twelve months, or if changes are required before the end of the twelve month period. For example, when a type of instrument outside the scope of the current prospectus is to be listed.

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3.4 Passporting a prospectus in to the UK via the UKLA

To passport a prospectus into the UK, the issuer should contact the home competent authority (which approved the prospectus). The issuer will be asked to submit to the host competent authority, an e-mail containing electronic versions of the approved prospectus and translations of the summary where required. The request to the host competent authority should make it clear whether the issuer require the passport for the purposes of admission to trading on a regulated market in the UK or for a public offer or both.

The home competent authority will then email the UKLA attaching the approved prospectus and a certificate of approval. The Listing Applications team at the UKLA will deal with the submission and provide a confirmation of receipt e-mail to the overseas competent authority within 24 hours.

Seeking admission to listing and trading in the UK

Passporting the document into the UK does not automatically result in the admission to listing and/or trading of the securities relating to the prospectus. If issuers wish to list and/or trade securities in the UK using the passported prospectus, please contact our Listing Applications Team on +44 (0)20 7066 8352.

Source: UKLA Publications Factsheet Issuer No. 4 Update October 2008

4.0 Instrument issuance

4.1 Admission process

To issue covered warrants and structured products drawing from an existing and live programme, the following documentation is required by the London Stock Exchange.

- Trading form
- Pricing supplements/final terms

The timetable for submitting these documents depends on the number of securities to be admitted to trading on any given day.

Number of securities to be admitted to trading	Documentation requirement
1 to 24	By 12pm on the business day prior to target admission date.
25 to 75	By 12pm two business days prior to the target admission date.

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Any issuer planning to admit over 75 securities on a given day must notify the Admissions team a week in advance of the target admission date.

The Admissions team can be contacted on +44 (0)20 7797 4310.

The London Stock Exchange will make best endeavours to ensure all covered warrants and structured products are admitted on the requested admission date. However, the Exchange reserves the right to delay the date of admission, particularly if documentation is submitted at short notice.

Issuers must also submit applications for listing to the UKLA who may require different documentation and work to a different timetable from the above. Issuers should contact the UKLA directly for clarification.

The UKLA can be contacted on +44 (0)20 7066 8352.

4.2 Trading form

This form is to be used by issuers to provide information. It is the responsibility of issuers to ensure the information submitted to the London Stock Exchange is correct.

Note that where the number or type of characters is restricted, it will not be possible to enter data which does not meet this validation. No attempts should be made to overwrite any restricted field on the form as the information may not be accepted.

A Trading Form can be obtained from: <http://www.londonstockexchange.com/cwtradingform>

Issuers should submit a completed Trading Form by email to cwissuance@lseg.com as early as possible in the admission process.

Issuers wishing to admit multiple lines will avoid delays by submitting the information early.

If amendments are required, the Admissions team must be advised as early as possible. The final version of the trading form must be submitted in good time to allow for processing. Longer notice is required for issue of multiple lines.

The Admissions team can be contacted on +44 (0)20 7797 4310 and at admissions@lseg.com.

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4.3 ISIN, SEDOL and TIDM codes

Issuers must obtain an ISIN, SEDOL and TIDM code for each line of security to be issued.

- International Securities Identification Number (ISIN)
- Stock Exchange Daily Official List (SEDOL)
- Tradable Instrument Display Mnemonic (TIDM)

Issuers incorporated in the UK

Requests for ISIN and SEDOL codes can be made by emailing the SEDOL Masterfile team at cwissuance@lseg.com.

The turnaround time for code allocation can vary depending on the number of codes requested.

The SEDOL Masterfile team can be contacted on +44 (0)20 7797 3009 and the email for general enquiry is sedol@lseg.com.

Issuers incorporated outside of the UK

Requests for ISIN codes need to be made to the relevant authority in the country of incorporation.

SEDOL code requests should be made to the SEDOL Masterfile team via email to cwissuance@lseg.com. Issuers must provide a list of the relevant ISINs for which SEDOL codes are requested.

TIDM codes

The selection of TIDM codes is the responsibility of the issuer. Issuers may follow one of the below formulae.

- Issuer code (1 character), followed by 1 letter and 2 numbers. Example SJ54.
- Issuer code (1 character) following by 3 numbers. Example R308.

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All TIDM requests should be made to: admissions@lseg.com

The Admissions team will reserve the requested TIDM code(s), if available, for a period of up to 6 months. If the requested code(s) is not available, issuers will be asked to provide alternatives.

Issuers must allow sufficient time for the reservation of codes. The time required will vary according to the number of codes requested.

5.0 Currencies

Issuers can apply for the admission of covered warrants and structured products to be traded and settled in currencies other than GBX/GBP/EUR and USD. These products may only be admitted to an off order book trading sector (appendix 1).

Issuers should refer to the Exchange's Admission and Disclosure Standards for guidance concerning settlement.

6.0 Publication of admission

When admission of issue is approved, a Dealing Notice is disseminated to the market by the London Stock Exchange at 8am on the day of admission.

