

## DEFINITIONS

<b><u>named order</u></b>	a non-anonymous limit order used by <b>market makers</b> in <b>Exchange Traded Funds</b> and/or <b>Exchange Traded Products</b> to submit bid/offer quotes in place of <b>executable quotes</b>
<b>order-driven trading service</b>	a trading service subject to the <b>order-driven trading service</b> rules with the provision of <b>executable quotes</b> or <b>named orders</b>
<b>quote</b>	either an <b>executable quote</b> , a <b>firm quote</b> , a <b>named order</b> or a <b>RFQ quote</b>

## CORE RULES

### Systems and trading

#### Regulatory suspensions [1510-1513]

G	1513	A <b>member firm</b> may apply to the <b>Exchange</b> for permission to effect trades in a security in which trading is suspended by the <b>Exchange</b> . Permission must be obtained in respect of each proposed <b>on Exchange</b> trade.
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#### *Guidance to Rule:*

Normally permission to effect trades in suspended securities is only granted to enable the **member firm** to:

- (i) fill a short position which was acquired before the suspension or prohibition was imposed;
- (ii) complete a derivative contract;
- (iii) wind-up a deceased **person's** estate; or
- (iv) create or redeem shares in an **exchange traded fund**.

Permission will not be granted where the suspension is required by a regulator under Article 69(2)(m) of MiFID. Applications for permission to deal under this rule should be addressed to the Market Supervision department using the dealing request form available on the corporate website as far in advance of the planned trade date as possible.

In permitting trading to 'complete a derivative contract' a **member firm** would be enabled to carry out a cash hedging trade which was envisaged as part of a derivative contract but which was not able to be executed before the suspension took place.

In the case of CFDs, this would cover a situation in which the CFD had been written prior to the suspension of the underlying equity and, as part of that contract, the **member firm** intended to either buy or sell in the cash market to hedge the CFD but had not been able to do so before the stock was suspended. In this scenario, **member firms** can seek permission from the **Exchange** to trade during a suspended period in order to complete the cash leg of the contract.

Where a **member firm**, or its client, has an open CFD position, this does not mean that permission to trade will be given under the exemption for filling a short position. In such cases, the **Exchange** will enquire about the status of any hedging trade executed before the suspension. If the hedging trade entered into by the **member firm** involved the creation of a short equity position (which may or may not be covered by stock borrowing, then the **Exchange** may give permission to trade during the suspended period in order to close the short equity position. In order to confirm that a short equity position is held, the **Exchange** will ask for details of the equity hedging trade. Permission to trade the equity hedge will not be given where the **member firm** wishes to enter into a new CFD position or close out a CFD position by transferring it to a third party. This is to ensure equal treatment with other **member firms** that have an equity exposure to the security.

**When Issued dealing** [1530–1532]

1530	The <b>Exchange</b> will permit <b>when issued dealing</b> in a security provided that the <b>Exchange</b> is satisfied that there can be a fair and orderly market for the trading of that security and:
1530.1	a <b>when issued dealing</b> application having been made in accordance with guidance provided on the <b>Exchange's</b> website ( <a href="http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/when-issued.htm">http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/when-issued.htm</a> <a href="http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/when-issued-stabilisation.htm">http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/when-issued-stabilisation.htm</a> );
1530.2	the listing particulars or other appropriate documentation, as applicable, being expected to be approved and published during the first day of <b>when issued dealing</b> ; and
1530.3	the offer price and full allocation details having been publicly announced prior to commencement of <b>when issued dealing</b> together with details of when the listing particulars or other documentation will be available from.
G 1532	All <b>when issued dealing</b> trades will be for deferred settlement and if the resulting securities are not admitted to unconditional trading, every <b>when issued dealing</b> trade effected is void.

*Guidance to Rule:*

**Member firms** that enter into an **on Exchange off order book** trade during the **when issued dealing** period should ensure that settlement does not take place until listing or admission to trading has taken place.

