



**London**  
Stock Exchange Group

# Global Equity Segment

Trading global equities on the world's most international exchange

January 2021

# Global Equity Segment (GES)

Trading global equities on the world's most international exchange

## Latest innovation from London Stock Exchange

GES will trade on SETS and settle using the well-established CREST Depository Interest (CDI) mechanism, allowing investors to trade and settle international securities quickly, cheaply and efficiently during UK trading hours



Utilise **existing SETS trading, clearing and settlement** arrangements



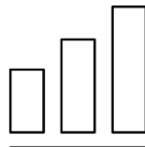
Trade in a **convenient time zone** for European and Asian investors and trading members



Utilise existing CSD linkages for **efficient settlement and realignment**



A new risk management tool to **reduce time zone risk**, and an opportunity for **real-time valuation management**



Initial focus on **51 US stocks** and **28 Asian ADRs**



Leverage our members' world leading expertise in **Market Making** and **Liquidity Provision**



Trade in **USD** and **no stamp duty**



Provide **arbitrage opportunities** between the UK and US markets, **supported by custodians** that can help move positions



# Global Equity Segment (GES)

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- GES securities will be admitted to trading on **XLOM**<sup>2</sup>, a MTF operated by LSE
- A new trading segment **GES1** will be created on SETS. It will follow standard SETS trading, utilising customers' existing clearing and settlement arrangements

## 51 US Names

ABBOTT LABORATORIES	JOHNSON & JOHNSON
ALPHABET INC-CL A	JPMORGAN CHASE & CO
ALPHABET INC-CL C	LYFT INC-CL A
AMAZON.COM INC	MASTERCARD INC-CL A
AMGEN INC.	MCDONALD'S CORP
APPLE INC	MERCK & CO. INC.
AT&T INC	MICROSOFT CORP
BANK OF AMERICA CORP	NETFLIX INC
BERKSHIRE HATHAWAY INC-CL A	NIKE INC-CL B
BERKSHIRE HATHAWAY INC-CL B	ORACLE CORP
BOEING CO/THE <sup>1</sup>	PAYPAL HOLDINGS INC
BOOKING HOLDINGS INC	PEPSICO INC
CHEVRON CORP	PFIZER INC
CISCO SYSTEMS INC	PHILIP MORRIS INTL INC
COCA-COLA CO/THE	PROCTER & GAMBLE COMPANY
COMCAST CORP-CLASS A	SALESFORCE.COM INC
EBAY INC	SNAP INC
EXXON MOBIL CORP	TESLA INC
FACEBOOK INC-CLASS A	TWITTER INC
FORD MOTOR CO	UBER TECHNOLOGIES INC
GENERAL ELECTRIC <sup>1</sup>	UNITEDHEALTH GROUP INC
GENERAL MOTORS	VERIZON COMMUNICATIONS INC
GOLDMAN SACHS GROUP INC	VISA INC-CL A
HOME DEPOT INC	WALMART INC
INTEL CORP	WALMART INC
INTL BUSINESS MACHINES CORP <sup>1</sup>	WALT DISNEY COMPANY

## 28 Chinese ADRs

51JOB INC	MOMO INC-CL A
58.COM INC. SPONSORED ADR CLASS A	NETEASE INC.
ALIBABA GROUP HOLDING LIMITED	NEW ORIENTAL EDUCATION & TECHNOLOGY GROUP INC
BAIDU INC-CL A	PETROCHINA COMPANY LTD
BAOZUN INC-CL A	PINDUODUO INC-CL A
BILIBILI INC-CL Z	QUDIAN INC-CL A
CHINA LIFE INSURANCE COMPANY LTD-CL H	SINA CORPORATION
CNOOC LTD	TAL EDUCATION GROUP-CL A
TRIP.COM GROUP LTD	TENCENT MUSIC ENTERTAINMENT GROUP
FUTU HOLDINGS LIMITED	UP FINTECH HOLDING LIMITED-CL A
HUAZHU GROUP LTD	VIPSHOP HOLDINGS LTD
IQIYI INC-CL A	WEIBO CORPORATION-CL A
JD.COM INC-CL A	YY INC-CL A
MELCO RESORTS AND ENTERTAINMENT LTD	ZTO EXPRESS (CAYMAN) INC.

## 12 ADRs over EuroStoxx50

ASML HOLDING
SANOFI
ANHEUSER-BUSCH INBEV
NOKIA OYJ
SAP SE
UNILEVER
KONINKLIJKE PHILIPS
ING GROUP
BANCO BILBAO VIZCAYA ARGENTARIA
ORANGE
TELEFONICA
ENI S.P.A.

