



London Stock Exchange plc Brexit guidance and contingency planning for qualification of bonds as ECB eligible collateral

3 November 2020 – London Stock Exchange plc (the “Exchange”, “London Stock Exchange”) is a Recognised Investment Exchange under Part XVIII of the United Kingdom’s (UK’s) Financial Services & Market Act 2000 (FSMA 2000). The Exchange operates one of the world’s most international capital markets, with companies from over 100 countries quoted across our markets. London Stock Exchange plc is a wholly owned subsidiary of London Stock Exchange Group (“LSEG”).

As a systemically important financial markets infrastructure business, London Stock Exchange plc is fully committed to maintaining orderly markets and providing continuity of service to its customers and market participants across the UK and internationally. We continue to work with our customers and market participants as they prepare for the beginning of a new relationship between the UK and the EU.

The European Central Bank’s (“ECB”) eligibility [criteria](#) allow, under certain conditions, bonds to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem. This note provides information for issuers of fixed income securities and advisors on the latest planning assumptions we are working on in the event that no agreement is reached before the end of the transition period which began on 31 January 2020. Specifically, this relates **to the qualification of bonds admitted to London Stock Exchange’s Main Market as eligible collateral under the ECB criteria**. We are assuming in this scenario that London Stock Exchange plc has no MiFID authorisation and that the UK and the Exchange are not granted any form of third country equivalence.

In this case, after the end of the transition period, London Stock Exchange’s Main Market would no longer meet the ECB “acceptable markets” criterion which forms part of the general framework under Articles 60 to 71 of Guideline (EU) 2015/510 of the European Central Bank and the temporary framework criteria under Article 7 of Guideline (EU) 2014/31 of the European Central Bank.

In this scenario and assuming the ECB criteria do not change¹, issuers of existing and new bonds listed on London Stock Exchange’s Main Market will be able to maintain ECB collateral eligibility via admission to MTS BondVision Europe MTF (“BondVision”), subject to the securities meeting the MTS [admission criteria](#)² and satisfying all the other ECB eligibility criteria.

BondVision is a Multilateral Trading Facility (MTF) included in the list of “acceptable markets” recognised by the ECB. BondVision is organised by MTS S.p.A³, majority-owned by LSEG, and operates as an MTF under the supervision of the Italian regulator, Consob. In April 2019 MTS S.p.A. received the relevant approvals from its Board and amended its rule book accordingly to admit on BondVision Europe MTF financial instruments that are available for trading on London Stock Exchange ([link](#)).

¹ The ECB has the right to change its [criteria](#) from time to time.

² BondVision Europe Market Rules can be found [here](#). MTS can apply additional criteria if deemed useful.

³ Note, BondVision SSO is the previous name for BondVision Europe MTF, which still appears in the list of ECB’s acceptable non regulated markets. As bonds currently admitted to trading on BondVision Europe MTF and not listed on any EU-regulated market appear in the ECB list of eligible marketable assets (download the list [here](#)), we expect future bonds admitted to Bondvision to satisfy the ECB eligibility criteria.



Up to and until the end of the transition period, London Stock Exchange's Main Market will continue to be an EU regulated market. All listed bonds included in the ECB's list of eligible marketable assets will be automatically processed for admission to BondVision.

BondVision has already onboarded existing listed ECB Eligible Bonds that meet its Admission Criteria, as of 2 November 2020. MTS will continue to do this for bonds admitted to London Stock Exchange on or before the end of the transition period on a regular basis. Securities will remain on BondVision after the end of the transition period, provided they continue to comply with the parameters indicated in the BondVision market rules. Admission of securities to BondVision is free of charge.

After the transition period, Bonds listed on London Stock Exchange's Main Market after the end of the transition period will be automatically admitted to trading on BondVision at the same time that they are London listed, provided that they satisfy MTS' admission criteria (and all other ECB eligibility criteria). Note, in order to qualify for ECB eligibility, bonds must meet all the ECB eligibility [criteria](#). Admission to trading on a regulated market or an acceptable non-regulated market, such as BondVision Europe MTF, is only one of the general criteria that need to be satisfied.

On 9 October, London Stock Exchange Group announced the potential divestment of London Stock Exchange Group Holdings Italia S.p.A ("LSEG Italia"), the parent company of Borsa Italiana, including MTS S.p.A ("The Transaction"). The Transaction is conditional upon, amongst other things, the divestment of Borsa Italiana or any material part thereof being a condition of any European Commission clearance decision for the Refinitiv transaction (the **Refinitiv Transaction**). The Transaction is expected to close in the first half of 2021, i.e. after the end of the transition period. LSEG expects to complete the Refinitiv Transaction by the end of 2020 or early in 2021, ahead of completion of this Transaction. For further information, please refer to the announcement [here](#).

London Stock Exchange plc notes that its collaboration agreement with MTS will not be affected by the Transaction and offers long-term certainty for issuers on London Stock Exchange's debt primary markets. Further, under this agreement, securities admitted to the Exchange's International Securities Market are included, and in this way will be able to gain ECB eligibility through admission to BondVision.

The process of admission of bonds is automatic and without recourse to the issuer. We therefore do not expect that issuers will become subject to continuing obligations from the perspective of the EU Market Abuse Regulation. Issuers with securities admitted to trading on a UK regulated market after the end of the transition period will only be subject to the UK transparency regime. As the securities are also listed on London Stock Exchange's Main Market, and so in any event subject to rigorous disclosure requirements which mirror EU requirements, this means that there is already "sufficiently publicly available information" for market operators to enable users to form an investment decision (Article 18(2) MiFiD II). This ensures that issuers will not be subject to any additional disclosures just by being admitted on BondVision.

The full list of bonds available for trading on BondVision can be found [here](#).

If you have any questions, or need any additional information, please contact the fixed income team at London Stock Exchange plc - bonds@lseg.com



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