

Attachment 2 to Stock Exchange Notice N17/11

SETTLEMENT, CLEARING AND BENEFIT RULES

Settlement

Obligation to settle [5000]

G	5000	A member firm shall ensure that every on Exchange trade effected by it is duly settled.
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Guidance to Rule:

A **member firm** is responsible for ensuring the delivery of securities on the agreed settlement due date for all its **on Exchange** business, whether the **member firm** sold as **agent** or **principal**

Settlement can be gross or net. In the absence of agreement to the contrary, gross settlement should be assumed.

This rule is included to ensure the orderly functioning of the **Exchange's** markets and because the **Exchange** has an obligation under its recognition by FSA to have in place arrangements for the performance of all transactions conducted using the **Exchange's** facilities. **Member firms** are obliged to ensure the settlement of trades entered into under their name. This obligation exists even if the reason for non-settlement is because of a **customer** or **counterparty** failing to settle and / or when the **member firm** is acting as **agent**.

Time of settlement [5010-5011]

P	5010	Unless otherwise agreed at the time of trade, trades are for standard settlement for the security or market as detailed in the parameters .
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G	5011	Unless otherwise agreed with the Exchange a member firm shall not agree a settlement due date for an on Exchange trade more than 20 days after the date of the trade.
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Guidance to Rule:

This maximum restriction does not apply in the case of a return of stock under a **lending arrangement**.

Guaranteed delivery [5020]

G	5020	A member firm shall only effect a trade for 'guaranteed delivery' where stock is readily available to the member firm at the time of trading.
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Guidance to Rule:

Where trades are effected under rule 5020, the **seller** shall raise the settlement priority (or take other equivalent action) of guaranteed delivery trades above any other trades not dealt for guaranteed delivery which are due for settlement on the same day.

Place of settlement [5030]

G	5030	A member firm should agree the place of settlement at the time of the trade but where this is not the case it should settle trades in the 'standard' place of settlement for the security or market.
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Guidance to Rule:

This rule is only applicable to bilateral trades. **Central counterparty** trades will be subject to the rules and procedures of the relevant **central counterparty**.

A trade shall be settled in accordance with the rules and procedures of the clearing and settlement system used. Any special terms or conditions relating to the settlement of a

trade shall be agreed at or prior to the time the trade is effected and shall be clearly stated and described as such on any confirmation of the trade. Partial settlement shall not be permitted without the prior agreement of both parties to the trade subject to the procedures of the relevant settlement system operator.

A member firm shall:

- conform to the good delivery requirements of the clearing and settlement system used
- ensure that securities delivered in settlement of a trade are free of any charge or encumbrance
- be responsible for the authenticity of transfer documents and certificates submitted by it, whether on its own behalf or on behalf of another **person**, and whether directly or through any agency.

Non-electronic settlement

Bearer securities

- When settling trades in bearer securities or renounceable letters of allotment, a **member firm** shall keep a record of the number of the certificate or letter together with a record of the trade.
- A buying **member firm** may only return a certificate which has been delivered in an imperfect condition, (materially torn or damaged, having a material part of the wording obliterated or with insufficient or irregular coupons), within eight days of its delivery.
- The delivery of bearer securities (other than securities normally dealt for next day settlement) without the coupon before they are made ex coupon is not good delivery
- Where bearer securities other than securities normally dealt for next day settlement are made ex dividend on or before the due date for settlement of a trade, the seller shall deliver the securities ex the coupon and account to the buyer for the dividend paid net of income tax.
- Where 3.5 per cent War Loan in bearer form is sold cum dividend and delivered after the ex dividend date, the bonds shall be delivered without the coupon, and the dividend settled without deduction of tax.

Trades in assented shares

Where a trade is dealt in assented shares, the delivery of unassented shares accompanied by a form of assent is not good delivery.

Certified Transfers

The **buyer** of securities may refuse to pay for a transfer unaccompanied by the certificate unless, in the case of securities on a **United Kingdom** register, the transfer is certified by the issuer.

