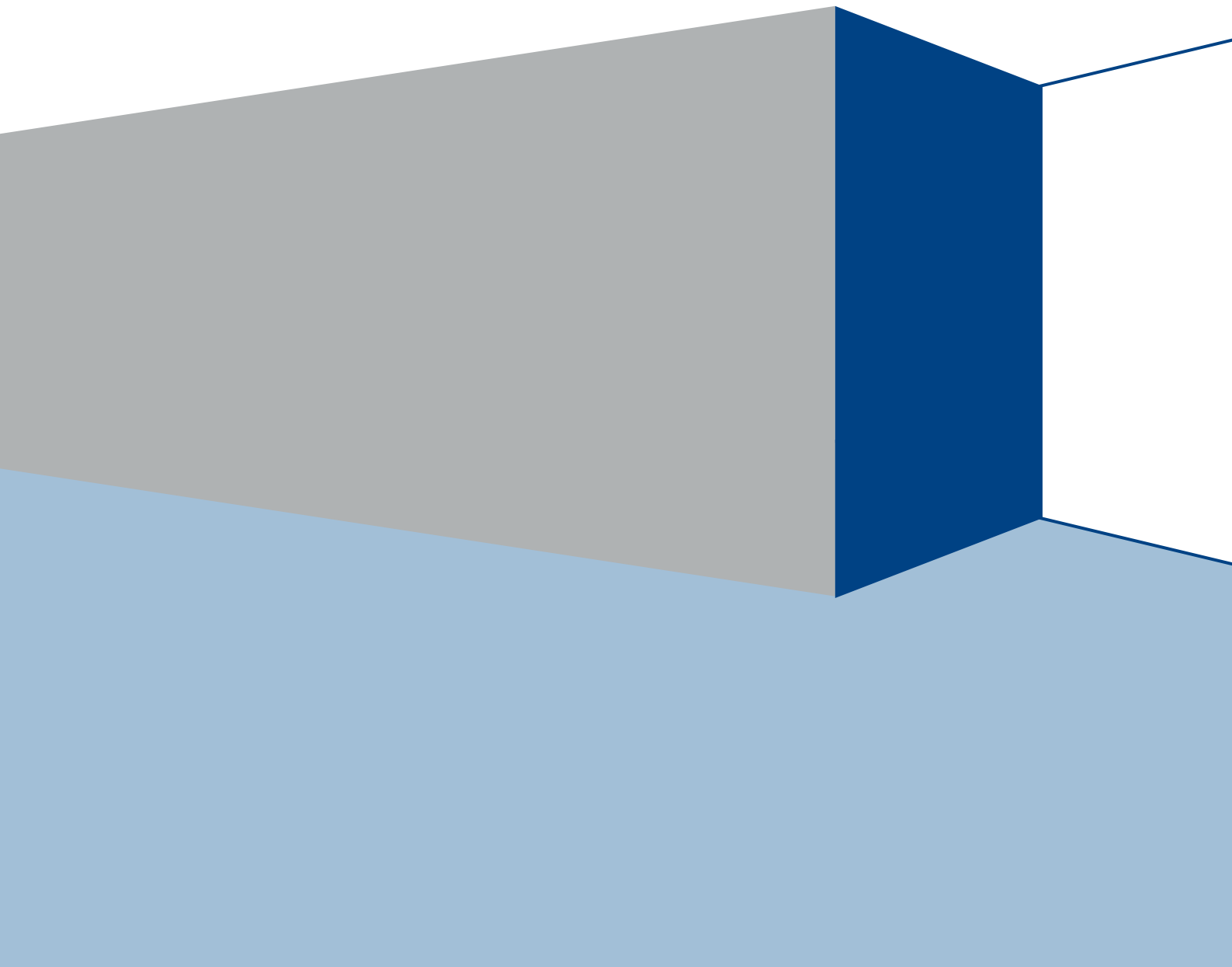




**London**  
Stock Exchange

SERVICE DESCRIPTION

# Guide to trading Securitised Derivatives on Millennium Exchange



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# 1. Introduction

The London Stock Exchange's **Securitised Derivatives** service offers electronic, order-driven trading in covered warrants and other structured products. This document contains an overview of the service specifications for the Securitised Derivatives trading service after migration to Millennium Exchange and details some of the key features.

