

Attachment 2 to Stock Exchange Notice N37/09

Change to the definition of agent

agent a **member firm** acting on behalf of a **customer** or **counterparty** in an agency capacity

Changes to clarify Rule 1040

Appeals and complaints [1040]

G 1040	An applicant or member firm may appeal against a decision of the Exchange pursuant to these rules and in accordance with the rules in the compliance procedures .
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Guidance to Rule:

Appeals may be made in connection with, but not limited to, the following situations:

- ~~• refusal or attachment of conditions to the grant of membership;~~
- ~~• suspension of a **member firm** from trading;~~
- ~~• termination of membership;~~
- ~~• imposition of requirements or restrictions, or the postponement of effective date of, or imposition of other measures in connection with the **member firm's** resignation; or~~
- ~~• the refusal of registration or against withdrawal of registration as a **market maker**.~~

*Any appeal under this rule shall be conducted in accordance with the pre-amble to the procedures set out in the **compliance procedures**.*

*There may be situations where the **Exchange's** decisions may not be appealed e.g. where the reversal of a decision would lead to market instability or disorder. However in these cases, a complaint can be made against the **Exchange's** decision. Details of how to make a complaint can be found on the **Exchange's** website:*

<http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/making-complaint/making-complaint.htm>

Change to clarify the guidance to Rule 3030

Trade Publication [3030-3035]

Deferred publication

G 3030 P	A member firm may elect to use the deferred publication facility where the trade is between the member firm dealing on own account and its customer .
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Guidance to Rule:

*A **member firm** may elect to delay the publication of a trade by submitting a **trade report** with the relevant trade type indicator. This facility does not apply to a trade:*

- where the **member firm** is acting in an agency or a riskless principal capacity;
- offsetting an existing **deferred publication**; or
- in a security that is suspended.

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Change to clarify the guidance to Rule 3040

Required content of trade reports [3040]

G P GT	3040	A member firm must ensure that the content of a trade report is accurate and entered in accordance with the guidance to this rule and the parameters .
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Guidance to Rule:

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Dealing capacity

*The dealing capacity must be either "A" for **agent**, or "P" for **principal**. **Member firms must ensure that their dealing capacity is entered correctly on every trade report they submit to the Exchange.** Doing so may prove important, for instance, in the event of a **member firm** (either the firm reporting the trade or another firm) being declared a **defaulter** on the **Exchange**.*

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Changes to clarify the guidance to Rule 4220

Exceptions to obligations of market makers in quote driven securities [4220-4221]

G	4220	A market maker is under no obligation to:
	4220.1	deal where it is approached by a dealing agent acting for a market maker registered in the security in question;
	4220.2	deal where it is approached by a broker dealer acting as principal ;
	4220.3	deal in a security where there is a public holiday on a venue on which the relevant security, or a security underlying the relevant security, has its principal listing ; or
	4220.4	deal in a security where there is a trading halt on a venue on which the relevant security, or a security underlying the relevant security, has its principal listing and may delete its firm quotes . A market maker must re-enter its firm quotes on resumption of trading.

Guidance to Rule:

Rule 4220.1 & 4220.2

*The rationale for this rule is to protect **market makers** in their capacity as named liquidity providers when performing business in accordance with their obligations. ~~A **member firm** acting as **principal** for a **customer** with regard to a 'give up' would not be subject to this rule.~~*

Rule 4220.2

*A **market maker** would however continue to be obliged to deal with a **broker dealer** acting as **principal** for a **customer** (e.g. as part of a riskless principal trade or a 'give up').*

Changes to clarify the wording of Rules 5310, 5311 and 5313

Valuations [5310-5313]

5310	<u>Except for central counterparty transactions</u> , where new securities have not been delivered in settlement of a free of payment claim in a transferable security resulting from an on Exchange transaction which has settled, the buyer may give the seller notice in writing that the seller shall deliver the new securities, or pay the value thereof, by the close of business on the third business day after receipt of the valuation notice. Such notice may be given from the fourth day after the new securities have been made available by the issuer or its agent. The seller shall deliver the new securities, or pay their value as instructed.
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5311	<u>Except for central counterparty transactions</u> , where a seller, having paid the value of the new securities, delivers all or some of them, the buyer shall repay the seller the value of the new securities in proportion to the securities delivered against a claim from the seller.
...	...
5313	<u>Except for central counterparty transactions</u> , where a security has been sold and a benefit or its cash equivalent is to be paid to holders of the security in a foreign currency, but it is agreed that the seller shall account for it in sterling, then unless otherwise agreed, the conversion rate in respect of the benefit shall be the closing mid-price spot rate on the day the benefit is due.

Changes to clarify the wording of Rule 5320

Overseas securities [5320]

G 5320	Excluding central counterparty securities a member firm shall treat overseas securities whose principal listing is not on the Exchange as being ex a benefit from the time they are marked ex that benefit on the home exchange <u>where they have their principal listing</u> , unless otherwise agreed with the counterparty to the trade. This rule does not apply where <u>the Exchange has marked the security as ex a benefit</u> .
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Guidance to Rule:

~~**Overseas securities shall not be treated as such if they are also central counterparty securities.**~~