

9 March 2018

N01/18 - Declaration of Default - Beaufort Securities Ltd and Beaufort Asset Clearing Services Limited

1. London Stock Exchange (“the Exchange”) suspended the memberships of Beaufort Securities Ltd (“Beaufort Securities”) and Beaufort Asset Clearing Services Limited (“Beaufort Asset Clearing”) on Friday 2 March 2018, pending clarification of the firms’ financial positions.
2. On 1 March 2018, Russell Downs, Douglas Nigel Rackham, and Dan Yoram Schwarzmann at PwC were appointed as joint administrators of Beaufort Securities Ltd. Russell Downs, Douglas Nigel Rackham, and Dan Yoram Schwarzmann were also appointed as joint special administrators to Beaufort Asset Clearing Services Limited. The Exchange has subsequently been in communication with the administrators with regard to the outstanding on Exchange trades of both member firms.
3. In light of the information now available, the Exchange considers that both firms are unlikely to be able to fulfil their obligations in respect of their unsettled Exchange market contracts. Therefore, under rule D100 of the Rules of the London Stock Exchange (“the rules”), Beaufort Securities and Beaufort Asset Clearing have been declared Defaulters on the Exchange at 09:30 on 9 March 2018.

Ceasing of settlement

4. Member firms should ensure that no further settlement of their on Exchange transactions with the defaulters take place. This is to ensure that the unsettled transactions, which will be covered by the Exchange’s default procedures, are not separately settled. Euroclear UK and Ireland Limited (CREST operator) has suspended settlement of all trades undertaken by the defaulters due for settlement through its facilities. These default procedures will apply regardless of any "match-delete" activity undertaken in CREST; that process may change the status of the trade in the settlement system, but cannot validly deal with the underlying trade. Similarly, any purported agreement between the parties to treat any unsettled trades as cancelled is ineffective as far as trades included in the default process are concerned.

Defaulters’ dealing capacities

5. The Exchange can confirm that both firms’ unsettled, on Exchange, non-central counterparty transactions were executed in an agency capacity. As a result, the Exchange will apply the rules relating to unsettled relevant agency contracts, D150 to D155, to the firm’s unsettled transactions. Under these rules, the parties to the contracts (i.e. the clients of both defaulting firms and the relevant market

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counterparties) remain obliged to complete their transactions on the terms on which they were originally dealt.

Settlement of on Exchange non-central counterparty agency trades

6. Once the Exchange has received unsettled trade information from the defaulters and market counterparties, the Exchange will:
 - Contact the market counterparties to each of these trades, detailing the trade(s) in question and the client(s) contact details.
 - Contact the clients for whom the defaulters have unsettled agency trades, notifying them of the defaults and the requirement for them to settle directly with the market counterparty. It may be necessary for agency clients to retain the services of a new broker to assist with this.
 - It will be for the market counterparty, as opposed to the agency client, to establish contact between the two parties for the purposes of arranging settlement. The Exchange will provide a "Default Settlement Direction" template letter for the market counterparty to use when contacting the agency client, also known as a "read letter".

Commissions and other charges due to Beaufort Securities and Beaufort Asset Clearing

7. Agency clients should be aware that any commission or other charges they owe to Beaufort Securities and Beaufort Asset Clearing for undertaking the original trade(s) is a matter for settlement with the Administrator. Settlement of the trade(s) with the market counterparty, as per the process above, does not in any way affect this obligation.

Defaulters' webpages

8. The Exchange has established a dedicated section on its website to provide interested parties with information on these defaults. This can be viewed at:

<http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/default-information/default-information.htm>

Unsettled trade information

9. Any member firm or person who believes that they have an unsettled, on Exchange, non-central counterparty trade with Beaufort Securities and/or Beaufort Asset Clearing at the time of their defaults are requested to provide the Exchange with details of their transaction(s). Notifications of unsettled trades should be made to the Deputy Default Official in accordance with the instructions

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given, and in the form provided, on the Exchange's website as per the links below:

Member firms with unsettled trades with Beaufort Securities:

<http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/default-information/beaufort-securities-ltd/member-counterparties/unsettled-beaufort-securities-ltd-trades-member-firms.xls>

Non member firms with unsettled trades with Beaufort Securities:

<http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/default-information/beaufort-securities-ltd/non-members/unsettled-beaufort-securities-ltd-trades-non-member-firms.xls>

Member firms with unsettled trades with Beaufort Asset Clearing:

<http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/default-information/beaufort-asset-clearing-services-limited/member-counterparties/unsettled-beaufort-asset-clearing-services-limited-trades-member-firms.xls>

Non member firms with unsettled trades with Beaufort Asset Clearing:

<http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/default-information/beaufort-asset-clearing-services-limited/non-members/unsettled-beaufort-asset-clearing-services-limited-trades-non-member-firms.xls>

This information must be reported to the Exchange by 17:00 on Friday 23 March 2018.

Default Official

10. The Exchange has appointed Alison Scott-Bishop as the Default Official and Dagmar Banton as Deputy Default Official in accordance with Rules D050 and D052 respectively.

Any queries on this Notice should be addressed to: Dagmar Banton, UK Regulation, telephone +44 20 7797 1210 (STX 31210) email: dbanton@lseg.com

Denzil Jenkins
Head of UK Compliance & Group Regulatory Policy

This Stock Exchange Notice will be available on the website at:
www.londonstockexchange.com/en-gb/products/membershiptrading/rulesreg/stockexnoticesnew/

Calls to London Stock Exchange plc may be recorded to enable London Stock Exchange to carry out its regulatory responsibilities