This document is intended to provide a guide for members. It will also be useful for private client brokers, Market Data Vendors and prospective participants who may wish to begin trading securitised derivatives.

## 1.1 Main characteristics of the service

- Securitised Derivatives trade on an electronic, order-driven trading service similar to SETS, with continuous two-way pricing provided by market makers for most instruments.
- **'Off-book' instruments are also supported which are available to members for trade reporting and priding an indicative price.**
- Following the migration to Millennium Exchange the trading day will be made up of an initial opening auction phase followed by continuous trading until close at 16:30.
- The service comprises of two segments **'INSD'** for investment products and **'LVSD'** for leveraged instruments.
- Trades are normally cash settled, bilaterally between participants.

## 2. Securities overview

### 2.1 Overview

Securitized Derivatives available on the London Stock Exchange offer a wide range of products and provide member firms with the opportunity to use covered warrants and structured products to develop new lines of business or additional investment opportunities.

Issuers of securitized derivatives are major investment banks with a global reach allowing them to access a wide variety of assets and price products competitively.

### 2.2 Access

All members of the London Stock Exchange who currently access UK equity markets automatically have access to the London Stock Exchange Securitized Derivatives platform.

To check the status of your profile or for further information on how to access the UK equity markets please contact the Client Implementation Team on +44 (0)20 7797 3232 or email [clientimplementation@londonstockexchange.com](mailto:clientimplementation@londonstockexchange.com).

### 2.3 Trading Schedule

With the exception of the off book securities detailed in section 2.4, all securitized derivatives trade on a SETS-style order book. Following the migration to Millennium Exchange electronic, continuous trading will be available from 08:15 to 16:30 and the trading day will start with an auction period.

Issuers act as market makers on this service and are obliged to provide two-way prices throughout the trading day and for the lifetime of the instrument.

Time	Trading phase	Description
07:15:00	Start of manual trade reporting	Market participants can submit trade reports which could not be submitted the previous trading day.
08:05:00	Opening auction call	This pre-mandatory quote period is a 10 minute window giving market participants the opportunity to build up liquidity on the order book and establish an opening price. Orders can be entered and deleted but no execution can take place until the end of the auction which is subject to a 30 second random uncrossing.
08:15:00	Opening auction uncrossing and Continuous trading	Continuous trading will begin after the opening auction uncrossing which may be subject to a price monitoring extension and/or a market order extension. The market maker has obligation to provide two-way prices and market participants can enter aggressive orders to execute against market maker orders or passive orders to place liquidity onto the order book.
16:30:00	Order book close and Closing price publication	Order book close (subject to possible price monitoring / market order extension) and dissemination of closing price.
16:30:01	Post close	Market participants can submit trade reports.
17:15:00	End of manual trade reporting	The facility to trade report is closed.

## **2.4 Off book sectors**

Securities in trading sectors OFLV (segment LVSD) and OFIN (segment INSD) are available for off book trading only. Participants looking to trade these instruments should contact the issuer directly.

Closing prices for these instruments, if provided electronically by the market maker, will be disseminated between 16:55 and 17:10. These prices are indicative and are not necessarily tradable prices.

## **2.5 Market maker obligations**

Market makers are committed to maintain buy and sell orders at a minimum size and maximum spread throughout the continuous trading session.

Under the Rules of the London Stock Exchange market makers are not obliged to provide two-way quotes on the expiry date of a covered warrant.

