

London Stock Exchange Derivatives

MARKET NOTICE 2016/043

Notification of Proposed Rule Amendments for the Introduction of CurveGlobal Products and Ancillary Matters – FOR CONSULTATION

Introduction

1. This Notice informs Member Firms that amendments to the Rules of the London Stock Exchange Derivatives Market (“the Rules”) will become effective from 26 September 2016 in anticipation of the introduction of CurveGlobal interest rate products for trading on London Stock Exchange Derivatives Market (“LSEDM”), subject to regulatory approval, alongside various ancillary amendments to enhance the scope and clarity of existing Rules.

Proposed amendments introduced

2. The proposed changes include the following:
 - Changes to certain definitions, including:
 - Amending the term “Bilaterally Negotiated Trade” to encompass Exchange of Futures for Physicals (“EFP”) and Exchange of Futures for Swaps (“EFS”) trades, alongside Block Trades;
 - Amending the term “Block Trade” to better reflect the nature of the transaction;
 - Amending the term “Contract” and removing “Registered Contract” to better reflect the nature of the open offer clearing arrangements between LSEDM and LCH;
 - Amended the term “Listed Product” to clearly delineate a product from a “Contract”;
 - Amended the term “Trade” to make clear this encompasses “Order Book Trade” and “Bilaterally Negotiated Trade”
 - An enhanced scope of prohibited market conduct rules to include, *inter alia*, abuses under Regulation 596/2014 of the European Parliament and of the Council on market abuse (MAR); (**Rules Section 1.3.1**);
 - Clarification of our emergency powers to amend trading calendar dates (**Rules Section 1.4.11**) and addition of force majeure provisions (**Rules Section 1.5.1**);
 - Clarification of the requirements for position maintenance and open interest for existing Equity Derivatives, and their application to CurveGlobal products (**Rules Section 4.5**);

- A codification of the existing procedures for calculating prices for daily settlement and expiration for Equity Derivatives and their application to CurveGlobal products **(Rules Section 4.6)**;
 - The codification of our position management powers related to Member positions on LSEDM **(Rules Section 4.10)**;
 - The introduction of powers to allow LSEDM to require position reporting from Members **(Rules Section 4.12)**;
 - Various amendment to Rules governing the trading and reporting of Bilaterally Negotiated Trades, including elaborations of existing requirements for Block Trade and the introduction of new requirements governing EFP and EFS trades, alongside clarifications of our powers in respect of cancellations related to the same; **(Rules Section 5)**;
 - Amendments to the Rules regarding give-up trades to take account of CurveGlobal products **(Rules Section 7.3)**;
 - Clarifications to existing settlement and delivery Rules for Equity Derivatives **(Rules Section 7.7 – 7.10)**;
 - The introduction of Deliverable Bond Futures Contract Procedures governing, *inter alia*, the settlement of Deliverable Bond Futures and delivery failure **(Schedule 1 to the Rules)**;
3. A marked-up version of the Rules with these amendments can be accessed in the following link: www.lseg.com/derivatives/rulebook-consultation. It is anticipated that the final version of the Rules will be available on the London Stock Exchange Derivatives Market website from August 2016, for an effective date of 26 September 2016.
4. Member firms are invited to provide any comments to these proposed changes by close of business on **15 July 2016**, addressed to Jonathan Farrimond, UK Regulation, telephone +44 (0) 20 7797 1886 or email: jfarrimond@lseg.com

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