Full reference data for each line of the issue is distributed via the Datasync service the business day prior to the admission date.

To find out more about the Datasync service, please contact +44 (0)20 7797 1220 or email unavistadatasolutions@lseg.com.

7.0 Naming conventions

Short and long names are derived electronically from the information entered on the Trading Form and require no further user input. Naming conventions for short and long names are outlined in appendix 2.

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8.0 Market maker obligations

Issuers of covered warrants and structured products admitted to trading in any on order book sectors (appendix 1) are required to be a market maker in these instruments providing continuous two-way quoting. For market maker rules, please see Rules of the London Stock Exchange available at www.londonstockexchange.com.

If any Issuer is unable to fulfil its obligations as a market maker, the Market Monitoring team and the Covered Warrants team must be notified as soon as possible.

Market Monitoring team +44 (0)20 7797 3666 option 2 Listed Products team +44 (0)20 7797 3921

Issuers of covered warrants and structured products in any off order book sectors are not required to be a market maker in these instruments.

However, if any issuer wishes to submit a two-way price at the end of the trading day for off order book instruments, they must be technically configured as a market maker. No continuous quoting is required for these securities.

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9.0 Dedicated access for executable quotes

Due to the nature of the covered warrants and structured products market, quote submission rates in individual products can often be intensive.

A service is available¹ to member firms who is a dedicated market maker in their own covered warrants or structured products whereby member firms are able purchase, in advance, executable quote entry on a fixed block basis of 100 messages per second rather than paying the standard individual quote entry rate.

This service is only available for quoting in segments INSD and LVSD and is an optional service. It does not change Rule ("the Rules") based obligations, rights or pricing for member firms that do not use the service. Market maker obligations remain unaffected and still apply as set out in the Rules for all member firms who opt to use the service.

Subject to agreement and successful testing, a member firm will be able to apply for a variation to its Trading Services Agreement. This will be done by a signed side letter allowing a member firm to opt out of the standard quote entry charges for segments INSD and LVSD only.

All non INSD and LVSD message flow will continue to use existing connectivity mechanism and setup which going forward will be restricted from submitting executable quotes to INSD and LVSD segments. This will require an appropriate level of CDS testing to the satisfaction of all parties.

Application for the service

To apply for consideration to receive the service, member firms should contact +44 (0)20 7797 3921. The Exchange will then work with the firm to establish an appropriate testing and implementation timeline.

Charge for service

This service is charged at £10,000 per 100 messages per second per month.

Standard charges are as set out in the Trading Services Price List.

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Service set up

The Exchange will evaluate the solution required and make any necessary changes to both CDS and Production environments.

This may require some or all of the below:

- New Exchange IP address
- New Comp ID (s)
- New Tradergroup(s)

New tradergroup(s) will have access to INSD and LVSD segments only and throttled at the agreed submission rate. Restrictions will be made on access to INSD and LVSD trading segments for existing tradergroup(s).

Testing

The testing process involves the following:

- CDS access including connectivity, connect / disconnect test, sustained and burst volumes up to throttle limit messages per second;
- Full functionality testing;
- Live connectivity testing, product connectivity test as required; and
- Testing / migration plan to be agreed with the Exchange.

Throttling

Customers will be throttled at the Trading Gateway. Whilst the service will be priced per 100 messages per second, to ensure effective smoothing, throttling will take place in units of 10 messages per 100 milliseconds. This assumes normal operating conditions and is in no way guaranteed.

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Migration to production

Final date will only be agreed once both the Exchange and member for agree that the testing phase has been successfully completed.

Amending capacity or terminating service

Once set up in the service, a member firm can amend its capacity purchased or terminate the service completely by giving the Exchange 2 months' notice. On termination of the service, a member firm will revert to the standard quote entry tariff.

The Exchange will keep the operation of the service under review and reserve the right to vary the terms of its operation.

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10.0 Price monitoring

Price monitoring controls measure the deviation of a potential execution against a reference price for each security. Dynamic reference prices are defined as the last automatic trade price observed before the aggressive order was entered. Static reference prices are defined as the last uncrossing price, the first automated trade of the day or the previous day's closing price if no automatic execution has taken place on that trading day.

If the price of a potential execution is more than a defined percentage above or below the static or dynamic reference price for that security then no executions at that price will occur and automatic execution will be suspended for a period of 5 minutes.

Price monitoring controls on Millennium Exchange are outlined in the following table. Each instrument will be assigned a trading parameter on issue based on sector, currency and reference price.

Price monitoring controls for each covered warrant and structured product instrument will be reviewed on a quarterly basis in March, June, September and December.

Securities trading off order book, in segment and sector INSD/OFIN and LVSD/OFLV have no price monitoring controls.