## 2.6 Order types

The following order types are available for Securitised Derivatives on Millennium Exchange:

Order type	Description
Executable Quote	An executable quote is a named pair of executable orders used by registered market makers to display a firm two-way offer to buy or sell on an order book. When market conditions require it is also possible to enter a one-sided executable quote (e.g. bid only), on request. Registered market makers are assigned by the product issuer when the instrument is admitted to trading.
Limit Order	A limit order is an anonymous priced order that is fully displayed when persistent in an order book.
Iceberg Order	An iceberg order publicly displays only a portion of its total volume though the total volume is available for execution. The maximum displayed amount, known as the peak size, and the total size of the order can be specified by the participant and must be above specified minimums.
Stop Order	A Stop Order is a Market Order that is parked until the stop price is met. At this point, the order is injected into the order book, similar to market order.
Stop Limit Order	A Stop Limit Order is a Limit Order that is parked until the stop price is reached. At this point the order is injected into the order book, similar to a 'regular' limit order.
Market Order	A market order is unpriced, and therefore not price forming, but has price priority over all priced orders. Market orders cannot persist on the order book during continuous trading, therefore only market orders with non-persistent order types can be entered during this period. Persistent market orders can be entered during auctions and will display on the order book during an auction. Any that remain unexecuted following the completion of the auction will be automatically deleted.



## 2.7 Tick size

A dynamic tick size regime is in place to allow tick size to adapt to prevalent market conditions and price fluctuations.

Dynamic tick sizes are defined by a matrix of reference price ranges and tick size values. As an order or quote is entered on to the order book, each price is assessed against the dynamic tick size matrix to determine the appropriate tick value and hence price validation.

The dynamic tick regime is as follows:

Range	Price Format Code	Price Format Description	Price Format Value
GBX			
Less than 10	K	One two-hundredth	0.005
10-99.99	J	One hundredth	0.1
100-499.75	Q	Quarters	0.25
500-999.5	H	Halves	0.5
1000+	W	Whole	1
GBP / EUR / USD			
Less than 0.5	Z	One ten-thousandth	0.0001
0.5-0.9995	Y	One two-thousandth	0.0005
1-4.999	M	One thousandth	0.001
5-9.995	K	One two-hundredth	0.005
10-49.99	J	One hundredth	0.01
50-999.05	V	One twentieth	0.05
1000+	X	One tenth	0.1

Market participants may request the use of a static tick size if required. The Exchange will assess each request and on as case-by-case and reserve the right refuse such requests.

The static tick regime available is as follows:

Price Format Code	Price Format Description	Price Format Value
Z	One ten-thousandth	0.0001
Y	One two-thousandth	0.0005
J	One hundredth	0.01

## 2.8 Price monitoring

Price monitoring controls measure the deviation of a potential execution against a reference price for each security. Dynamic reference prices are defined as the last automatic trade price observed before the aggressive order was entered. Static reference prices are defined as the last uncrossing price, the first **automated trade of the day**, or the previous day's closing price if no automatic execution has taken place on that trading day.

If the price of a potential execution is more than a defined percentage above or below the static or dynamic reference price for that security then no executions at that price will occur and automatic execution will be suspended for a period of 5 minutes.

Details of the available parameters on Millennium Exchange are outlined below. Each instrument will be assigned to one of the trading parameters, which will be reviewed as part of the quarterly review process based on the price of that security.

Details of the trading parameter assigned to a particular instrument is available in the reference data for that security.

GBX Trading Parameter ID	GBP/EUR/USD Trading Parameter ID	Dynamic Price Monitoring %	Static Price Monitoring %
TP_59	TP_64	5	10
TP_60	TP_65	10	25
TP_61	TP_66	25	50
TP_62	TP_67	50	75
TP_63	TP_68	150	200

## 2.9 Market Structure

Securities are assigned a trading segment and trading sector by the product issuer, dependent on the characteristics of the security. Below is an overview of the available segments and sectors for Securitised Derivatives.

