Market Notice

19 March 2015

N03/15
Declaration of Default – Hume Capital Securities Plc

1 Member Firm Information Sheet 2015/021 issued on 12 March 2015, informed member firms that the London Stock Exchange ("the Exchange") had suspended the membership of Hume Capital Securities Plc ("Hume Capital") pending clarification of the firm's position.

2. Hume Capital entered the Special Administration Regime on 16 March 2015, with Julien Irving, Mark Colman and Andrew Duncan at Leonard Curtis Recovery Limited being appointed joint special administrators. The Exchange has subsequently been monitoring the position of the firm with regard to its outstanding on Exchange trades and has been in communication with the administrators.

3 In light of the information now available, the Exchange considers that Hume Capital is unlikely to be able to fulfil its obligations in respect of its approximately 130 unsettled Exchange market contracts. Therefore, under rule D100 of the Rules of the London Stock Exchange ("the rules"), Hume Capital was declared a Defaulter on the Exchange at 17:00 on 19 March 2015.

Ceasing of settlement

4. Member firms should ensure that no further settlement of their on Exchange transactions with the defaulter takes place. This is to ensure that the unsettled transactions, which will be covered by the Exchange's default procedures, are not separately settled. Euroclear UK and Ireland Limited (the operator of CREST) has suspended settlement of all trades undertaken by the defaulter due for settlement through its facilities.

5. The Exchange's default procedures will apply regardless of any "match-delete" activity undertaken in CREST. The "match-delete" process may change the status of a trade in the settlement system, but cannot validly deal with the underlying market contract. Similarly, any purported agreement between the parties to treat any unsettled trades as cancelled is ineffective as far as trades included in the default process are concerned.

Defaulter webpage

6. The Exchange has established a dedicated section on its website to provide interested parties with information on this default. This can be viewed at:

http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/default-information/hume-capital-securities-plc/hume-capital-securities-plc-default.htm

Defaulter's dealing capacity

7. The Exchange's current understanding is that the majority of Hume Capital's unsettled on Exchange transactions were executed in an agency capacity. However, a small number of trades were executed in a principal capacity. As a result, the Exchange will apply its default rules as follows:

Agency contracts
The rules relating to unsettled relevant agency contracts, D150 to D155, will be applied to the unsettled market contract. Under these rules, the parties to the contracts (i.e. the clients of Hume Capital and the relevant market counterparties) remain obliged to complete their transactions on the terms on which they were originally dealt.

Principal contracts
The rules relating to unsettled relevant principal contracts, D120 to D149, will be applied to the unsettled market contract. In accordance with rules D130 to D132, the Exchange has begun fixing hammer prices for the securities in which the defaulter acted as principal. The hammer prices will be fixed as follows:

- the official closing price from 19 March 2015; or
- for securities that have been suspended or delisted, the hammer price will be fixed in accordance with rules D131.2 to D131.3.

A list of the hammer prices fixed so far is available on our website:

http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/default-information/hume-capital-securities-plc/hammer-prices/hammer-prices.htm

Further hammer prices will be issued via Stock Exchange Notice with the relevant webpage also updated.

Settlement of on Exchange agency trades

8. Once the Exchange has received unsettled trade information from the defaulter and market counterparties, the Exchange will:

- Contact the market counterparties to each of these trades, detailing the trade(s) in question and the client contact details.
- Contact the clients for whom the defaulter has unsettled agency trades, informing them of the default and the Exchange's procedures for an agency default. It may be necessary for agency clients to retain the services of a broker to assist with this.

- It will be for the market counterparty, as opposed to the agency client, to establish contact between the two parties for the purposes of arranging settlement. The Exchange will provide a "Default Settlement Direction" template letter for the market counterparty to use when contacting the agency client, also known as a "read letter".

Commissions and other charges due to Hume Capital

9. Agency clients should be aware that any commission or other charges they owe to Hume Capital for undertaking the original trade is a matter for settlement with the Special Administrator. Settlement of the trade with the market counterparty, as per the process above, does not in any way affect this obligation.

Unsettled trade information

10. Any member firm or person who believes that they have an unsettled on Exchange trade with Hume Capital at the time of their default is requested to provide the Exchange with details of their transaction(s). Notifications of unsettled trades should be made to the Deputy Default Official in accordance with the instructions given, and in the form provided, on the Exchange's website at:

http://www.londonstockexchange.com//traders-and-brokers/rules-regulations/default-information/hume-capital-securities-plc/member-counterparties/unsettled-hume-capital-securities-plc-trades-member-firms.xls

for member firms; and

http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/default-information/hume-capital-securities-plc/non-members/unsettled-hume-capital-securities-plc-trades-non-member-firms.xls

for non member firms and, if possible, within the next 5 business days.

11. The Exchange has appointed Denzil Jenkins as the Default Official and Dagmar Banton as Deputy Default Official in accordance with rules D050 and D052 respectively. Any queries on this Notice should be addressed to: Dagmar Banton, UK Regulation, telephone +44 20 7797 1210 (STX 31210) email: dbanton@lseg.com.

Denzil Jenkins
Head of UK Compliance & Group Regulatory Policy

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 London Stock Exchange to carry out its regulatory responsibilities