Payment

- A **buyer** is not obliged to pay before the due date for settlement for securities delivered before that date. Unless otherwise agreed, a **buyer** shall pay for securities against delivery.
- A **member firm** is not obliged to pay a **customer** or **counterparty** of another **member firm** for securities bought **on Exchange** from that **customer** or **counterparty** unless required to do so by proceedings in accordance with the **default rules**.

Closed registers of companies in liquidation [5040-5042]

5040	Where a register has been closed following liquidation of the issuer, a buying member firm shall pay against delivery of the transfer and certificate, or certified transfer, provided that it is accompanied by an authorisation from the registered holder to the liquidator that the liquidator pay to the buyer or its customer or counterparty any return of capital.
5041	A seller who is unable to deliver the documentation under rule 5070 may not require payment until completion of the winding-up, at which time any distribution by the liquidator shall be delivered to the buyer .
5042	Where settlement of a central counterparty contract cannot take place because of a court, administrative, or regulatory order, or because of an insolvency event affecting the issuer of such securities, such central counterparty contracts shall be settled in accordance with the rules of the central counterparty .

Registration of securities delivered in non electronic form [5050-5052]

5050	Except as provided for in rule 5051, a member firm which has purchased securities, other than as part of a riskless principal trade, either on its own behalf or on behalf of a customer or counterparty , must ensure that the securities received are duly registered prior to any subsequent delivery of those securities in settlement of a sold trade.
5051	Rule 5050 applies to market makers unless, within two days of receipt of the securities by a market maker , that recipient market maker onward delivers the securities or, submits the securities for splitting, to facilitate settlement of a sold trade already dealt.
5052	Any member firm granted an exemption under rules 5050 or 5051 must state clearly on the stock transfer form or subsequent split transfer forms its name and the date of onward delivery.

Late settlement [5060-5061]

Failure to deliver

5060	Each member firm agrees that a failure by one party to a trade to deliver or pay for securities on the due date for settlement shall not in itself be a ground for either party to that trade to treat the trade as repudiated.
5061	A buyer may not claim that there is no obligation to pay for securities merely by reason of the fact that the securities were delivered later than on the due date for settlement.

Buying-in [5070-5083]

Request to buy-in

G 5070	In accordance with timescales and detailed guidance provided on the Exchange website, a member firm may request that the Exchange buy-in securities which have not been delivered in settlement of an on Exchange trade.
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Guidance to Rule:

Further detailed information relating to **buying-in** can be found on the **Buying-in** section of the **Exchange** website: <http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/buying-in/buying-in.htm>

Withdrawal of a buying-in request

5071	The requesting party must accept and pay for any securities delivered by the Exchange that result from a buying-in trade where the requesting party has failed to withdraw the buying-in request before the deadline set by the Exchange .
5072	The requesting party cannot withdraw a buying-in request in respect of a central counterparty trade , and will be required to accept delivery where settlement of the trade in respect of which it has issued the buying-in request has already occurred.

Suspension of buying-in

D 5073	The Exchange may, at its discretion, suspend, postpone (either for a defined period or indefinitely) or cancel the buying-in of securities at any time, either generally, or in relation to a particular member firm , or a particular security.
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Settlement of buying-in trades

5074	The Exchange shall notify the liable party of the details of the buying-in trade following which the liable party must immediately match a delivery instruction with the Exchange in CREST or in such other settlement system as notified by the Exchange .
5075	Securities resulting from a buying-in trade shall be delivered to the liable party as instructed by the Exchange .

5076	The liable party must ensure that securities received from the Exchange are immediately used to settle, in accordance with instructions received from the Exchange , the trade to which the buying-in request is related.
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Failure to buy-in

5077	Where the Exchange does not succeed in executing a trade pursuant to a buying-in request, the Exchange will notify the requesting party . Unless the requesting party then withdraws the buying-in request, the Exchange may, at its discretion, attempt buying-in on one more occasion only as follows:
5077.1	for trades other than those dealt for guaranteed delivery, any time up to five days after the first attempt; or
5077.2	for trades dealt for guaranteed delivery, on the next day following the first attempt.

