

## **CORE RULES**

### **Systems and trading**

#### **Reg S traded securities** [1550]

G	1550	A <b>member firm</b> shall not effect a trade in a <b>Reg S traded security</b> unless it has reasonable basis to believe after inquiry and confirmation that the trade complies with the requirements of U.S. securities laws.
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#### *Guidance to Rule:*

*Rule 1550 imposes upon a **member firm** an obligation not to engage in any trade in a **Reg S traded security** unless it has a reasonable basis to believe, after inquiry and confirmation, that the trade complies with the requirements of the securities laws of the United States of America (“United States” or “US”). The following guidance is provided by way of assistance only and a **member firm** should seek independent legal advice as to the applicability of these laws. Member firms are also directed to the disclosure relating to Regulation S, Category 3 restrictions under the US Securities Act of 1933, as amended (the “US Securities Act”) or other restrictions under US securities laws in the relevant prospectus.*

*For the purposes of the rules, the term **Reg S traded security** refers to any security identified to the **Exchange** as such by or on behalf of the issuer of the security. When a security has been so identified, the **Exchange** will require that the letters ‘REG S’ be added to the end of its name as shown in the **trading system**. The ‘REG S’ identifier signifies that the relevant securities are subject to Regulation S, Category 3 restrictions under the US Securities Act and are deemed to include the restrictive legend required by Rule 903(b)(3)(iii)(B)(3) under the US Securities Act. The **Exchange** will place the security in a separate sector of the **trading system** containing other **Reg S traded securities** only for the duration of the period of restriction. Upon notification by the issuer to the **Exchange** that restrictions no longer apply, the ‘REG S’ marker will be removed from the security’s name and it will be placed in an appropriate sector. This information will be disseminated via Datasync, the **Exchange’s** Reference Data Service. A list of **Reg S traded securities** is available on the **Exchange’s** website, which will specify the standard place of settlement for the security.*

*Generally, **Reg S traded securities** have been issued by companies incorporated in the United States and initially offered and sold without being registered with the U.S. Securities and Exchange Commission (“SEC”) under the US Securities Act of 1933 (“the 1933 Act”), and are subject to a one-year distribution compliance period under Regulation S. (Note, there are also companies incorporated outside the United States of America that may fall within the definition of “domestic issuer” for Regulation S purposes.) As such, **Reg S traded securities** are considered “restricted” securities, and they must be traded only in accordance with Regulation S, pursuant to registration under the US Securities Act or pursuant to an available exemption from the registration requirements of the ~~1933~~ US Securities Act.*

*Among other requirements, Regulation S provides that securities issued pursuant thereto may not be purchased by, or on behalf of, “US persons” (as defined in Rule 902(k) of Regulation S) in reliance on Rule 904 under Regulation S during thea one-year distribution compliance period commencing upon the closing of the initial public offering. Generally, therefore, a security will be identified as a **Reg S traded security** until the first anniversary of its admission to trading. However, it is the responsibility of the issuer to determine when the restrictions applicable to trading of its **Reg S traded security** may be removed, and, accordingly, at the issuer’s discretion and by agreement with the **Exchange**, a security may be treated as a **Reg S traded security** for a period longer than one year.*

*Prior to purchasing a **Reg S traded security**, a **member firm** must take reasonable steps to ascertain whether its **customer** is resident in the United States or may otherwise be considered to be a US person or is acting for the account or benefit of a US person. A **member firm** must design, implement and maintain measures to assure compliance with the rule, such as, by way of example, obtaining or reconfirming within the last 12 months a certification from its **customer** that he, she or it is not a US person within the meaning of the above-mentioned Rule 902(k) and that such **customer** understands and accepts the restrictions and limitations imposed by Regulation S on purchasers of such securities. **Reg S traded securities** may not be purchased on behalf of a US person, unless the trade is*

~~pursuant to registration under the 1933 Act or pursuant to an available exemption from the registration requirements of the 1933 Act.~~ **Reg S traded security** is also identified as being Rule 144A eligible. A **Reg S traded security** also identified as being 144A eligible may be purchased by, or on behalf of, a US person who is also a qualified institutional buyer ("QIB") as defined in Rule 144A and who is purchasing in reliance on Rule 144A.

Regulation S also requires that offers to sell **Reg S traded securities** not be made to persons in the United States; that, at the time a buy order is originated, the seller and any person acting on its behalf reasonably believe that the buyer is outside the United States; and that neither the seller nor any person acting on its behalf knows that the trade has been pre-arranged with a buyer in the United States. In addition, Regulation S requires that no "directed selling efforts" (as defined in Rule 902(c) of Regulation S) are made in the United States by the seller, an affiliate or any person acting on their behalf, and that if the seller is a dealer or a person receiving a selling concession, fee or other remuneration in respect of the securities offered or sold, neither the seller nor any person acting on its behalf knows that the offeree or buyer is a US person.

Guidance associated with Rule 5000 provides that where an agency broker deals with a market **principal** on behalf of a **customer**, the market **principal** and the **Exchange** rely on the agency broker to ensure the performance of its **customer**. If the **customer** fails to deliver securities or cash, then the agency broker is responsible for any shortfall. This includes trades in **Reg S traded securities** which are rejected for settlement because the purchaser of the securities is identified as a US person.

(Amended N09/14 – effective 29 September 2014)

## **SETTLEMENT, CLEARING AND BENEFIT RULES**

### **Settlement**

#### **Method of settlement [5025]**

5025

A selling **member firm** should ensure that securities (~~excluding **Reg S traded securities**~~) due to be delivered as the result of an automated execution on the **trading system**, are recorded in **electronic form** on, or before the intended settlement date of the trade.

(Amended N13/14 – effective 5 January 2015)