

DEFINITIONS

AIM secondary market registered organisation	a <u>Regulated Market, Multilateral Trading Facility, or Approved Publication Arrangement trading venue</u> that does not have a primary market relationship with AIM companies that meets the criteria as set out by the Exchange from time to time
negotiated trade	a trade ₁ conducted in an EU regulated market security ₁ that is not subject to pre-trade transparency on the trading system and which is on terms that are no worse than those that could be achieved on the relevant Exchange order or quote book at the time of the trade. ₁ In an illiquid security where there is no spread on the relevant order or quote book at the time of the trade the negotiated trade shall be within a percentage of a suitable reference price as set out in the parameters . In the absence of a suitable reference price the Exchange will consider whether the trade price is reasonable taking in to account the market conditions at the time of the trade.
standard trade report deadline	as close to real-time as technically possible and, in any event within: <ul style="list-style-type: none"> (a) one minute of the relevant transaction for shares, depositary receipts, ETFs exchange traded funds, certificates and other similar financial instruments, as set out in the parameters; or (b) fifteen minutes of the relevant transaction for bonds or structured finance products as set out in the parameters

CORE RULES**Member firms**

	<u>1011</u>	<u>A member firm must hold a valid, issued and duly renewed LEI at all times.</u>
G	<u>1014</u> <u>2</u>	Non-MiFID firms must provide the Exchange with the required transaction reporting fields for their on Exchange trades in the format and within the timescale prescribed by the Exchange , from time to time.

Guidance to Rule:

*In addition to Rule 1011, where a **customer** of a **non-MiFID firm** is eligible for an **LEI** code, the **non-MiFID firm** must ensure it has obtained the **LEI** from its **customer** before any trades are executed **on Exchange** on behalf of the **customer**, including by way of **direct market access**.*

*A **non-MiFID firm** shall ensure that it holds a validated, issued and duly renewed **LEI** at all times.*

*For the avoidance of doubt the **Exchange** will not transaction report on behalf of those **member firms** that are authorised as an investment firm under Directive 2014/65/EU.*

G	1012 3	Non-MiFID firms shall have appropriate controls in place to ensure that the required transaction reporting fields are accurately populated.
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Guidance to Rule:

The means and format by which the **transaction reporting fields** are submitted to the **Exchange** are set out in the **LSEG Transaction Reporting Guide for Non-MiFID Firms**. Acceptance of **transaction reporting fields** by the **Exchange** does not provide or imply that the **Exchange** considers this requirement has been met. In the event that a **non-MiFID firm** discovers one or more **transaction reporting fields** have been inaccurately or incompletely populated, the **non-MiFID firm** must report this to the **Exchange** immediately and must cooperate with the **Exchange** to rectify any errors.

	1013 4	If, at any time, a member firm does not comply with rule 1010, rule 1014 2 , rule 1012 3 or is the subject of an intervention order or an order having equivalent effect served by an authority responsible for the supervision or regulation of a regulated activity, the Exchange may:
	1013 4 . 1	restrict the scope of on Exchange business conducted by the member firm ; or
	1013 4 . 2	terminate the membership of the member firm .

ORDER BOOK TRADING RULES**Order entry****Access to the trading system and the responsibility of member firms** [2100-2109]

G	2100	Each order or quote submitted to the trading system shall be:
	2100.1	firm;
	2100.2	subject only to the terms relating to benefit entitlements prevailing at the time of execution; and
	2100.3	orders only, should contain all information as set out in Commission Delegated Regulation (EU) 2017/580.

Guidance to Rule 2100.3:

This information will include details about the financial instrument and the order, details about the client of the transmitting firm and, whenever relevant, an identifier for the person or computer algorithm, that is responsible for the investment decision in relation to the order. A **member firm** which enters an abbreviated identifier on its orders (e.g. an abbreviation of a **National ID**) must subsequently submit the complete identifier before ~~the end of 18.00 hours on the same day,~~ through the **Member Portal**. Where a **member firm** becomes aware that it has submitted an incorrect identifier, the **member firm** must inform the **Exchange** immediately.