Further guidance can be found on the **Exchange's** website at:

<http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/when-issued.htm> <http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/when-issued-stabilisation.htm>

**Stabilisation** [1535]

1535	A <b>member firm</b> intending to act as or on behalf of a stabilising manager in a security to be traded <b>on Exchange</b> shall, prior to the commencement of the stabilising period, provide the <b>Exchange</b> with information regarding the stabilisation in accordance with the guidance on the <b>Exchange's</b> website ( <a href="http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/rules-regulations.htm">http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/rules-regulations.htm</a> <a href="http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/when-issued-stabilisation.htm">http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/when-issued-stabilisation.htm</a> ).
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**MARKET MAKER RULES****Market makers in order-driven securities****Obligations of market makers in order-driven securities** [4100-4103]

G P 4101	A <b>market maker</b> must maintain an <b>executable quote</b> , or bid and offer <b>named orders</b> , in each security in which it is registered. The <b>executable quote</b> or <b>named orders</b> must be maintained:
4101.1	for at least 90% of <b>regular trading</b> during the <b>mandatory period</b> ;
4101.2	until the conclusion of the closing auction including any extensions; and
4101.3	where relevant, for the duration of the intra-day auction for the FTSE index expiries, including any extensions;
4101.4	where relevant, for the duration of the <b>Scheduled Level 1 Only auction</b> , including any extensions; and
4101.5	in relation to certain securities designated by the <b>Exchange</b> trading on the Order book for Retail Bonds or the Order book for Fixed Income Securities a <b>market maker</b> provides bid only prices in at least the <b>Exchange market size</b> .

Guidance to Rule:

**Market makers** will not be able to enter **executable quotes** that are outside the maximum spread, if they attempt to do so a rejection message will be sent to the **market maker**.

**Market makers** using **named orders** must display bid and offer orders at the same time in at least **Exchange market size** and observe the maximum spread thresholds as set out in **parameters**.

Rule 4101.1

The 90% threshold is measured daily for each security in which a **market maker** is registered. Where an intra-day auction has been triggered in a security due to a price monitoring breach, the time in which the security will have been in **regular trading** will be reduced. Therefore, **market makers** will be required to maintain an **executable quote or named orders** for 90% of the reduced period.

Rule 4101.2

Where a security does not have a closing auction, **market makers** must maintain their **executable quotes or named orders** until the end of the **mandatory period**.

Rule 4101.3

**Market makers** must maintain their **executable quotes** during the FTSE index expiries. The following expiries are covered by this rule:

- FTSE 100 monthly options
- FTSE 100 quarterly futures
- FTSE 250 quarterly futures

**Exceptions to obligations to market makers in order-driven securities** [4110]

G	4110	A <b>market maker</b> has no obligation to maintain its <b>executable quotes or named orders</b> :
	4110.1	in a security during the opening auction or where an unscheduled intra-day auction has been triggered due to a price monitoring breach;
	4110.2	in a security during the closing auction on the Order book for Retail Bonds;
	4110.3	in a <b>covered warrant</b> when it is the expiry day of that <b>covered warrant</b> ;
	4110.4	in a security, or a security underlying that security, where there is a public holiday on the <b>relevant market</b> ;
	4110.5	in a security, or a security underlying that security, where there is a trading halt on the <b>relevant market</b> . A <b>market maker</b> must re-enter its <b>executable quote or named orders</b> on resumption of trading; or
	4110.6	in an <b>exchange traded fund</b> or an <b>exchange traded product</b> , where no firm price is available for at least 10% of the underlying securities or instruments which make up the <b>exchange traded fund</b> or <b>exchange traded product</b> .

Guidance to Rule:

Rule 4110.6

A **market maker** shall be responsible for informing the **Exchange** and seeking permission for suspension of market making obligations by contacting the Market Supervision department on +44 (0)20 7797 3666 option 2, STX 33666, where it believes that there is no firm price available for 10% or more of the underlying securities or instruments in an **exchange traded fund** or **exchange traded product**. If approved, the suspension applies to all **market makers** in the particular **exchange traded fund** or **exchange traded product**. This suspension only applies to the day in question and a **market maker** must make separate requests on a daily basis, if necessary.

## Market making schemes – algorithmic trading

### Exchange operated market making schemes [4410-4412]

4412

**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:

- (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**, which for the purpose of this rule, are defined as 60 seconds following the ~~commencement~~ end of a price monitoring interruption to **regular trading**.