

London Stock Exchange Derivatives

MARKET NOTICE 2014/068

Consultation on Proposed Amendments to the Rules of London Stock Exchange Derivatives Market and Changes to the Pre-Trade Control Parameters

Introduction

1. London Stock Exchange (“the Exchange”) has undertaken a review of the Rules of the London Stock Exchange Derivatives Market (“the rules”) and is proposing to introduce some amendments.
2. A brief summary of the proposed rule changes is provided below. In addition, Attachment 1 to this Notice contains a draft version of the rules with the proposed amendments in marked up form to enable Member Firms to clearly identify them.
3. Furthermore, the Exchange has reviewed its pre-trade controls and is proposing some changes to the price and quantity restrictions that are currently provided for in Appendix B of the London Stock Exchange Derivatives Market Trading Services Description. The proposed new version of Appendix B of the London Stock Exchange Derivatives Market Trading Services Description, which sets out the new price and quantity restrictions, is provided as Attachment 2.
4. Attachment 2 also includes certain proposed contract value ranges, which will be used for the determination of the fair market spread in the context of the proposed cancellation and adjustment rules for Future Contracts. It is currently envisaged that these contract values ranges, if approved, will be included in a new Appendix C of the London Stock Exchange Derivatives Market Trading Services Description.

Rule amendments

5. A summary of the main proposals is set out below:

Introductory section

- Introduction of a general principle of fair and orderly trading and integrity of the market as a formal criterion for the interpretation of the rules.

Definitions

- Several changes to the Definitions section to ensure clarity and consistency across the rules and with the proposed changes.
- Of particular note, change to the defined term of Authorised Person with Registered Person so as to avoid confusion with the term “authorised person” under the Financial Services and Markets Act 2000.

Application of the rules after termination of membership

- Clarification regarding the applicability of the rules after termination of membership.

Notification

- Introduction of specific notification for changes of controls of Member Firms.

Offer and Sale of Equity and index Options to Certain U.S. Persons

- Introduction of specific rules to ensure the Exchange’s compliance with the conditions of the SEC Class No-Action Relief for the Offer and Sale of Equity and index Options to Certain U.S. Persons.

Emergency Provision

- Clarification of process that will be followed by the Exchange should trading of a Listed Product be suspended or restricted at the time of Expiration.

Direct Market Access

- Clarification in relation to the provision of Direct Market Access by Member Firms.

Other Liquidity Provision Schemes

- Substitution of the current rule regarding Liquidity Providers with a more general rule regarding the ability of the Exchange to introduce liquidity schemes.

Cancellation Procedures

- Changes to the current rules regarding cancellation procedures for Non Norwegian contracts.

Clearing and Settlement rules

- Introduction of a rule requiring Member Firms which are not Clearing Members to obtain the approval of their General Clearing Member before changing their trading profile.
- Some minor amendments to ensure the implementation of T+2 (trade date plus two business days) standard settlement period. These amendments will become effective as of 6 October 2014.

Changes of references in relation to Non Clearing Member

- In order to ensure the alignment of these rules with the rules and regulations of the relevant clearing house, reference to Non Clearing Member and NCM-GCM Agreement will be removed from these rules.



Rules consultation

6. The Exchange will be consulting on the proposed rules and on the proposed new version of Appendix B and C of the London Stock Exchange Derivatives Market Trading Services Description for a period of three weeks. Interested parties are therefore asked to provide any comments or feedback on this consultation by 21 October 2014.
7. Any comments or queries on this notice should be addressed to Stefano Valente, UK Regulation, telephone +44 (0) 20 7797 1584 or email: svalente@lseg.com

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