London
STOCK EXCHANGE

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28 September 2007

**For the attention of the**
**chairman/senior partner/compliance officer,**
**all member firms**

**N66/07**

# STOCK EXCHANGE NOTICE

## EXCHANGE RULES FOR MIFID - TRANSITIONAL MEASURES

### Introduction

1. Stock Exchange Notice N63/07 issued on 13 September 2007 set out the effective implementation date of the changes to the Rules of the London Stock Exchange ("the Rules") in preparation for MiFID, as 22 October 2007.

2. Further to the release of N63/07, the Exchange has received questions from several member firms on the timing of the Rules implementation and expressions of concern regarding market readiness for trade reporting utilising the Exchange's new configuration and message types.

3. The Exchange has carefully considered the market readiness issues and has developed, with input from market participants, a number of technical and regulatory measures intended to alleviate the market readiness concerns and to assist member firms' compliance with the Rules with effect from 22 October 2007.

4. This Notice also reiterates the Exchange's intention to take a pragmatic approach to enforcing its rules during the 'transitional period' from 22 October 2007 until MiFID implementation and describes a specific change to the Exchange's rules on the reporting of riskless principal trades, made as a result of feedback received from member firms.

### Trade type indicators

5. Following feedback from member firms, the Exchange will continue to offer the existing trade type indicators alongside the new MIFID trade type indicators during the transitional period. Member firms will note that the existing trade types will be accepted by TradElect™ and will be converted to a new MIFID trade type on the outgoing Infolect message. Details of the existing trade types and their appropriate MiFID conversions are set out in Service Announcement 75/07, which was issued today.

### Post trade transparency

6. As stated in N63/07, the Exchange will adopt the new MiFID deferred publication regime with effect from 22 October 2007. Member firms should therefore utilise the new trade type indicators if deferred publication is required or to ensure immediate post trade transparency. For the transitional period the legacy trade type indicators will continue to be available, although they will publish to the market on the basis of the revised regime's delay arrangements and will convert on publication to the appropriate new trade type.

7. Since worked principal agreements and protection are no longer applicable under the Rules from 22 October there is no obligation to notify the Exchange if a member firm is entering into such a transaction. For the transitional period, on input, a 'WT' trade type will publish immediately as an 'OK'. Member firms are again referred to Service Announcement 75/07 for the detail of the conversion trade types and, in particular, should ensure they are aware of the publication arrangements following conversion to the new trade types.

### Riskless principal trades

8. The Exchange has received feedback that its requirement for the reporting of the client-side legs of riskless principal transactions has significant impact on market participants' readiness for the Exchange's technical go-live on 22 October and for MiFID compliance in general.

9. The Exchange recognises that there is no requirement under MiFID to publish the second leg of a riskless principal trade entered into at the same time and price. Therefore, the Exchange will be changing its rules to not require such trades to be executed and reported under the Exchange's rules unless firms wish to do so, with effect from 22 October.

10. The guidance to the on-Exchange rules in this area will therefore include the following information:

    *In relation to rules 3000.2 and 3000.3, where a member firm is interposed between two principal trades entered at the same time and price and one trade has been reported for publication, there is no obligation to report the second leg to the Exchange. Member firms should note that if they wish the second leg to be regarded as an on Exchange transaction then they will have to submit a separate, non publishing trade report using the "NM" trade type. This will ensure the Exchange has a satisfactory audit trail for the second principal trade.*

### Transitional Provisions

11. The Exchange will seek to assist any member firms that experience compliance difficulties during the transitional period and will take a pragmatic approach to the enforcement of its Rules during this time. Firms requiring assistance should contact the Exchange's Market Supervision team on 020 7797 3666 Option 2.

12. A confirmation Notice setting out the Exchange's final Rules for MiFID will be issued shortly.

13. Any comments or queries on this Notice should be addressed to John Newbury, telephone (0044) 20 7797 1615, STX 31615, email jnewbury@londonstockexchange.com.

Nick Bayley
Head of Trading Services

This Stock Exchange Notice will be available on the website at:
http://www.londonstockexchange.com/en-gb/products/membershiptrading/rulesreg/stockexnoticesnew/