



London
Stock Exchange

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17 April 2009

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

N21/09

STOCK EXCHANGE NOTICE

TEATHERS LIMITED – IN DEFAULT – DATA RECONCILIATION AND NET AMOUNT CERTIFICATION PROCESS – NEXT STEPS

1. The London Stock Exchange (“the Exchange”) issued Stock Exchange Notice N13/09 on 5 March 2009 regarding the default of Teathers Limited (“Teathers”, formerly known as Landsbanki Securities (UK) Limited). That Notice and its attachment provided details of the data reconciliation and net amount certification process for relevant principal contracts that the Exchange proposes to apply in relation to the default and allowed a period for comment by Teathers and other market participants.

Confirmation of Process

2. The Exchange did not receive any substantive comments from Teathers or other market participants on the proposed data reconciliation and net amount certification process. Therefore, the Exchange confirms that it will now follow the process outlined in N13/09 and its attachment.
3. Further details of the process and an amended indicative timetable are set out in this Notice.

Consultation on Initial Determination

4. The Exchange will issue an initial determination to Teathers and each of its counterparties in the form of a spreadsheet. This spreadsheet will identify those trades the Exchange has initially determined as being on Exchange and unsettled at the time the default was declared, and which it therefore proposes to include in a net amount certificate (“NAC”). Some of these trades may not have been submitted by Teathers or its counterparties but trade reports and/or CREST records demonstrate the existence of an unsettled on Exchange trade.

5. The initial determination will also separately identify any trades submitted by Teathers or its counterparties that have been determined by the Exchange not to be both on Exchange and unsettled.
6. As noted in N13/09, Teathers' agency operation (member firm code 721) traded with its market making operation (member firm code 777) when executing some of its agency business, in what are termed "dual capacity trades". Where an on Exchange non-central counterparty trade was unsettled at the time the default was declared and was undertaken by Teathers in a dual capacity the Exchange will treat it as if it were a relevant principal contract (i.e. as though Teathers dealt as principal with its client). The relevant hammer price will therefore be applied to such trades and a net sum calculated in accordance with Rules D141-144.
7. Each initial determination will include a draft net sum calculation representing the Exchange's provisional view of the counterparty's position in relation to Teathers. This draft net sum calculation may be subject to change in light of any further evidence received by the Exchange regarding the eligibility of trades to be included within the default process.
8. It is anticipated that the Exchange will begin issuing initial determinations to Teathers and its counterparties, on a phased basis, in late April 2009.

Assessment of Further Evidence, Confirmation of Net Amounts and Certification

9. Teathers and its counterparties will be asked to advise the Exchange whether they agree or disagree with the initial determination within three weeks of its receipt. If Teathers and/or its counterparty do not agree with the Exchange's initial determination, they should provide further evidence in support of their position. The Exchange will assess this further evidence carefully to help it reach a final determination on which trades should be included in the relevant NACs before they are issued.
10. In instances where Teathers and the relevant counterparty agree with the Exchange's initial determination, the Exchange will be in a position to issue the NAC as part of Stage 4 of the data reconciliation and net amount certification process. The Exchange does not intend to issue final NACs until it determines it is right to do so, having allowed sufficient time for Teathers and counterparties to review the initial determinations and produce such evidence as they deem appropriate.

Hammer prices

11. The Exchange has published hammer prices for those securities which it believes are covered by its default procedures. Where a market middle price was not available on the Exchange immediately before the declaration of default, the Exchange has taken the price of the last trade prior to the declaration of default.

12. Member firms should be aware that hammer prices have been published in the relevant currency in which the security trades. In preparing NACs, the Exchange confirms that, in accordance with Rule D144, it will convert each amount due into sterling using the spot rates of exchange set by the Bank of England at 16:00 on Monday, 24 November 2008 (published at 09:30 on Tuesday, 25 November 2008), as set out in Stock Exchange Notice N10/09 (and not the exchange rates previously referred to in Notice N40/08 of 28 November 2008).

Indicative Timetable

13. The Exchange has reviewed the timetable outlined in the attachment to N13/09 and prepared an amended version. Indicative dates are now as follows:

- Complete data reconciliation process – April 2009
- Commence issuing initial determinations – Late April 2009
- Commence issuing NACs – May 2009
- Completion of default procedures – June 2009

14. Any queries should be addressed to:

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Tim Rowe, Trading Services, telephone +44 (0)20 7797 3468 (STX 33468) or email: trowe@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/>

Calls to London Stock Exchange plc may be recorded to enable the Exchange to carry out its regulatory responsibilities.