



London
STOCK EXCHANGE

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18 September 2008

**For the attention of the
chairman/senior partner/compliance officer,
all member firms**

N13/08

STOCK EXCHANGE NOTICE

LEHMAN BROTHERS INTERNATIONAL (EUROPE) – DEFAULTER’S DEALING CAPACITY

1. This Stock Exchange Notice provides additional information regarding the default process and, in particular, the impact that the dealing capacity used by Lehman Brothers International (Europe) (“Lehman” or “the defaulter”) will have on the default procedures applied by the Exchange.
2. The Exchange has been advised by Lehman that all its unsettled on Exchange transactions were undertaken in a principal capacity.
3. On the basis of this information, the Exchange will apply the provisions of the Default Procedures applicable to unsettled relevant principal contracts in accordance with paragraphs D120 to D146 of the Rules of the London Stock Exchange (“the rules”).
4. The Exchange will establish the net amount payable by a counterparty to the defaulter or by the defaulter to a counterparty in respect of all such contracts, using the hammer price fixed by the Default Official for each security. This net amount will be certified by the Exchange and may be proved as a debt by the defaulter or counterparty, as applicable.
5. On the basis of the above, the Exchange does not anticipate applying paragraphs D150 to D155 of the rules regarding unsettled relevant agency contracts in respect of this particular default. The Exchange will, of course, review the status of any transaction where information suggests it was not transacted by Lehman in a principal capacity.
6. A list of the hammer prices fixed so far is available on our website:
<http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/default-information/lehman-brothers/lehman-brothers-default.htm>
Additional hammer prices will be added to this list as they are fixed and the

Exchange will issue a Stock Exchange Notice and Service Announcement to communicate that a revised version of the list is available. New versions of the list will clearly be marked as such.

Information required from member firms

7. The Exchange has now contacted those member firms it understands have unsettled on Exchange positions with Lehman to request information regarding those positions. This information should be returned to the Default Official (defaultofficial@londonstockexchange.com) as soon as possible. Any member firms that have not yet been contacted but believe they have unsettled on Exchange positions with Lehman should contact the Exchange immediately.

8. Any queries on this Notice should be addressed to either:

John Newbury, Trading Services, telephone +44 20 7797 1615 (STX 31615)
email: jnewbury@londonstockexchange.com; or

Rachael Hanley, Trading Services, telephone +44 20 7797 3483 (STX 33483)
email: rhanley@londonstockexchange.com.

Nick Bayley
Head of Trading Services

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

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