



London
Stock Exchange

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28 November 2008

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

N40/08

STOCK EXCHANGE NOTICE

TEATHERS LIMITED – IN DEFAULT – INSTRUCTION TO CEASE SETTLEMENT AND FIXING OF HAMMER PRICES

1. Further to London Stock Exchange Notice N38/08, the Exchange hereby instructs member firms to cease settlement of all on Exchange trades with Teathers Limited (“the defaulter”) that were not novated to LCH as central counterparty (“CCP”). Details of the defaulter’s member IDs and its CREST, Euroclear Bank and DTC codes were provided in Notice N38/08.
2. The Exchange has established a dedicated section on its website to provide interested parties with information on this default. This can be viewed at: <http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/default-information/teathers/teathers-default.htm>
3. Initial information received by the Exchange indicates that the defaulter undertook on Exchange business as both agent and principal. Member firms that believe they have unsettled, non-CCP transactions undertaken on Exchange with the defaulter are advised to familiarise themselves with the default procedures in the Rules of the London Stock Exchange (“the rules”), which can be found at Rules D010 to D200. In particular, member firms should note that transactions undertaken by the defaulter as agent and as principal will be handled differently under the rules (see Rules D120 to D155).
4. With respect to the defaulters’ relevant principal contracts, this Notice provides details of the hammer prices (as defined in the rules) that have been fixed by the Exchange’s default official and the rates of exchange that will apply to convert into sterling any sums owed to or by the defaulter that are denominated in other currencies.

Ceasing of settlement

5. 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. For the avoidance of doubt, the Exchange confirms that all on Exchange trades, including those undertaken on the International Order Book ("IOB"), are subject to its default rules and procedures.
6. Euroclear UK and Ireland (CREST) has suspended settlement of all trades undertaken by the defaulter due for settlement through its facilities. The Exchange is in contact with other relevant central securities depositories regarding suspension of settlement.

Hammer prices

7. In accordance with Rules D130 to D133, the Exchange has begun fixing hammer prices for the securities in which the defaulter has unsettled, non-CCP trades undertaken on Exchange and in which the defaulter acted as principal.
8. In accordance with the rules, the hammer prices will be fixed as follows:
 - In respect of any security admitted to trading, the rules provide that the hammer price is the applicable middle price current in the market immediately before the declaration of default. As a result, the hammer price will be fixed at the middle price prevailing immediately before the close on 25 November 2008;
 - For securities that have been suspended or delisted, the hammer price will be fixed at the price of the last on Exchange trade.
9. 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/teathers/hammer-prices/hammer-prices.htm>
10. The Exchange will add hammer prices to this list as and when they are set and will issue a Stock Exchange Notice and Service Announcement to communicate that a new version of the list is available. Member firms will be able to identify the latest version by way of the version number and date of the excel spreadsheet e.g. Hammer Prices – Teathers Limited V1 28-11-08. All versions of the hammer price list will remain available on the website. The Exchange will highlight which securities have been added by including a "Date Added" column in the hammer price spreadsheet. These additions will also be identified in the Stock Exchange Notice.
11. Member firms should note that hammer prices may not be applicable to the valuation of on Exchange lending arrangements. With respect to any such arrangements, member firms should have regard to the provisions of Rules D160 to D163.

Objections to hammer prices

12. Any objection to a hammer price must be lodged with the default official, in writing, within five business days of the date of notification (i.e. the date on which the given hammer price was published or subsequently added to the list referred to in paragraph 9 above). Any objection should include the grounds and the basis for any alternative price proposed. Further details of the fixing of hammer prices on declaration of default are set out in Rules D130 to D133. If the objection is rejected, the Exchange will inform the objector that the price remains unchanged. If the objection is sustained, the Exchange will communicate to all member firms, by way of a Stock Exchange Notice, the revised hammer price and a list of revised hammer prices will be provided.
13. Publication by the Exchange of a hammer price in any particular security should not be interpreted to mean that the Exchange accepts that there are unsettled on Exchange market contracts in any such security. The Exchange's reconciliation process is intended to identify the unsettled market contracts that are on Exchange.

Rates of exchange

14. In accordance with Rule D144, for the purpose of discharging the amounts calculated in respect of trades conducted in currencies other than sterling, the Exchange will aggregate all the relevant amounts in the same currency, creating a "currency aggregate", and convert these at the appropriate rate. This is to allow the Exchange to certify a single net amount to be paid by the defaulter to its counterparty or by the counterparty to the defaulter, as appropriate.
15. The currency aggregates will be converted into sterling at the spot rate of exchange set by the Bank of England for the relevant currency on the day of default.
16. The applicable rates of exchange are those set by the Bank of England at 16.00 on Tuesday 25 November 2008, as published at 09.30 on Wednesday 26 November 2008, and the relevant rates are set out in Attachment 1.
17. 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

Tim Rowe, Trading Services, telephone +44 20 7797 3468 (STX 33468) email:
trowe@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.