Agreements to pass on costs

5078	Unless otherwise agreed in writing at the time of dealing, a buyer shall not pass on to a seller the costs incurred by it as a result of its failure to deliver against another trade, even though those costs may have been incurred because of that seller's failure to deliver.
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Liabilities

5079	Subject to rule 5080, the liable party shall indemnify the Exchange against any and all liability in respect of any costs or losses sustained by the Exchange arising out of the execution of a buying-in request.
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5080	A member firm that requests the Exchange to buy-in securities is responsible for any errors or omissions in its request and the Exchange shall not be liable in respect of any such errors or omissions.
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Price and charges

5081	All charges and fees in respect of a buying-in request, as detailed in the guidance provided on the Exchange's website, shall be payable to the Exchange by the liable party .
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5082	In order to obtain delivery of the relevant securities to fulfil a buying-in request, the Exchange may execute a trade at a price higher than the current market price. The liable party shall pay the Exchange such price, regardless of the price of the original trade that is the subject of the buying-in request.
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5083	Any difference between the price paid to the Exchange and the price of the original trade shall not be recoverable from, or payable to, the requesting party on settlement of the original trade.
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Clearing through a Central Counterparty

Clearing arrangements [5100-5102]

5100	A clearing member may only clear or agree to clear a trade in a given central counterparty security if it is party to a clearing membership agreement with the relevant central counterparty . A clearing member must comply with the rules and regulations and any reasonable conditions imposed by a central counterparty with which it has entered into a clearing membership agreement .
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G	5101	A member firm shall not enter an order in a central counterparty security into the trading system unless the following arrangements have been agreed with the Exchange :
	5101.1	it is a Non Clearing Member or clearing member and is party to a current, valid clearing agreement with a separate General Clearing Member that will clear any resulting trades; or
	5101.2	it is a clearing member itself and the order is in a principal or riskless principal capacity (and the Exchange may require the clearing member to act as principal on any resulting trades regardless of how the order was entered).

Guidance to rule:

*Where a model B arrangement is in use, rules 5101.1 and 5101.2 apply to the **model B firm** although the **introducing firm** will have the technical connection to the **trading system**.*

*All agency trades must be cleared by a **General Clearing Member** that is separate from the **member firm** that is party to the trade. A **member firm** that is itself a **clearing member** can only clear its own **principal** and riskless principal business and will need a separate clearing arrangement for its agency business.*

***Individual Clearing Members** can only clear their own trades.*

(Amended N26/10 – effective 14 February 2011)

	5102	A General Clearing Member shall be bound by the terms of a trade entered into in accordance with rule 5101.1, irrespective of anything contained in any agreement or arrangement between the General Clearing Member and the Non Clearing Member .
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Termination of clearing services [5110]

G	5110	A General Clearing Member must notify the Exchange prior to suspending its services as a clearing member to any member firm .
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Guidance to Rule:

*A pre-agreed person at a **General Clearing Member** must notify the **Exchange** by telephone and follow this up with written confirmation. In this event, **the Exchange** shall, at an agreed time, or as soon as is reasonably practicable, suspend the **member firm** from submitting orders in relation to all **central counterparty securities**, and delete any existing orders of that **member firm** residing in the **trading system**. The **General Clearing Member** remains liable for all trades involving the **member firm** executed prior to completion of these processes by the **Exchange**.*

(Amended N26/10 – effective 14 February 2011)

Central counterparty contracts [5120-5124]

	5120	The point at which a central counterparty contract comes into being will be defined in the rules of the relevant central counterparty .
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	5121	Where a central counterparty contract arises between a General Clearing Member and a central counterparty , another central counterparty contract shall arise between the Non Clearing Member (either as agent or principal) and the General Clearing Member (as principal) which shall be on the same terms as the central counterparty contract except that:
	5121.1	if the General Clearing Member is seller it will be a buyer in the resulting central counterparty contract ; and
	5121.2	if the General Clearing Member is buyer it will be a seller in the resulting central counterparty contract .

