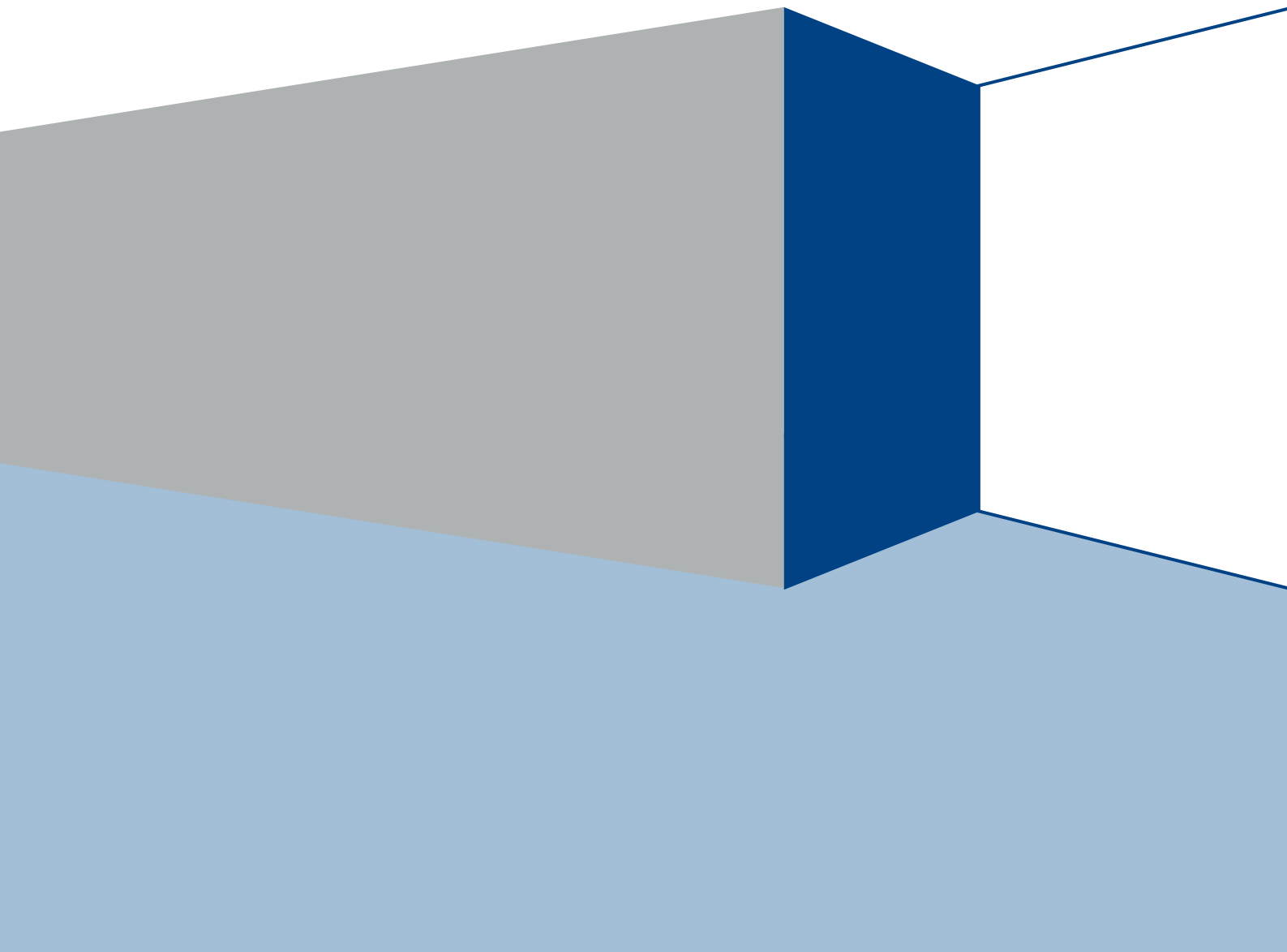




**London**  
Stock Exchange

CONSULTATION PAPER MARCH 2010

# Corporate Actions Processing on the International Order Book



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# 1 Introduction

The International Order Book (IOB) enables investors to unlock the potential of some of the world's fastest growing markets. It offers easy and cost efficient access to markets around the world via depositary receipts (DRs).

