



**London  
Stock Exchange**

10 Paternoster Square  
London EC4M 7LS  
Telephone +44 (0)20 7797 1000  
www.londonstockexchange.com

7 December 2011

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

**N25/11**

## **STOCK EXCHANGE NOTICE**

### **CONSULTATION ON PROPOSED RULE AMENDMENTS - LIQUIDITY PROVISION ON THE ORDER BOOK FOR RETAIL BONDS**

#### Introduction

1. In February 2010 the London Stock Exchange (“the Exchange”) introduced the Order Book for Retail Bonds (“ORB”) an electronic order driven trading service to provide retail investors with access to trading in UK government, supranational and corporate bonds. ORB provides for two-way continuous pricing via electronic market makers’ executable quotes (“EQs”) in Exchange Market Size (“EMS”) during the mandatory period.
2. In order to continue to support the development of liquidity on ORB, the Exchange wishes to introduce a bid-only liquidity provision facility through a new category of ORB participant - ORB Liquidity Providers (“OLPs”).
3. The obligations on OLPs will be restricted to those bond issues which, in the Exchange’s judgement, are deemed to be sufficiently small in size to facilitate bid-only liquidity provision. As today on ORB, all such bonds issues will continue to be UKLA listed.

#### Role of Liquidity Providers

4. Attachment 1 to this Notice outlines the proposed obligations under the Rules of the London Stock Exchange (“the rules”) for OLPs registering as such with the Exchange.
5. OLPs will be required to offer continuous bid prices via limit orders in at least the EMS for the relevant security during the mandatory period. OLPs will be

required to maintain bid-only prices during continuous trading for each security in which they are registered for at least 90% of the mandatory period. OLPs may choose to offer two way prices via limit orders when they are able to, however the maintenance of an offer price will not be mandated under the rules.

6. The closing prices for such securities will be determined following the closing auction call period either via the uncrossing trade (“UT”), mid-price or bid only price where no two-way price is present.
7. OLPs will be required to register as such with Market Supervision (email: [mktops\\_supervision@londonstockexchange.com](mailto:mktops_supervision@londonstockexchange.com)) via a Registration Information Form (RIF).
8. Attachment 1 to this Notice outlines the proposed rule amendments to the rules and associated guidance. The Exchange is consulting on these rule changes for a period of five weeks to take into account the Christmas holiday period. Member firms and other interested parties are therefore asked to provide any comments or feedback on this consultation by close of business on 11 January 2012.
9. Any comments or queries on the specific rules changes set out in this Notice should be addressed to Kirstie Boardwell, UK Regulation , telephone +44 (0)20 7797 1287( STX 31287) or email: [kboardwell@londonstockexchange.com](mailto:kboardwell@londonstockexchange.com).
10. The operation of ORB, including the draft amendments to the service as a result of the proposed addition of OLPs, will be set out in the Service Description at [www.londonstockexchange.com/orbservicedescription](http://www.londonstockexchange.com/orbservicedescription) and the Factsheet at [www.londonstockexchange.com/orbmmfactsheet](http://www.londonstockexchange.com/orbmmfactsheet) in due course.
11. Any comments or queries on the technical and functional operation of OLPs on ORB should be directed to the Exchange’s Fixed Income team on +44 (0) 20 7797 3921 or at [bonds@londonstockexchange.com](mailto:bonds@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>