G	5122	If a central counterparty , in accordance with its rules, gives notice to the Exchange of its intention to cease registering central counterparty trades , no central counterparty contract shall arise from the point that registration is suspended. From the point that the registering central counterparty trades are suspended the Exchange may either:
	5122.1	switch central counterparty securities to automatic execution with bilateral trading and without a central counterparty ; or
	5122.2	continue automatic execution with those central counterparties which have not ceased registering central counterparty trades ; or
	5122.3	suspend automatic execution.

Guidance to Rule:

In the event that the Exchange is informed by a central counterparty of its intention to cease registering central counterparty trades, it will first suspend automatic execution in accordance with the market situation rule 1520. The Exchange will then either reinstate automatic execution with bilateral settlement, continue automatic execution with any remaining central counterparty(ies) where the securities trade are supported by more than one central counterparty, or continue to suspend automatic execution until such time that bilateral settlement can take place or until the central counterparty can again register central counterparty trades.

*The withdrawal of **central counterparty** service by a **central counterparty** is expected to be an extremely rare occurrence and in particular, it is considered unlikely that a **central counterparty** would withdraw its services following a technical problem - such as temporary system unavailability - that was expected to be recoverable without damage to its financial integrity.*

Bilateral trading

In the event that the Exchange has switched to bilateral trading without a central counterparty, member firms that wish to continue to trade on the order book will be expected to trade and settle on a bilateral basis in accordance with the Exchange's rules. As such, member firms that wish to participate in bilateral trading should have procedures and processes in place to ensure that their internal systems can manage the receipt of counterparty data and settle on a bilateral basis. These should cover front, middle and back office systems.

*The **Exchange** will provide **member firms** with reasonable notice of its intention to move to bilateral trading. The length of the notice period will depend on the circumstances at the time. However, **member firms** are advised that the **Exchange** may commence bilateral trading within a trading day. As such, **member firms** should consider in advance how they will implement a move to bilateral trading.*

*In order to facilitate the move to bilateral trading, automatic execution in **central counterparty** eligible securities will be suspended for a period of time. During this time, **member firms** that do not wish to participate in bilateral trading can delete their existing orders. The Exchange will also terminate access to the order book for those member firms whose membership profile is limited to trading in central counterparty securities. Trading will recommence with an auction call period.*

*The trading message received by **member firms** following the execution of an automatic trade will contain the **member ID** for its **counterparty** rather than the code for the **central counterparty**.*

***Member ID** codes are disseminated each morning as part of the daily Reference Data download. Alternatively, **member IDs** can be located in the Membership section of the Exchange's website.*

*Following a move to bilateral trading, centralised netting will not be available to those **member firms** which currently net. As such, all **member firms** will need the ability to settle trades on a gross basis. Whilst individual **member firms** can agree between themselves to settle on a net basis, they will need to be able to settle on a gross basis with those **member***

firms who do not net settle.

Continuation of automatic execution with remaining **central counterparties**

Where trading in securities is supported by two or more **central counterparties**, the **Exchange** may continue automatic execution with the remaining **central counterparties**. The **Exchange** will provide **member firms** with reasonable notice of its intention to continue trading in this way. Only those **member firms** with clearing arrangements with one of the available **central counterparties** will be permitted to enter orders in those securities. As such, **member firms** should consider in advance how they would implement a move to an alternative **central counterparty**.