GT	2102	A member firm should use enter a the correct trading capacity, as described in the Guide to the trading system , when submitting orders to the trading system .
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OFF ORDER BOOK TRADING RULES**Trades****On Exchange trades** [3000]

G P	3000	<p>A trade is on Exchange if one or both of the parties to the trade is a member firm and the trade is effected:</p> <p>3000.1 in a security admitted to trading on the Exchange's markets other than those specified in rule 3000.2 (as detailed in parameters) and the member firm and its customer or counterparty agree at or prior to the time of effecting the trade that it shall be subject to the rules of the Exchange; or</p> <p>3000.2 in an AIM security not listed on another EU regulated market (as detailed in parameters) unless the member firm and its customer or counterparty agree at or prior to the time of effecting the trade that it shall be <u>off Exchange and</u> subject to the rules of:</p> <p>(a) <u>subject to the requirements of an AIM primary market registered organisation;</u> or</p> <p>(b) <u>subject to the requirements of an AIM secondary market registered organisation and reported the trade to it in accordance with that organisation's rules requirements;</u> or</p> <p>(c) <u>where the member firm executes a trade through a mechanism that is not an AIM primary market registered organisation or an AIM secondary market registered organisation, the member firm is required to report the trade to the Exchange, on a real-time basis as a non-publishing, off Exchange trade report.</u></p>
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*Guidance to Rule:*3000.1 and 3000.2

*In relation to rules 3000.1 and 3000.2, where a **member firm** is interposed between two principal trades entered at the same time and price and one trade has been reported for publication, there is no obligation to report the second leg to the **Exchange**. **Member firms** should note that if they wish the second leg to be regarded as an **on Exchange** trade then they will have to submit a separate, non publishing **trade report**. This will ensure the **Exchange** has a satisfactory audit trail of the second principal trade.*

*A trade may be brought **on Exchange** where one or more of the following apply:*

- *the **member firm** is a registered **market maker** in that security and has fulfilled its obligations;*
- *the trade is **large in scale**;*
- *the trade is a **negotiated trade**;*
- *the trade is the second leg of a **matched principal transaction** (non-publishable) where the market leg has been published;*
- *the trade(s) is/are the second leg(s) of a riskless principal trade where the market leg(s) has/have been published.*

3000.2

*In relation to 3000.2(c), the **member firm** should provide a non-publishing, off **Exchange trade report** irrespective of whether the **member firm** had the reporting obligation for the trade conducted off **Exchange** through another mechanism. The **counterparty** should be reported as non member where trading anonymously.*

AIM primary market registered organisation

Member firms may only treat a transaction dealt on an **AIM primary market registered organisation** as being off **Exchange** if (i) the issuer whose security is being traded is regulated by that **AIM primary market registered organisation** in accordance with the considerations outlined in the paragraph below and (ii) they are a member of that **AIM primary market registered organisation** and are reporting the trade to it.

In determining whether a trading venue qualifies as an **AIM primary market registered organisation**, the **Exchange** will consider whether the trading venue has rules that place a continuing obligation on the **AIM** issuer for the timely disclosure of corporate information; whether those rules also oblige the issuer to provide all necessary information to the trading venue to maintain a proper market in the **AIM securities**; and whether the trading venue has the discretion to refuse to admit to trading, to suspend from trading and to cancel from admission to trading the securities of **AIM** issuers.

It is expected that most **AIM primary market registered organisations** will be **overseas** venues on which **AIM** issuers have chosen to list their securities in addition to being **admitted to trading** on **AIM**.

AIM secondary market registered organisation

~~**Member firms** may only treat a transaction dealt on an **AIM secondary market registered organisation** as being off **Exchange** if they are a member of that **AIM secondary market registered organisation** and are reporting the trade to it.~~

The regime for **AIM secondary market registered organisations** is designed to provide **member firms** with the ability to trade and report their trades in **AIM securities** on other venues in a manner that will allow the **Exchange** to retain adequate oversight of the **AIM** market and to ensure the maintenance of high regulatory standards. In particular, the regime will allow the **Exchange** to maintain a proper market in **AIM securities**. The requirement to operate a proper market is set out in the Recognition Requirements Regulations and associated FCA Handbook ("REC").

Where no primary market relationship exists between the applicant venue and the issuer, the **Exchange** will apply the following criteria to establish the suitability of an applicant to be an **AIM secondary market registered organisation**. The criteria that follow represent the minimum standards which the **Exchange** will apply for the purpose of deciding whether an applicant venue may qualify for recognition as an **AIM secondary market registered organisation** in accordance with Rule 3000.2.