The market has grown rapidly since its inception with some of the most heavily traded securities on the London Stock Exchange (the Exchange) being traded on the IOB. To facilitate its continued growth, in March 2009 LCH.Clearnet Ltd (LCH) became the central counterparty (CCP) for trades in the 50 most liquid securities.

Since then the CCP service on the IOB has grown to cover the top 75 most liquid securities.

## 1.1 Purpose of this document

The Exchange and LCH have previously consulted the market on the handling of corporate action events with options, where members with entitled transactions in IOB securities currently receive the default option. In the last consultation, issued in June 2009, market participants rejected a proposal to replace the cleared contract between a clearing member and LCH with a bilateral contract between two clearing members, and asked the Exchange and LCH to review alternatives.

The aim of this consultation is to present an alternative proposal for handling corporate action events with options whereby LCH will process corporate action elections manually. This document also asks for feedback from market participants regarding the overall IOB service.

This document presents specific questions on which we would welcome feedback. Firms are requested to respond to these questions but are encouraged to comment more widely – the Exchange and LCH welcome feedback on all our proposals to ensure we deliver optimum solutions for the whole market. Firms are also requested to collate comments from all relevant departments (front and back office) and submit a single consolidated response to this paper. A summary of the specific consultation questions is provided in section 4.

This consultation runs from Monday 15 March to Friday 16 April. Responses should be submitted by email to [ioab@londonstockexchange.com](mailto:ioab@londonstockexchange.com).

## **1.2 Readership**

This consultation document should be read by member firms and in particular those member firms operating as Clearing Members. It is also useful for prospective participants who may wish to commence trading on the IOB.

It should specifically be read by those departments at member firms that are involved with trading, clearing, settlement and risk.

## **1.3 Contact details**

To contact the Exchange:

- Please contact the Business Development team at [clients@londonstockexchange.com](mailto:clients@londonstockexchange.com) or Helen Jeeves on +44 (0)20 7797 4366, [hjeeves@londonstockexchange.com](mailto:hjeeves@londonstockexchange.com)

To contact LCH:

- Please contact Andrew Rees on +44 (0)20 7426 7469, [andrew.rees@lchclearnet.com](mailto:andrew.rees@lchclearnet.com)

Further information about IOB can be found at <http://www.londonstockexchange.com/iob>

## 2 Corporate action processing

### 2.1 Overview

The vast majority of corporate actions in IOB securities are processed without any issues arising. However, with the introduction of the CCP service, it has not been possible to provide buyer protection facilities in relation to corporate actions with options i.e. to allow the buyer of a security that is the subject of a corporate action with options to elect to accept any option apart from the default. This is in contrast to the service available for securities traded on SETS for example, where buyer protection, via ACON functionality, is provided by Euroclear UK and Ireland.

Following requests from member firms, the Exchange and LCH consulted the market on a proposal to allow buyers to request any option against an eligible outstanding transaction in the event of a relevant corporate action. The proposal to replace the cleared contract between a clearing member and LCH with a bilateral contract between two clearing members was rejected by member firms. The Exchange and LCH were asked to review alternatives to this proposal (see <http://www.londonstockexchange.com/traders-and-brokers/products-services/trading-services/international-order-book/response-to-iob-consultation-june-july-09.pdf> for the formal response).

This section presents an alternative proposal.

### 2.2 Current service

Currently, if a corporate action with options occurs on an IOB CCP security, trades are processed by LCH and the default option is delivered to buyers if their trades are unsettled at the last time acceptances can be made. Holders of DRs are able to elect on the full range of options, subject to the eligibility criteria.