G 5123	If a central counterparty fails, in accordance with its rules, to give notice to the Exchange of its intention to (a) cease registering and/ or (b) suspend the processing of, central counterparty trades , in the absence of any contrary indication from the Exchange [whereby the Exchange may act in accordance with rule 5122 above], the matched buyer and the matched seller shall be deemed to be subject to a bilateral trade on the same terms and at the same time as the orders were matched so that the matched buyer and matched seller settle the trade with each other directly. If the Exchange and the relevant central counterparty agree for the central counterparty to register a central counterparty trade which it has previously declined to register, upon such registration the bilateral trade between the matched buyer and matched seller shall be cancelled and a central counterparty contract(s) shall arise.
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Guidance to Rule:

Treatment of pre-suspension trades

The **Exchange** will always wish to ensure that any trade executed before the suspension of **central counterparty** services will be treated as a centrally cleared trade. However, the treatment of such trades will depend on the cause of the suspension.

The **Exchange** will communicate the status of pre-suspension trades as soon as possible after the conclusion of discussions with the relevant **central counterparty**.

G 5124	Notwithstanding the settlement arrangements, for central counterparty contracts , the clearing member clearing the trade remains responsible for ensuring that every central counterparty contract to which it is a party is settled.
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Guidance to Rule

This particularly relates to the situation where a **Non Clearing Member**, or its **settlement agent**, settles directly with the **central counterparty**. In this case, the **General Clearing Member** remains responsible to the **central counterparty** for settlement.

Settlement netting [5130-5131]

5130	Where pursuant to a central counterparty contract a clearing member has elected to settle a trade on a net basis in accordance with a central counterparty netting service , it must do so in accordance with the terms of that central counterparty netting service .
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5131	Pursuant to rule 5121, where the Non Clearing Member acts as agent and it, or its settlement agent , is performing settlement directly with the central counterparty on a net basis, the Non Clearing Member should ensure that its principal has consented to it settling on this basis. The General Clearing Member's obligations in respect of the trade to the Non Clearing Member's principal shall be performed when the net settlement is settled in accordance with the terms of the central counterparty netting service .
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Net settlements – effect of settlement [5140-5143]

G 5140	The obligations of the central counterparty , the clearing member and the Non Clearing Member in respect of the trade shall be performed when the net settlement is settled in accordance with the terms of the central counterparty netting service .
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Guidance to Rule:

Under the terms of the **central counterparty netting service**, a net settlement which

results in a zero cash and zero stock position may still be created, 'settle' on ISD and be time-stamped at the time of settlement. In such a case, the relevant **central counterparty contracts** are performed at the time indicated by the relevant time-stamp.

5141	Partial performance of net settlement instructions created through the use of the central counterparty netting service where trade date netting is used ("partial performance of net settlements") from the central counterparty will be treated as being pro rata performance of the underlying central counterparty contracts between the central counterparty and the relevant clearing member and between the General Clearing Member and the Non Clearing Member where the central counterparty is settling directly with the Non Clearing Member or its settlement agent .
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(Amended N08/10 – effective 15 April 2010)

5142	In the event of a default of the General Clearing Member or Non Clearing Member where partial performance of net settlements has not been allocated to the Non Clearing Members and the default procedures are invoked, the onward principal central counterparty contracts will be deemed as unsettled relevant principal contracts .
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5143	In the event of partial performance of net settlements where trade date netting is used between the General Clearing Member and the Non Clearing Member or its settlement agent (or directly from the central counterparty to the Non Clearing Member or its settlement agent as in rule 5141) resulting from agency trades, the General Clearing Member's obligations to the Non Clearing Member's customers in respect of these central counterparty contracts shall be deemed to have been partially performed on a pro rata basis. If the Non Clearing Member , or its settlement agent does not allocate, or allocates on an alternative basis, then it shall be deemed to have been pro rata and it shall be a term of the central counterparty contract that it shall be deemed partially performed on this basis.
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5144	The effect of partial performance of net settlement instructions created through the use of the central counterparty netting service where continuous net settlement is used shall be defined in the rules of the central counterparty netting service .
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General benefits

Entitlement to benefits [5200]

5200	A trade in a security effected on a day (including a trade effected before the mandatory period) that the Exchange makes a security ex an entitlement or at any time thereafter, shall be settled ex that entitlement, unless otherwise agreed at the time of dealing, or as specified in rule 5250.
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Central counterparty rules [5210]