1. The **AIM secondary market registered organisation** must have the ability and have appropriate gateways to communicate freely with the **Exchange** on regulatory matters generally, without regard to matters such as client confidentiality or commercial secrecy;
2. The **AIM secondary market registered organisation** must provide at least equivalent pre- and post-trade transparency as that provided by the **Exchange** on **AIM**;
3. The **AIM secondary market registered organisation** must implement practical operational mechanisms (to be approved by the Exchange) to provide real time trading information to the **Exchange** on a continuous basis, in respect of transactions in **AIM securities** admitted reported to the **AIM secondary market registered organisation**. These arrangements may vary from case to case, but must include information that will enable the **Exchange**, in relation to trading in **AIM securities**, to:
 - see all executed trades immediately, including any unpublished trades;

- identify both counterparties to the trades; and
- identify through its surveillance system whether any anomalous trades or unusual trading is taking place on the **AIM secondary market registered organisation**.

The above information is required in order that the **Exchange** can ensure a proper market in **AIM securities**. Any material failure to meet these criteria ~~by a venue will~~ result in the **Exchange** withdrawing **AIM secondary market registered organisation** status with immediate effect.

The **Exchange** ~~will maintain~~ a list of the approved **AIM primary market registered organisations and AIM secondary market registered organisations** on its website.

The following trades would not be considered to be **on Exchange**:

- The creation and redemption of **Exchange Traded Funds** (unless bringing **on Exchange** for stamp relief reasons in which case such trades can be reported as non publishing trade reports).

In addition a contract to place, offer or underwrite securities that are the subject of an application to be **admitted to trading**, or admitted to trading on a venue where the contract is made before the application is accepted.

Primary allocations subject to listing are off **Exchange**.

An exception to this is the exercise of an over-allotment option ("green shoe") which is commonly agreed by a sponsoring **member firm** as part of the stabilisation and underwriting arrangements for an introduction to admission to trading, as well as for further new issues of shares. Whether the option is ever exercised, and the extent to which it is utilised, will depend on the take up of the issue, the underlying share price in the market and the stabilisation transactions undertaken. Such trades can be brought **on Exchange** under the following circumstances:

- the terms of the green shoe option must be agreed and included in the circular, prospectus or an **AIM** admission document, where such documentation is required by law or is voluntarily published, prior to sign-off, including confirmation that the option writer holds sufficient shares to meet any obligation under the option;
- that at the point of exercise the shares to be delivered are **admitted to trading**; and
- a regulatory news announcement has disclosed that exercise has taken place.

Once the shares have been **admitted to trading**, and if all the above points have been met, the exercise of the green shoe option may be trade reported to the Exchange immediately after the agreement to exercise. This will typically be at the same time as the disclosure announcement is made that the exercise has taken place. **Member firms** who wish to report such arrangements to the **Exchange** should contact the Market Supervision department on +44 (0) 20 7797 3666 (STX 33666). The **Exchange's** guidance on reporting the exercise of a green shoe does not override a **member firm's** obligations under UKLA rules.

Requirement to trade report [3010-3013]**Obligation to trade report**

G	3011	An on Exchange trade report must not duplicate another trade report in respect of the same execution unless it is being brought on Exchange as part of a riskless principal trade, a volume weighted average price trade, or a matched principal transaction and is marked appropriately.
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Guidance to Rule:

A **member firm** should not submit a publishing **trade report** where one has already been submitted to the **Exchange**. Examples of this would include, but not be limited to:

1. where a **trade report** was automatically generated by the **Exchange's trading system**;
2. where one leg of a riskless principal trade has been published and the subsequent leg(s) are/is for the same price; ~~or~~
3. where one leg of a **matched principal transaction** has been published; or
- ~~3~~4. where the trade represents an average price for a customer and the market facing trades have all been published.

In relation to points 2, ~~and 3~~ and 4 above, a **member firm** should enter a non-publishing **trade report** where the trade is **on Exchange**.

In relation to multi-legged trades between **member firms**, the **Exchange** would expect the publication arrangements to be clear and agreed by all parties involved who have a potential publication obligation. Typically the **member firm** in the middle has visibility of both trades and is therefore principally responsible for ensuring that there is no duplicate publication (either within a single venue or across multiple venues).

This may require the middle **member firm** (and all others) to engage in dialogue with its **counterparties** about publication intentions – **member firms** should already be fully engaged on reporting intentions.