The benefits of the current service are that:

- The result of the corporate action is certain;
- The process is simple and fully automated, unlike in the current over-the-counter (OTC) market;

- Trades remain cleared by the CCP and subject to LCH rules, so market participants retain all of the benefits of a CCP. In particular, participants have complete certainty that there is no counterparty risk at any time when trading one of the CCP eligible securities on-book on the IOB; and
- Regarding counterparties, participants only need a relationship with either LCH or a General Clearing Member (GCM)

### **2.3 Review of alternatives**

Following the previous consultation in June 2009, the Exchange and LCH reviewed three alternative solutions which are summarised below. Automated buyer protection facilities are not available as no equivalent of the ACON functionality provided by Euroclear UK and Ireland exists for IOB securities. Also most corporate actions with options in IOB securities have some form of eligibility criteria attached to them, e.g. the X5 Retail rights offer in 2008 was not open to US holders and applicants had to be Qualified Investment Buyers (QIBs) and could not be affiliated to the underlying company. These restrictions mean that it is very difficult to define a universal set of rules in order to automate and govern option requests relating to these types of events.

#### **Option 1 – Euroclear Bank to offer buyer protection functionality**

Euroclear Bank has the technical solution to detect and process market claims on any instruction and instrument, using dates published by official sources. Euroclear Bank is lobbying with Exchanges and DR agents to build a common process to ensure uniformity of ex dates across venues. Depending on the outcome of those discussions, Euroclear Bank expects to implement market claims on DRs in Q2 2010. Following on from this implementation Euroclear Bank will work on the introduction of a Buyer Election service.

#### **Option 2 – LCH to automate the receipt and processing of buyer protection instructions**

LCH is presently unable to provide automated receipt and processing of corporate action elections. To provide a solution, LCH would have to undertake a technology build (or engage an outsourced provider). This is not a viable option due to the large cost involved (which would have to be passed on to members), and the long lead time required to complete such a project, which is not consistent with members' requirement to implement a solution as soon as possible.

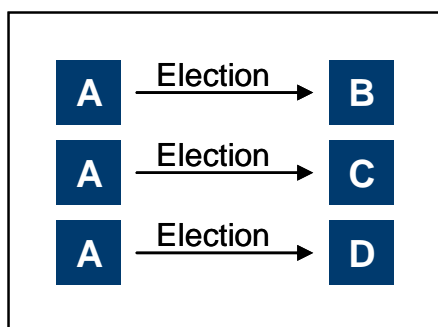
### Option 3 – LCH to process buyer protection instructions manually

The most viable option available to facilitate the processing of buyer protection instructions for IOB corporate actions with options is for LCH to take in and manually process buyer protection requests from entitled buying members on a 'reasonable endeavours' basis. If, by an instruction deadline specified by LCH, a buying member fails to provide an instruction specifying a preferred option in relation to a corporate action, LCH will presume that the buying member has elected for the default option. It is likely that there will be an administration charge for this service in line with the current charges applied by LCH for the Buying In service and its operation will be subject to legally binding rules ensuring that LCH has no exposure to any operational risk. It should be noted that this charge will only apply when a Buyer Election Notification is received and an Allocation notice required. If the default is applied no charges will be levied (see section 2.4.2 for further detail).

#### 2.4 Proposal

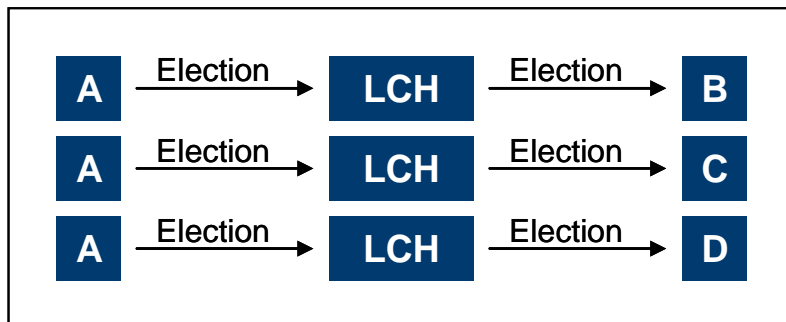
The objective of this proposal is to enable firms to obtain the benefit of the full range of options available in an applicable corporate action, using buyer protection instructions. This can be achieved by LCH manually processing elections from corporate actions with options.