5210	For central counterparty trades , where deadlines and procedures are mandated within the central counterparty rules for the processing of buyers' instructions in relation to benefit distributions and stock situations , member firms should adhere to the central counterparty rules .
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(Amended N22/10 – effective 18 October 2010)

Benefits for assented trades [5220]

5220	Any trade which is dealt in an assented security shall be dealt cum all benefits not already marked ex due in respect of the underlying security unless otherwise agreed at the time of dealing.
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Overseas securities [5230]

5230	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 exchange where they have their principal listing , unless otherwise agreed with the counterparty to the trade. This rule does not apply where the Exchange has marked the security as ex a benefit.
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(Amended N37/09 – effective 19 August 2009)

Special Cum trades [5240]

5240	A member firm shall not on Exchange effect a special cum trade on or after the payment date in the case of a cash benefit or on or after the distribution date in the case of a stock benefit.
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Special Ex trades [5250-5252]

5250	A trade in a fixed interest security due to be settled on or after the date on which the Exchange makes that security ex an entitlement, shall be dealt ex that entitlement unless otherwise agreed at the time of dealing.
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5251	A member firm shall not on Exchange effect a special ex trade in a fixed interest non-convertible security issued by a United Kingdom incorporated company or maintained on a register in the United Kingdom earlier than seven calendar days before the ex date.
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5252	A member firm shall not on Exchange effect a special ex trade in a security registered in the United Kingdom other than a security falling within rule 5251 earlier than the tenth day before the ex date.
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Calls on partly-paid securities [5260]

5260	Unless otherwise agreed, where delivery of partly-paid securities has not been made prior to the last time for registration before the call payment date, the seller shall be obliged to pay the call and the buyer shall reimburse the seller upon delivery of the fully paid (or next instalment paid) securities.
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Dividends

Payment of dividends [5300]

5300	The seller is responsible for any dividend due to the buyer unless there has been a delay of more than six months from the record date or three months from the pay date (whichever is the later) in claiming the dividend. After this time the seller must use reasonable endeavours to obtain the dividend from their customer or counterparty on behalf of the buyer .
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Settlement of dividend claims [5310]

G 5310	A dividend claim made by one member firm to another and not disputed shall be settled not later than 28 calendar days after receipt of the claim or 14 calendar days after the payment date, whichever is the later.
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Guidance to Rule:

Unless otherwise agreed at the time of the trade, dividends shall be payable in the same currency as that paid through the settlement system.

Dividends with alternatives [5320]

5320	Except in the case of overseas securities and central counterparty securities , where a company declares a dividend with one or more alternatives, a buyer wishing to opt for an alternative shall give the seller an instruction notice stating the form in which it requires the dividend:
5320.1	if the seller is acting as agent , not later than three days before the last date given by the company for accepting an alternative; or
5320.2	if the seller is acting as principal not later than four days before the last date given by the company for accepting an alternative.

Deduction of dividends [5330]

5330	Where the seller delivers securities direct to the buyer , the buyer may deduct a dividend to which it is entitled from payment if delivery is made after the last day on which transfers are accepted for registration cum dividend.
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Cancellation of dividends [5340]

5340	On receipt of information cancelling or deferring the recommendation or declaration of a dividend, the Exchange may issue a notice cancelling the ex action and, as a result:
5340.1	any notice published making the security ex dividend is automatically cancelled and devoid of effect;
5340.2	any document issued by the Exchange in respect of a cancelled dividend is automatically withdrawn and devoid of effect;
5340.3	a transaction effected ex dividend, other than a transaction effected special ex dividend, shall not be adjusted;
5340.4	a trade effected special cum or special ex dividend shall be adjusted by either, refunding the cash equivalent in respect of the cancelled dividend or, the seller re-attaching the coupon in respect of the dividend, in the case of a bearer certificate.

