

23 October 2019

## **N14/19 - Declaration of Default - Reyker Securities plc**

1. London Stock Exchange (“the Exchange”) suspended the membership of Reyker Securities plc (“Reyker” or “the firm”) on Monday 7 October 2019 pending clarification of the firm’s position. On Tuesday 8 October 2019 Mark Ford, Adam Stephens and Henry Shinnars of Smith & Williamson were appointed as Joint Special Administrators (“the administrators”).
2. The Exchange has subsequently been in communication with the administrators regarding the firm’s outstanding on Exchange trades and the administrators have now confirmed that Reyker is unable to fulfil its obligations in respect of its unsettled Exchange market contracts. Therefore, under rule D100 of the Rules of the London Stock Exchange (“the rules”), Reyker was declared a Defaulter on the Exchange at 13:15 on 23 October 2019.

### **Ceasing of settlement**

3. Member firms should ensure that no further settlement of their on Exchange transactions with the Defaulter takes 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 (the operator of CREST) has suspended settlement of all trades undertaken by the Defaulter due for settlement through its facilities.
4. The Exchange’s default procedures will apply regardless of any “match-delete” activity undertaken in CREST. The “match-delete” process may change the status of a trade in the settlement system but cannot validly deal with the underlying market contract. 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.

### **Defaulter webpage**

5. The Exchange has established a dedicated section on its website to provide interested parties with information on this default. This can be viewed at:

<https://www.londonstockexchange.com/traders-and-brokers/rules-regulations/default-information/reyker-securities-plc/reyker-securities-plc.htm>

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## **Defaulter's dealing capacities**

6. The Exchange's current understanding is that Reyker's unsettled on Exchange transactions were executed in an agency capacity. However, the firm was able to trade in a principal capacity and, as further unsettled trades may be identified during the Exchange's default processing, the Exchange will apply its default rules as follows:

### Agency contracts

The rules relating to unsettled relevant agency contracts, D150 to D155, will be applied to the unsettled market contracts. Under these rules, the parties to the contracts (i.e. the clients of Reyker and the relevant market counterparties) remain obliged to complete their transactions on the terms on which they were originally dealt.

### Principal contracts

The rules relating to unsettled relevant principal contracts, D120 to D149, will be applied to the unsettled market contracts. In accordance with rules D130 to D132, the Exchange will fix hammer prices for those securities in which the Defaulter acted as principal. Applicable hammer prices will be issued as required via Stock Exchange Notice with the relevant webpage also updated.

## **Settlement of on Exchange agency trades**

7. Once the Exchange has received unsettled trade information from the Defaulter and market counterparties, the Exchange will:
- Contact the clients for whom the Defaulter has unsettled agency trades, informing them of the default and the Exchange's procedures for an agency default. It may be necessary for agency clients to retain the services of a broker to assist with this.
  - Contact the market counterparties to each of these trades, detailing the trade(s) in question and the client contact details.
  - 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.

## **Commissions and other charges due to Reyker**

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

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## Unsettled trade information

9. Any member firm or person who believes that they have an unsettled on Exchange trade with Reyker at the time of their default is 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 given, and in the form provided, on the Exchange's website at:

[Unsettled Reyker Securities plc Trades - Member Firms](#)

for member firms; and

[Unsettled Reyker Securities Plc Trades - Non Members](#)

for non member firms and, if possible, within the next 5 business days.

10. The Exchange has appointed Liam Smith 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: [defaultofficial@lseg.com](mailto:defaultofficial@lseg.com).

Amanda Harvey  
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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 London Stock Exchange to carry out its regulatory responsibilities