



London
Stock Exchange

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5 August 2011

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

N15/11

STOCK EXCHANGE NOTICE

Notification – Fixed penalty regime for late trade reporting

Introduction

1. The London Stock Exchange (“the Exchange”) currently has a fixed penalty regime in place for the submission of late trade reports. Having recently reviewed the efficacy of this regime, the Exchange now proposes to withdraw it. This Notice outlines the alternative approach that the Exchange will take to monitoring the timeliness of trade reporting by its member firms.

Background

2. Rule 3020 of the Rules of the London Stock Exchange (“the rules”) requires member firms to trade report their on Exchange business within three minutes of execution. Trades that are automatically executed on an Exchange order book generate immediate trade reports thereby ensuring member firms’ compliance with rule 3020. For on Exchange trades executed away from order books member firms are required to submit manual trade reports.
3. In the late 1990s the Exchange introduced a fixed penalty regime for late trade reports. Its aim was to encourage member firms to comply with the trade reporting rules and also to review their reporting systems and controls regularly to ensure accurate and timely reporting.
4. In 2007, for the implementation of the Markets in Financial Instruments Directive (MiFID), the Exchange changed its rules to enable members firms to undertake off-book trades outside the scope of the rules and to publish those trades elsewhere.

Exchange review

5. The submission of timely trade reports continues to be important to the Exchange, both to facilitate transparency but also to enable effective monitoring of its markets. The Exchange has recently reviewed whether the existing fixed penalty regime continues to be the most effective method of ensuring compliance with rule 3020. The Exchange's conclusion was that the existing regime had limited effectiveness in improving the timeliness of member firm reporting and it therefore proposes to withdraw the fixed penalty regime and replace with the arrangements set out below.

Proposed approach

6. The Exchange will in future monitor member firm compliance with rule 3020 using its existing surveillance and reporting systems. If the Exchange identifies apparent non-compliance with the rule it will, in the first instance, contact the member firm concerned and work with it in order to resolve the trade reporting issue(s).
7. If a firm persistently submits large numbers of late trade reports, without reasonable excuse, the Exchange may consider taking disciplinary action. The factors which the Exchange takes into account when considering disciplinary action are set out in the Compliance Procedures of the Exchange's rules. These include:
 - the seriousness, size and nature of the rule breach;
 - the actual or potential market impact of the rule breach, and any other repercussions;
 - the extent to which the rule breach was deliberate or reckless; and
 - the general compliance history of the member firm and any specific history regarding the rule breach in question.
8. This approach will be implemented with effect from Monday 26 September 2011.
9. 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

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