(Amended N17/10 – effective 2 August 2010)

Rights Issues

Relevant day [5400]

5400	Where the call payment day or registration day is not a business day the relevant day is the immediately preceding business day .
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Last time for issue of rights claims [5410]

G 5410	A buyer that issues a claim to a seller to deliver rights or registered securities shall do so in writing not later than the last time for claims in order to become entitled to those rights or the new securities as the case may be.
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Guidance to Rule:

*If the underlying securities are to be settled through a system that automatically generates claims such as **CREST** a claim for the associated **rights** is not required, as a notification will be issued to a **seller** requiring that **seller** to deliver as specified.*

(Amended N22/10 – effective 18 October 2010)

Delivery in settlement of trades in rights [5420]

5420	Except as is otherwise provided by these rules, where a rights offer is made by means of renounceable documents, the rights shall be delivered through CREST , unless the parties agree that they shall be delivered in renounceable documents fully renounced.
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Last times for delivery of rights [5430]

G	5430	A seller to whom a rights claim is issued shall deliver the rights at or before the latest time for delivery and a buyer is not obliged to accept delivery of rights after that time.
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Guidance to Rule:

*Where either the **seller** fails to deliver, or the **buyer** does not accept delivery, settlement of the **rights** shall take place in accordance with rule 5440.*

Obligations of seller where rights not delivered [5440-5441]

5440	Where nil paid or partly paid rights are not delivered by the latest time for delivery , the seller shall, unless a lapsing instruction has been given, make any payment due on the call payment day on behalf of the buyer . The buyer shall then refund to the seller the call payment against delivery of the paid up shares, or partly paid rights , as the case may be.
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5441	Where fully paid rights are not delivered by the latest time for delivery :
5441.1	the seller shall deliver the registered securities to the buyer ; and
5441.2	the seller is liable for any additional duties or fees payable in order to comply with legislation.

Late claims in respect of nil paid rights [5450-5451]

5450	Where a buyer issues a rights claim after the last time for claims but before the last time for acceptance of an offer, the seller shall, unless it has been able to prevent the rights lapsing, pay to the buyer an amount representing the lapsed rights premium, if any.
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5451	Where a buyer issues a rights claim more than six months after the last time for acceptance of an offer, its claim shall be treated as invalid, and the selling firm shall not be required to make any payment to the buying firm in respect of the lapsed rights premium.
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Late claims in respect of partly or fully paid rights [5460]

5460	Where a buyer issues a rights claim in respect of partly paid or fully paid rights after the last time for claims , the seller shall deliver the registered securities, and the buyer is liable for any additional duties or fees payable in order to comply with legislation.
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Lapsing instructions [5470-5471]

5470	Where a buyer does not receive full delivery of nil paid rights by the latest time for delivery the buyer may give the seller a lapsing instruction provided the instruction is received by 11.00 on the day before call payment day .
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Guidance to Rule:

*Where a **lapsing instruction** is given orally, the **buyer** shall confirm it in writing by 12.00 on the day after the day on which the instruction was given. The **member firms** concerned shall exchange the reference codes allocated by them to the trade and any subsequent confirmation relating to that **lapsing instruction** shall incorporate both reference codes.*

G	5471	Where a lapsing instruction has been given and, if necessary, confirmed, delivery of the rights may be dispensed with by agreement.
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Guidance to Rule:

*The delivery of the **rights** is dispensed with where the **lapsing instruction** is given via **CREST** in respect of a **central counterparty security**. Where the delivery of nil-paid **rights** is not required, the **buyer** must make payment in settlement of the trade and the **seller** must pay the **buyer** any lapsed premium which becomes payable.*

Capitalisation issues

Capitalisation claims [5500]

5500	Where a buyer of securities cum capitalisation, or CREST on behalf of the buyer , makes a claim for the benefit of the capitalisation issue, the member firm against which the claim is made shall meet that claim by delivering the new securities within six months from the record date or three months from the pay date (whichever is the later).
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Valuations [5510-5513]

5510	Except for central counterparty trades , 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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(Amended N37/09 – effective 19 August 2009)

5511	Except for central counterparty trades , 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 .
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(Amended N37/09 – effective 19 August 2009)

5512	The value of the new securities shall be calculated:
5512.1	by reference to the middle of the quotation shown on the Stock Exchange Daily Official List on the day the valuation notice is issued; or
5512.2	where there is no quotation shown on the Stock Exchange Daily Official List, on the opening price of the security obtained from the principal market on which it is dealt on the day the valuation notice is issued.
5513	Except for central counterparty trades , 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.