If a corporate action with options occurs in an IOB security that is currently not cleared by LCH, participants elect directly with the counterpart(s) to their trade. In the example below, party A (the buyer) has three open trades and elects against parties B, C & D:



The elections are governed by the Exchange's buyer protection rules. Buyers are responsible for providing their elections to counterparts in a timely fashion. Buyers are also responsible for undertaking any subsequent legal action should the election not be undertaken correctly for any reason.

To facilitate corporate action elections for IOB cleared securities, LCH is proposing to pass through election instructions from buyers to sellers:



However this adds both additional points of potential failure and a concentration of work and risk. Currently LCH is not prepared to accept the operational risks associated with passing through corporate action elections on these products. However, if an appropriate legal framework were put in place to indemnify LCH absolutely against such actions as:

- incorrect elections from buyers;
- in-eligible buyers;
- lateness of election (after the cut-off);
- change of election decision (before or after the cut-off);
- failure to apply correct election by seller;
- a high volume of elections close to the event cut-off causes LCH to restrict elections or invoke default option only;
- any input errors by LCH; and/or
- failure by LCH to pass election through to seller,

then it might be possible for LCH to introduce an appropriate procedure. Therefore to implement this solution, LCH proposes to adopt the following Procedures (which is an extract from a revision of Section 2D of LCH's Procedures) in relation to IOB Corporate Actions.

***Question 1: Market participants are invited to comment on the proposal set out in sections 2.4.1 to 2.4.4. Taking into account all of the details of the alternative proposal, would respondents prefer to retain the current service or adopt this proposal?***



## 2.4.1 Proposed revision to Section 2D, LCH Procedures

*Please note: undefined capitalised terms are defined, or will be defined, in Section 2D of the LCH Procedures, the latest version of which is available on LCH's website at [www.lchclearnet.com/rules\\_and\\_regulations/ltd/default.asp](http://www.lchclearnet.com/rules_and_regulations/ltd/default.asp). References to the "Clearing House" are references to LCH. References to "Members" are references to member firms of LCH.*

**New definition to be added to Section 2D:** "Entitled Member" means a Buying Member with an Entitled Transaction that is subject to a Mandatory Event with Options or Voluntary Corporate Action. Only failing trades will be classed as Entitled Transactions.

### **Mandatory Events with Options**

"Mandatory Events with Options" are events such as:

- scrip dividends;
- dividends payable in alternative currencies or dips; or
- specific schemes of arrangements in which the issuer of a security offers the beneficial owner a choice in the type of outturn it will receive.

In the absence of an election, an Entitled Member will receive the default outturn as dictated by: (a) the terms of the event; or (b) if no event default has been announced, the default applied by the relevant Approved Settlement Provider (ASP).

### *Cash distributions with options*

If a Mandatory Event with Options is a cash distribution with options, then on the Effective Date, the Clearing House will process the event as a Mandatory Distribution. The Clearing House will apply the default as dictated by the terms of the event or, if the event does not have a default, the default applied by the relevant ASP. This is in line with the current process for equities within CREST.

For all other Mandatory Events with Options, the Buyer Election Process detailed below will be followed.

### *Interim Securities*

In some local markets, a Mandatory Event with Options may be processed by distributing to Entitled Members an Interim Security representing the options

available. In such markets, transactions reflecting the Interim Securities will be automatically created by the ASP/Settlement Agent if an Entitled Transaction is open over the Record Date. In such cases, the Clearing House will attempt to settle these Interim Securities prior to any election deadlines. However, if on the Effective Date there are still outstanding Interim Securities in respect of optional cash distribution events, then the default option will be applied to the open interim transactions and transformations applied accordingly.

For all other Mandatory Events with Options, the Buyer Election Process detailed below will be followed.

### **Voluntary Corporate Actions**

Voluntary Corporate Actions are events such as Tender offers, takeovers or calls on rights securities. An Entitled Member may choose whether or not to participate in a Voluntary Corporate Action.

A Buying Member that is an Entitled Holder may submit a Buyer Election Notice in relation to a Voluntary Corporate Action, in accordance with the Buyer Election Process detailed below.