Product	Segment	Sector	Description
Leveraged Products	LVSD	CVWT	Covered Warrants
		KNCK	Knock-Out Products
		OTHE	Other Leverage Products
		OFLV	Off Order Book Leverage Products
Investment Products	INSD	CAPP	Capital Protected
		TRAK	Trackers
		YLDE	Yield Enhancement
		PART	Participation Products
		OTHR	Other Investment Products
		OFIN	Off Order Book Investment Products

## 3. Naming Conventions

The following naming conventions apply to all securities admitted after the migration to Millennium Exchange.

### 3.1 Convention for the Short Name


Data Element	Order	Max Length	Variables
Issuer	1	4	Market Participant mnemonic of up to 4 letters, allocated by the Exchange.
_	2	1	1 underscore used as separator.
Underlying Identifier	3	7	Code of up to 7 characters that identifies the underlying using TIDM, Comstock or other code. The full code may be truncated of necessary.
_	4	1	1 underscore used as separator.
TIDM	5	4	Unique Exchange code of up to 4 alphanumeric characters.

The maximum total length of the short name is 15 characters.

If any of the data fields are blank they will be replaced with a single underscore.

## 3.2 Convention for the Long Name

Data Element	Order	Max Length	Variables
Issuer	1	4	Market Participant mnemonic of up to 4 letters.
_	2	1	1 underscore used as separator.
Underlying Identifier	3	7	Code of up to 7 characters identifying the underlying using TIDM, Comstock or other codes. The full code may be truncated if necessary.
_	4	1	1 underscore used as separator.
Warrant Type	5	4	Call, Put or Dual
_	6	1	1 underscore used as separator.
Warrant Style	7	1	A for American E for European B for Bermudan
_	8	1	1 underscore used as separator.
Expiry Date	9	6	Date on which security will expire dd/mm/yyyy
_	10	1	1 underscore used as separator.
Strike Price Currency	11	3	Denotes the currency in which the underlying will be valued at expiry following ISO standards.
_	12	1	1 underscore used as separator.
Strike Price	13	5	Denotes the price at which holders may either buy (call) or sell (put) the underlying.



The maximum total length of the long name is 40 characters.

If any of the data fields are blank they will be replaced with a single underscore.

## 4. Post trade

### 4.1 Trade Publication

All electronically executed trades will automatically be reported to the Exchange and details of the trade published to the market immediately. The securitised derivatives segments do not use a central counterparty (CCP) so the counterparty will be identified once the trade has occurred.

All manual trades will be published immediately on receipt of the trade report although they may have a trade date and time prior to the date of publication (e.g. late trades).

There is no delayed publication regime for Securitised Derivatives.

### 4.2 Settlement

Trades are settled bilaterally between counterparties and are normally settled as cash within Euroclear UK & Ireland (CREST). The standard settlement period is T+3.



## 5. Further Information

### 5.1 Additional documentation

Related documents are available on the Exchange's website, including:

Millennium Exchange Technical Information  
[www.londonstockexchange.com/tradingservices](http://www.londonstockexchange.com/tradingservices)

Rules of the London Stock Exchange  
<http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/rules-regulations.htm>

Covered Warrants – An Introduction  
<http://www.londonstockexchange.com/specialist-issuers/covered-warrants/how-to-issue/covered-warrants-introductory-guide.pdf>

Covered Warrants – An In Depth Guide  
<http://www.londonstockexchange.com/specialist-issuers/covered-warrants/how-to-issue/covered-warrants-an-in-depth-guide.pdf>

### 5.2 Enquires and comments

For commercial or business queries, please contact the UK Fixed Income team on +44 (0)20 7797 3921.

For further information in relation to technical queries, please contact your Technical Account Manager or the Technical Information Desk on +44 (0)20 7797 3939.

Alternatively, please e-mail the Client Technology Group on [ctgroup@londonstockexchange.com](mailto:ctgroup@londonstockexchange.com).



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