## 5 ADRs over UKLA securities

TOTAL
BANCO SANTANDER
CRH PLC
RYANAIR HOLDINGS PLC
INTERNATIONAL CONSOLIDATED AIRLINES GROUP

<sup>1</sup> Boeing, General Electric, IBM are UKLA Standard listed. They will instead be moved to SSMU segment of SETS (MIC: XLON), settling in CDI form as part of GES initiative

<sup>2</sup> The MTF XLOM is widely utilised today and includes all securities on International Securities Market and Professional Securities Market, all non-UKLA listed MiFID II securities (on EQS), some key securities on International Order Book, along with all LSE Main Market Rights Issues and When Issued Trading until the security actually become UKLA listed



# CREST Depository Interests (CDI)

A well-established investment tool issued by Euroclear UK & Ireland

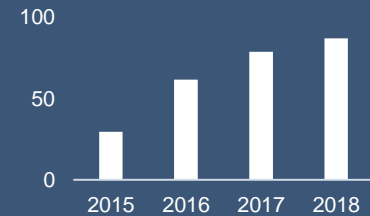


- Proven model using **CREST Depository Interests (CDI)**
- **Efficient settlement and realignment through existing CSD linkages** between the UK and the US - Euroclear UK & Ireland (EUI) and Depository Trust & Clearing Corporation (DTCC)

## CREST Depository Interests (CDI)

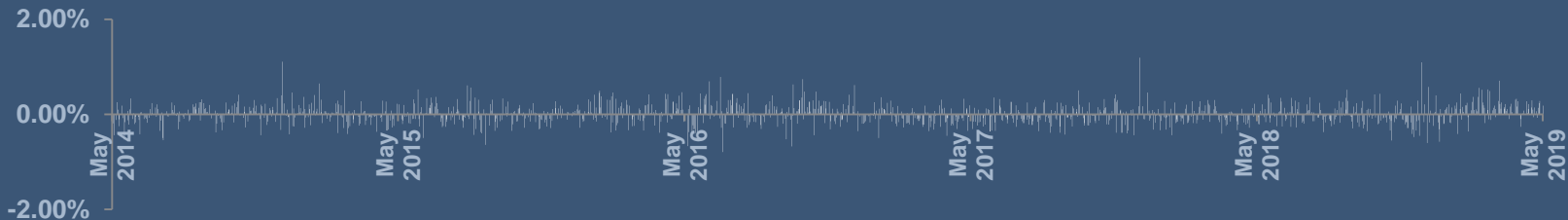
- CDI is a representation of the underlying security in an alternative CSD and has the same ISIN.
- Investors can trade and settle the underlying international security like a domestic instrument – quickly, cheaply and efficiently.

Total international depot value in CDIs held by EUI increased 194% between 2015-2018



## Case study on International Consolidated Airlines Group (IAG)

- A Spanish registered company, IAG entered into depository arrangements which enabled investors to settle IAG shares in CREST in the form of CDI.
- Each IAG CDI represents entitlement to one IAG share, and they are **fully fungible**. 63% of trading volumes are on LSE, and 37% are in Madrid.
- Under this arrangement, IAG is eligible for FTSE UK series inclusion. It is currently an index constituent of **FTSE100**.
- **Discount/ Premium of CDI to Ordinary Shares is very close to 0%**



# Cross-border Trading and Settlement

Move CDIs quickly and easily between markets



## Scenario 1:

- Buy in London and sell in New York on the same day
- Both legs settle on T+2 in respective markets

Day	London Time <sup>1</sup>	New York Time <sup>1</sup>	Buy in London	Sell in New York
T	07:15-17:15	02:15-12:15	Buy in London	
	14:30-21:00	09:30-16:00		Sell in New York
T+2	From 06:30	From 01:30	Settle in CREST <sup>2</sup> Request realignment to DTCC	
	From 12:00	From 07:00	Settle in DTCC <sup>3</sup>	Settle in DTCC <sup>3</sup>



## Scenario 2:

- Buy in New York and Sell in London on the same day
- Both legs settle on T+2 in respective markets

Day	London Time <sup>1</sup>	New York Time <sup>1</sup>	Sell in London	Buy in New York
T	07:15-17:15	02:15-12:15	Sell in London	
	14:30-21:00	09:30-16:00		Buy in New York
T+2	From 12:00	From 07:00		Settle in DTCC <sup>3,4</sup> Request realignment to CREST
	By 14:55	By 09:55	Settle in CREST	Settle in CREST

<sup>1</sup> 5 hours time difference between New York and London generally, except the two short periods in March and October/ November where it is reduced to 4 hours

<sup>2</sup> CREST is the settlement system operated by EU1.

<sup>3</sup> Estimated settlement time. DTCC members should discuss arrangement with DTCC.

