



London
Stock Exchange

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22 July 2010

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

N16/10

STOCK EXCHANGE NOTICE

Inappropriate Orders and Erroneous Quotes

Introduction

1. The London Stock Exchange (“the Exchange”) issued Stock Exchange Notice N12/10 on 17 May 2010 to consult on proposed amendments to the Rules of the London Stock Exchange (“the rules”) introducing guidance on inappropriate orders and erroneous quotes. The Exchange would like to thank all those parties who responded to the consultation.

Rules amendments - Inappropriate Orders

2. During the consultation period, the Exchange received feedback from some market participants raising concerns in relation to the introduction of rules and guidance on inappropriate orders. These concerns centred on the necessarily subjective nature of what is considered an inappropriate order and the consequential difficulties in coding order management systems to adequately capture such orders.
3. The Exchange acknowledges participants’ concerns on this topic and does not therefore intend to adopt the proposed rules in relation to inappropriate orders. Notwithstanding this approach, the Exchange remains of the view that such orders can have a detrimental impact on the efficiency and orderliness of the Exchange’s markets, potentially reducing participants’ confidence to trade. The Exchange will therefore produce a Compliance Update providing further guidance on order book conduct and inappropriate orders.

4. Where inappropriate order book activity is observed, the Exchange reserves the right to query such behaviour with participants and will continue to engage with member firms in a collaborative manner to determine any mitigating action. This is the current practice of the Exchange and will remain unchanged going forward.

Rules amendments - Erroneous Quotes

5. The Exchange will implement the rules amendments regarding erroneous quotes in order to make clear that quotes as well as orders are subject to rule 2101.

Effective date of rule changes

6. The attachments to this notice confirm the rules regarding erroneous quotes which will come into effect on 2 August 2010. An updated version of the rules will be available from this date on the Exchange's website at:

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

A Compliance Update regarding order book conduct and inappropriate orders will be issued shortly after this date.

7. Any comments or queries on this notice should be addressed to Nisha Patel, UK Regulation, telephone +44 (0)20 7797 3101 (STX 33130) or email: npatel@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.