

Exchange Traded Funds

Guidance note on service announcement
13 December 2001

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Introduction

This guidance note gives background to Service Announcement 112/01 which presents an enhancement to Exchange Traded Funds (ETFs) currently trading in SET3.

There are two changes:

- a change to the determination of closing prices – deriving the closing price from the mid of limit orders on the book at the close. At the same time, the closing auction and associated timings will be removed.
- movement to a dedicated and new segment for ETFs so that no impact is made on the existing instruments in SET3.

This enhancement will increase the transparency and predictability of closing prices for ETFs. These are instruments which track underlying indices and consequently the confidence that investors and customers have in their pricing is crucial.

It is worth noting the following scenarios:

1. In the event that there are no bids, the best offer will be the closing price.
2. In the event that there are no offers, the best bid will be the closing price.
3. In the event that there are no orders present on the book at the close, the closing price will be zero and will be shown as "-" in the daily official list.

In all of these events a closing price message will be disseminated in the usual way.

All other features of the current SETS™ set up will remain.

Customer testing will be made available. However, there will be no conformance testing required, as existing messages and broadcast data groups will be used.



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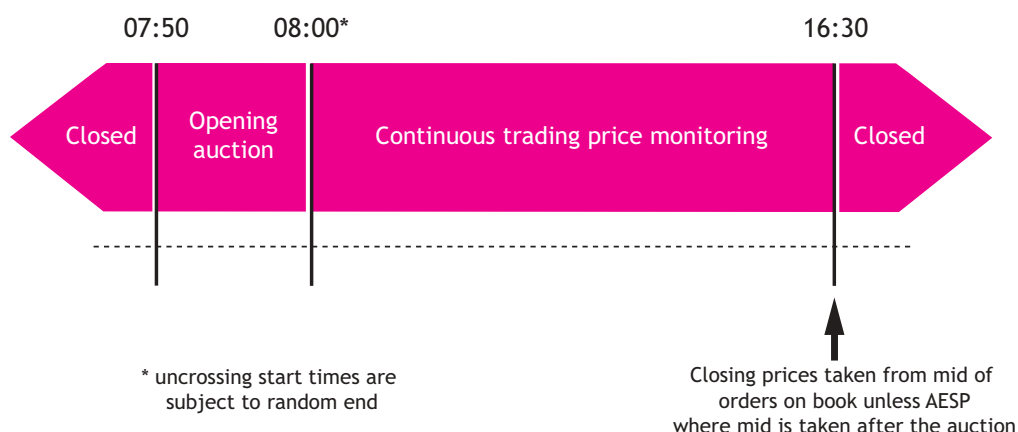
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Summary of the enhancement

Trading day

- Order entry and execution occurs in the opening auction and throughout the day in SETS.
- Price monitoring will apply as per SETS. Price monitoring levels for the opening auction will take the reference price from the last AT, not the closing mid price.
- There will be no change to trade or transaction reporting.

ETFs – changes to closing prices



Close

- Continuous automatic execution will be available until 16:30.
- No closing auction will be enabled.
- The closing price is set based on the closing mid price derived from limit orders on the book at 16:30.
- No VWAP period will be configured since it does not affect the determination of the closing price.
- Price monitoring will apply until 16:30. In the event that a volatility interruption occurs between 16:25 and 16:30, the call phase will extend beyond 16:30 and the closing mid price will be determined immediately following the uncrossing.

If you require more information on this enhancement please contact your account manager on +44 (0)20 7797 3456 (STX 33456)

For more information on Exchange Traded Funds please visit www.londonstockexchange.com/extramark