<sup>4</sup> Settle by 11:30 NY time to provide time for realignment to settle in CREST on the same day

# SETS Trading and Settlement

## 1. Execution on LSE as member firms

Broker X sells a CDI to Broker Y

### London Stock Exchange

Broker X



Broker Y

GES will be traded on SETS and will follow standard SETS functionality, such as operational hours and auctions

## 2. Interoperable Clearing

A central clearing house updates the accounts of X and Y and arranges for the transfer of money and security

### Central Counterparty Clearing (CCP)<sup>1</sup>



Broker X

Broker Y

## 3. Settlement in USD

Actual exchange of money and security between X and Y on CREST<sup>2</sup> on T+2

### Euroclear UK & Ireland (EUI)

Broker X  
(CREST)

← Money

Broker Y  
(CREST)

→ Security

X and Y have to be participants/ members of CREST

<sup>1</sup> Customers can choose to clear their trades through either LCH Ltd, EuroCCP or SIX x-Clear AG.

# Cross-border Trading and Settlement

This process is only relevant for participants wishing to realign positions between EUI and DTCC.

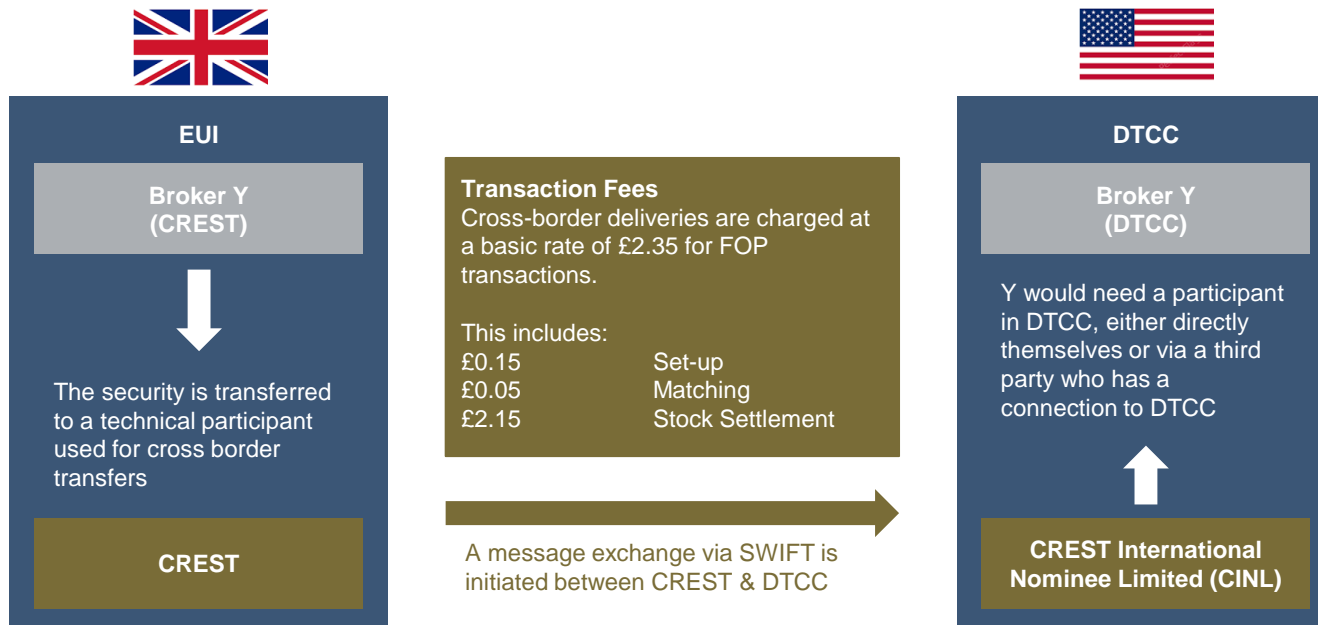
## 4. Cross-border Realignment

Broker Y instructs realignment between CREST and DTCC, utilising the existing direct links between the two systems.

Broker Y would net positions and therefore only face the charges once per security if they wish to re-align on that day.

## 5. Execution in the US

Y can then trade the security in the US markets



<sup>1</sup> Customers can choose to clear their trades through either LCH Ltd, EuroCCP or SIX x-Clear AG.

# GES Customer Development Service (CDS)



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The new trading segment GES1 (SETS – Global Equity Segment) will comprise of five new trading sectors. A test security has been assigned to each on CDS as below and they are all available for testing now:

SETS Trading Segment	Trading Sector	TEST stock ISIN	TEST stock TIDM
GES1	GE10	US0378331005	0R2V
GES1	GEXM	US5949181045	0QYP
GES1	GE25	US01609W1027	0HCI
GES1	GEQM	US16941M1099	0HX8
GES1	GEQN	US64110L1061	0QYI



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