



**London**  
Stock Exchange

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1 October 2009

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

**N44/09**

## **STOCK EXCHANGE NOTICE**

### **Confirmation of Proposed Rule Amendments – Gilt Inter Dealer Broker Service Provision**

#### **Introduction**

1. In Stock Exchange Notice N30/09 the London Stock Exchange (“the LSE”) invited comments on the proposed amendments to the Rules of the London Stock Exchange (“the rules”) in relation to its rules regarding Gilt Inter Dealer Broker (“Gilt IDB”) service provision.

#### **Market feedback**

2. Respondents to the consultation were appreciative of the LSE’s efforts in clarifying the rules regarding Gilt IDB service provision and the LSE is able to confirm the rule amendments for the proposals listed below:
  - the expansion of the Gilt IDB definition to include trading with the UK Debt Management Office (“DMO”) in near maturity gilts and the trade reporting responsibilities for these transactions;
  - access to Gilt IDB services to be restricted to authorised principal traders within a Gilt-Edged Market Maker (“GEMM”); and
  - the provision of a Gilt IDB service description to all GEMMs together with guidance on the maintenance of service descriptions.

3. In addition to the above proposals, the LSE sought to clarify the scope of Gilt IDB service provision in terms of transaction types offered and, prior to the consultation, engaged with the Gilt IDBs, GEMMs and the DMO in an attempt to find an overall approach acceptable to all. As a result, N30/09 also contained a proposed list of eligible transaction types that could be offered through a Gilt IDB screen.
4. Unfortunately, responses to the consultation indicated a wide range of views among market participants. Some parties indicated that they would like to see a broader range of transactions permitted, whilst others requested that the range be significantly narrower.
5. The transaction types that have proven contentious are primarily those undertaken OTC. The LSE is conscious that it has been attempting to develop rules that relate in practice, to member firms' OTC business, and this has been undertaken in the interests of the broader market. Inasmuch as a compromise on which parties can agree has proved elusive, the LSE believes it would not be justifiable for it to impose a solution on all parties regarding their OTC business.

#### **Eligible transactions list**

6. As a result of the above, the LSE has concluded that it is unable to adopt the list of eligible transaction types as provided in Attachment 2 of N30/09. Rather, the LSE's list of eligible transactions will relate only to those that can be undertaken on the LSE, with reference to the instruments that the LSE admits to trading. This information will now be included as part of the guidance to rule 1126. Any activity undertaken OTC, and the extent to which it is organised through the provision of prices on a Gilt IDB's screen, will be a matter for the Gilt IDB in question and the demand it perceives there to be amongst the GEMMs. These transactions will sit outside the rules of the LSE.

#### **Gilt IDB service descriptions**

7. All Gilt IDBs are requested to submit updated copies of their service descriptions to the LSE and the DMO prior to the effective date of the rules amendments. For the LSE, please submit service descriptions to Dagmar Banton, UK Regulation, or email [dbanton@londonstockexchange.com](mailto:dbanton@londonstockexchange.com) For the DMO, please submit service descriptions to Martin Duffell, Head of Gilt and Cash Dealing, or email [giltdealing@dmo.gsi.gov.uk](mailto:giltdealing@dmo.gsi.gov.uk)

#### **Authorised principal traders**

8. All GEMMs are requested to ensure that the DMO has an up to date list of their principal traders authorised to bid in the gilt auctions (and therefore to have access to Gilt IDB services), prior to the effective date of the rule amendments.

## **Effective date of rule changes**

9. Attachment 1 to this Notice details the confirmed rule amendments. These rule amendments will become effective from 19 October 2009. An updated version of the rules will be available from this date on the LSE's website at:  
<http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/rules-regulations.htm>
10. Any comments or queries on this Notice should be addressed to Dagmar Banton, UK Regulation, telephone +44 (0)20 7797 1210 (STX 31210) or email [dbanton@londonstockexchange.com](mailto:dbanton@londonstockexchange.com)

Nick Bayley  
Head of UK Regulation

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.