Trading currency	Min price	Max price	Trading parameter	Dynamic price monitoring %	Static price monitoring %
GBP / EUR	0	0.005	TP_68	150	200
	0.00500001	0.5	TP_67	50	75
	0.50000001	10	TP_66	25	50
	10.00000001	50	TP_65	10	25
	50.00000001	10000000000	TP_64	5	10
USD	0	0.5	TP_68	150	200
	0.50000001	50	TP_67	50	75
	50.00000001	1000	TP_66	25	50
	1000	50000	TP_65	10	25
	50000	10000000000	TP_64	5	10
GBX	0	0.5	TP_63	150	200
	0.5	50	TP_62	50	75
	50.00000001	1000	TP_61	25	50
	1000	50000	TP_60	10	25
	50000	10000000000	TP_59	5	10

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11.0 Settlement

CREST

Settlement of on order book trades will take place in CREST in the same way as other UK securities.

Settlement can also take place in CREST without using the CDI format providing that transfers are stated to be under UK law. In these cases, a registrar will be required.

Securities subject to UK law can have ISIN codes other than 'GB'.

Alternative settlement venue

Settlement services other than the CREST system operated by Euroclear UK & Ireland are permissible for covered warrants and structured products admitted to trading in off order book sectors (appendix 1). Issuers should refer to the Exchange's Admission and Disclosure Standards for guidance.

Both counterparties must agree pre-trade to settle the security in a specified alternative settlement venue.

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12.0 Corporate actions

The procedure to be followed in the event of a corporate action in the underlying is to be outlined in the prospectus document.

It is the responsibility of the issuer to notify the London Stock Exchange of any changes to be made to their securities in light of a corporate action by submitting the following to cwissuance@londonstockexchange.com.

- A trading form detailing affected securities with required changes clearly highlighted;
- Covering email detailing the relevant corporate action in relation to the underlying and the precise impact on the issuer's covered warrants or structured products; and
- A regulatory announcement to notify the market of changes in the covered warrants or structured products.

13.0 Automatic early expiry

Where the terms of a product provide for the automatic and early expiry of a covered warrant or structured product, the liquidity provider may immediately withdraw executable quotes. Subsequently, the following process must be followed:

- The Issuer must advise the UKLA immediately and email cwissuance@londonstockexchange.com and marketabuse@londonstockexchange.com detailing the ISIN and TIDM of affected securities.
- The Issuer should make a regulatory announcement before the next market open.

The covered warrants or structured products will be withdrawn from trading in due course. The Issuer is required to submit expiry values within three business days.

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14.0 Ratios

It is assumed, unless there is a specific reason for the divergence to be discussed with the Exchange in advance, that Issuers will adopt the market standard ratio where one already exists, in relation to an underlying asset to avoid any unnecessary confusion.

Bearing this in mind, when issuing a covered warrant on a new underlying, it is for the Issuer to determine the most appropriate ratio, taking particular account of the price of the underlying.

15.0 Suspension

Trading in any covered warrant or structured product will be suspended upon instruction from the UKLA where the underlying itself is subject to a suspension.

Additionally, trading in covered warrant or structured product segments may be suspended where it impacts the operation of the underlying market.

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16.0 Appendix 1 – segment and sector classification

Segment and sector classification

Service	Segment	Sector	Description	Trading	Quoting
Leveraged Products	LVSD	CVWT	Covered Warrants	On book	Continuous quoting
		KNCK	Knock Out Products	On book	Continuous quoting
		OTHE	Other Leverage Products	On book	Continuous quoting
		OFLV	Off book Leverage Products	Off book	No quoting
Investment Products	INSD	CAPP	Capital Protected	On book	Continuous quoting
		TRAK	Trackers	On book	Continuous quoting
		YLDE	Yield Enhancement	On book	Continuous quoting
		PART	Participation	On book	Continuous quoting
		OTHR	Other Investment Products	On book	Continuous quoting
		OFIN	Off book Investment Products	Off book	No quoting

17.0 Appendix 2 – naming convention

Convention for short name

Data element	Order	Max Length	Variables
Issuer	1	5	Market Participant mnemonic of up to 4 letters, allocated by the Exchange
_	2	1	1 underscore used as separator
Underlying identifier	3	7	Code of up to 7 characters that identifies the underlying using TIDM, Comstock or other code. The full code may be truncated of necessary
_	4	1	1 underscore used as separator
TIDM	5	4	Unique Exchange code of up to 4 alpha-numeric characters

The maximum total length of a short name is 15 characters.

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Convention for long name

Data element	Order	Max length	Variables
Issuer	1	5	Market Participant mnemonic of up to 4 letters
_	2	1	1 underscore used as separator
Underlying identifier	3	7	Code of up to 7 characters identifying the underlying using TIDM, Comstock or other codes. The full code may be truncated if necessary
_	4	1	1 underscore used as separator
Warrant type	5	4	Call, Put or Dual
_	6	1	1 underscore used as separator
Warrant style	7	1	A for American / E for European / B for Bermudan
_	8	1	1 underscore used as separator
Expiry date	9	6	Date on which security will expire dd/mm/yyyy
_	10	1	1 underscore used as separator
Strike price currency	11	3	Denotes the currency in which the underlying will be valued at expiry following ISO standards
_	12	1	1 underscore used as separator
Strike price	13	5	Denotes the price at which holders may either buy (call) or sell (put) the underlying

Maximum total length of a long name is 40 characters.

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