(Amended N37/09 – effective 19 August 2009)

Entitlement issues

Application [5600]

5600	Rules 5600 to 5630 apply where securities are offered, by the issuer or a third party, to the holders of existing securities in proportion to their existing holdings by means of an assignable application form or the equivalent uncertificated security .
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Entitlement claims [5610]

5610	Where a buyer of securities cum entitlement, or CREST on behalf of a buyer , makes a claim in writing for the assignment of the application form or the equivalent uncertificated security in favour of the buyer not later than 16.00 two days before the last day for acceptance, the buyer is entitled to receive the assigned application form or the equivalent uncertificated security , as applicable.
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(Amended N22/10 – effective 18 October 2010)

Last times for delivery [5620]

5620	A buyer is not obliged to accept delivery of an assigned application form or the equivalent uncertificated security after the specified time on the day before the closing of the offer.
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Obligations of seller where application form not delivered [5630]

5630	Where the assigned application form or the equivalent uncertificated security is not delivered by the time specified in rule 5620, and unless a lapsing instruction is received from the buyer prior to 11.00 on the day before the call payment date , the seller shall take up the entitlement and deliver the new shares against payment of the application money.
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Stock Situations

Instruction notices [5700-5702]

G 5700	In stock situations including conversions and takeovers a buyer may give an instruction notice specifying the option to which it relates, to the seller requiring delivery of:
5700.1	the unassented shares at a date which is not later than two days before the election date, the event record date or the final registration date whichever is the earlier; or
5700.2	the result of a stock situation or a specified election under the terms of the stock situation if it becomes effective.

Guidance to Rule:

Effective means unconditional in all respects in relation to takeovers.

G 5701	In the case of any instruction notice , other than those in a central counterparty security , the seller shall deliver the unassented shares or the result as instructed if the instruction was received no later than three or, in the case of a selling principal , four days before:
5701.1	the election date in the case of a specified election;
5701.2	the final registration date in the case of delivery of underlying shares if that is prior to the election date.

Guidance to Rule:

For the purposes of these rules final election date is also taken to mean:

- *the next closing date in relation to takeovers or similar events; or*
- *the last day for election for a specific conversion opportunity or similar event.*

5702	For instruction notices in central counterparty securities , the seller shall deliver the unassented shares or the result as instructed if the instruction was received by the seller before the CREST instruction deadline and, for voluntary events in central counterparty securities , where the intended settlement date of the trade was on or before the date of the CREST instruction deadline .
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Delivery of results for non-optional events [5710]

G 5710	Where the seller fails to deliver securities as traded, prior to the last time for registration in a non optional stock situation and the buyer has not given instructions to elect for any alternatives which may be available, the seller shall be obliged to deliver the results of the event against an amount of money equal to the original bargain consideration.
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Guidance to rule:

Rule 5710 applies to non-optional stock situations such as consolidations, subdivisions, redemptions, compulsory acquisitions, schemes and other stock situations where the holder of the securities has no option as to whether or not to participate.

Compulsory Acquisitions

*Where settlement has not taken place prior to expiry of compulsory acquisition notices, and in the absence of any instruction from the **buyer** to elect for an alternative, the **seller's** obligation shall be to deliver the consideration available to dissenting shareholders post expiry of the compulsory acquisition notices.*

Drawn securities [5720]

5720

Unless a trade has been dealt with a settlement due date prior to the drawing in question, a **buyer** shall, if the securities in question have been drawn since the trade was dealt, accept from the **seller** the drawing payment in place of the drawn securities in settlement of the trade.