



London
Stock Exchange

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

N17/11

STOCK EXCHANGE NOTICE

Consultation on Proposed Rule Amendments - Settlement Rules

Introduction

1. The London Stock Exchange (“the Exchange”) has undertaken a review of the settlement, clearing and corporate actions rules within the Rules of the London Stock Exchange (“the rules”). The last major revision of the rules was in 2007 for the implementation of the Markets in Financial Instruments Directive, at which time the settlement section was unaffected.
2. The Exchange has undertaken this review in order to ensure that the rules in this area remain fit for purpose and reflect current market practice. Where possible, the Exchange has sought to make these rules generic, to remove legacy rules and guidance which the Exchange believes is no longer required. Other rules have been updated and reordered according to subject.

Rule amendments

3. A summary of the main proposals are set out below:

Settlement rules

- all detailed rules relating to “good delivery” for non-electronic settlement have been combined into a single set of rule guidance;
- there is a general move towards shorter settlement cycles, and as a result of reviewing the range of settlement due dates submitted on trade report data, it is proposed to reduce the maximum settlement period for an on Exchange trade from 25 days to 20 days; and

- rules considered to be out of date/no longer relevant have been removed.

Clearing rules

- minor updating of guidance where required;
- instances of repetitive rules/guidance removed; and
- the introduction of a new rule and guidance regarding the outage of central counterparties.

Corporate action rules

- rules relating to specific optional stock situations removed with new generic rules proposed; and
- some rules re-ordered and grouped so that they are in their relevant context.

Extended rules consultation

4. The settlement rules were originally drafted at a time when the Exchange was centrally involved in the settlement process and, as this is no longer the case, it is important to receive feedback from member firms in order to ensure the continued relevance of the Exchange's settlement rules. Due to the specialist nature of the subjects covered by this review, member firms are encouraged to seek feedback from those operational and business areas impacted. In order to facilitate this process the rules consultation period will be extended to 8 weeks.
5. Attachment 1 to this Notice contains the proposed amendments in marked up form together with detailed tracked change information. Due to the number and complexity of the proposed amendments an additional clean version of the amendments is contained in Attachment 2, this provides an indication of how the settlement chapter may look in its new form were all proposed changes to be adopted.
6. Member firms are invited to comment on the proposed rule amendments by close of business on Friday 16 December 2011. 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 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