As a general principle the **Exchange** suggests that the 'market' facing leg(s) should be published and the 'client' facing leg(s) should not be published irrespective of which legs are **on Exchange** or off **Exchange**. In the absence of an overt 'market' facing leg(s) and 'client' facing leg(s), the **member firm** in the middle is best placed to determine which leg should be published, though this conclusion should be agreed with all parties involved who have a potential publication obligation under the **Exchange's** rules or otherwise.

To illustrate this, the following riskless principal, **matched principal transaction** or principal cross scenarios could arise:

- if both legs are **on Exchange**, then publishing 'market' **trade report** and non-publishing 'client' **trade report**
- if one leg is **on Exchange**, then either publishing 'market' **trade report** where the off **Exchange** leg is not published; or non-publishing 'client' **trade report** where the off **Exchange** leg is published
- if neither leg is **on Exchange**, then no **trade reports**.

Trade Publication [3030-3035]**Deferred publication**

G P	3030	A member firm may elect to use the deferred publication facility; where the trade is between the member firm dealing on own account and its customer.
	<u>3030.1</u>	<u>in a share, depository receipt, exchange traded fund, certificate, or other similar financial instrument where the trade is between a member firm dealing as principal on its own account and a counterparty or customer;</u>
	<u>3030.2</u>	<u>in a bond, structured finance product or securitised derivative provided one of the following conditions is satisfied:</u>
		(a) <u>the trade is large in scale as reflected in the parameters;</u>
		(b) <u>the trade is in a financial instrument or a class of financial instruments for which there is not a liquid market; or</u>
		(c) <u>the trade is between a member firm dealing as principal on its own account and its counterparty or customer and one or more components to the trade are in financial instruments that are above the size specific to the instrument.</u>

Guidance to Rule:

A **member firm** may elect to delay the publication of a trade by submitting a **trade report** with the appropriate indicator. This facility does not apply to a trade:

- in relation to 3030.1 and 3030.2(c) where the member firm reporting the trade is acting in an agency, or a matched riskless principal capacity;
- where it is a riskless matched principal trade transaction;
- offsetting an existing deferred publication; or
- in a security that is suspended.

A **member firm** may release a **deferred publication** trade for publication at any time prior to automatic publication.

Required content of trade reports [3040]

G P GT	3040	A member firm must ensure that the content of a trade report is accurate and entered in accordance with the guidance to this rule and the parameters .
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*Guidance to Rule:*Trading capacity

Member firms must ensure that their trading capacity (“DEAL”, “MTCH” or “AOTC”) is entered ~~correctly~~ accurately on every **trade report** they submit to the **Exchange**. Doing so may prove important, for instance, in the event of a **member firm** (either the firm reporting the trade or another firm) being declared a **defaulter** on the **Exchange**.

Market making agreements - algorithmic trading

Market making agreement requirements [4400-4403]

G	4400	Where a member firm engages in algorithmic trading to pursue a market making strategy , the member firm shall immediately notify the Exchange . The member firm shall be required to enter into a market making agreement with the Exchange as soon as possible. <u>The member firm shall be bound by the terms of the market making agreement.</u>
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Guidance to Rule:

~~A **Member firms** should enter into a **market making agreement** notify the **Exchange** via the **Member Portal**.~~

*A **member firm** that is subject to a **market making agreement** shall be required to meet the obligations that are set out within the **market making agreement**, in respect of the relevant instruments and for each **business day**, except in **exceptional circumstances** as advised by the **Exchange**.*

G	4402	A member firm that is subject to a market making agreement may notify the Exchange of its intention to cease pursuing a market making strategy and of its intention to exit from the market making agreement in one or more instruments, <u>providing at least one day's notice.</u>
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Guidance to Rule:

~~***Member firms** should notify the **Exchange** via the **Member Portal**. Subject to the notice period set out in the **market making agreement**, the **Exchange** shall accept the request and terminate the agreement in respect of the relevant instruments.*~~

4412	<p>Member firms participating in a market making scheme may be subject to different obligations and/or other incentives during the period that stressed market conditions are in force. Stressed market conditions shall be in force for a market making scheme when:</p> <ul style="list-style-type: none"> (a) the Exchange, in its sole discretion, publicly declares stressed market conditions to be in force in certain specified instruments that are subject to a market making scheme; or (b) certain pre-defined market conditions are met in specified instruments that are subject to a market making scheme, <u>which for the purpose of this rule, are defined as 60 seconds following the commencement of a price monitoring interruption to regular trading.</u>
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