In the absence of an election from the Buying Member, the default option of the Voluntary Corporate Action will be applied to Entitled Positions. Where a Voluntary Corporate Action does not have a default option, the default is set by the relevant ASP. In most cases the default option is no action, and the Entitled Transaction will not be affected.

### **Buyer Election Process**

An Entitled Member may notify the Clearing House of its election in relation to a Mandatory Event with Options or a Voluntary Corporate Action, in accordance with the following procedures:

#### *CCP Deadline*

The CCP Deadline is the time set by the Clearing House by which an Entitled Holder must submit a Buyer Election Notice. The CCP Deadline is based on the terms of the offer and any restrictions applied by the ASP. Appendix 1 at the end of this section sets out the proposed relevant CCP Deadlines. For an IOB cleared security the CCP Deadline will be a specific period prior to Euroclear Bank's deadline.

The terms of the Mandatory Event with Options or Voluntary Corporate Action will establish that event's Last Qualifying Trade Date and Last Qualifying Settlement Date.

In markets where Interim Securities are distributed as part of the initial event, such as a rights issue, for the purposes of processing these events these Interim Securities transactions will be treated the same as any Entitled Transactions.

### *Buyer Election Notices*

Buying Members that have not received their securities or Interim Securities on or before the relevant Deposit Deadline or Acceptance End Date and that choose to participate in the offer, must submit a correctly completed Buyer Election Notice to the Clearing House via email or fax to the Clearing House contacts specified in that notice.

A Buyer Election Notice must be submitted before the relevant CCP Deadline. It is the Buying Member's responsibility to ensure that receipt of the Buyer Election Notice is confirmed by the Clearing House. The Clearing House will confirm the transaction is Entitled and will then 'call back' the Buying Member to verify the election option that has been received.

Notwithstanding the receipt of a correctly formatted Buyer Election Notice, if prior to the Market Deadline, the Clearing House is in a position to deliver the Eligible Securities underlying the Open Transactions or Interim Securities, or a partial of either by splitting the instruction, then it reserves the right to do so.

### *Allocation Notices*

Buyer Election Notices that are received from Buying Members by the CCP Deadline will be allocated to Selling Members with relevant Entitled Transactions using the Allocation Algorithm. The Clearing House will notify Selling Members of the allocation via an Allocation Notice.

Allocation Notices are created using the Allocation Algorithm that matches Buyer Members with Seller Members in the following order:

1. an outstanding settlement obligation of equal size;
2. an outstanding settlement obligation of greater size;
3. an outstanding settlement obligation of greatest size (i.e. the largest available if the largest available is smaller than the elected position).

The allocation process will be completed by the CCP by the Allocation Deadline, or as soon as practicable thereafter and this Deadline will be based around Euroclear Bank's deadline. Appendix 1 at the end of this section sets

out the proposed relevant Allocation CCP Deadlines. The Clearing House will apply reasonable endeavours (but shall not be required) to notify those Selling Members to whom liability is allocated prior to the Allocation Deadline. The Clearing House may, if it reasonably determines that the circumstances warrant, accept a Buyer Election Notice after the CCP Deadline in which case (and notwithstanding any Allocation Deadline), the Clearing House will allocate that election to Selling Members with Entitled Transactions in accordance with the Allocation Algorithm as promptly as practicable thereafter.

Each Selling Member should note that if it holds an Entitled Transaction (including by reason of a failure to match its settlement obligations), the Clearing House may issue that Selling Member with an Allocation Notice to satisfy a Buyer Election Notice. Accordingly, each Selling Member should be prepared to fulfill any Allocation Notice that it receives, in accordance with these Procedures.

After sending an Allocation Notice, LCH will ensure receipt at the Selling Member by phoning the relevant Operations contact.

If by the CCP Deadline, a Selling Member has not settled an Entitled Transaction, that Selling Member will be liable for the outturns of the offer in addition to other actions (e.g. buy-in) that may result from its failure to deliver, as provided in these Procedures.

#### *Clearing House Holdings at an ASP*

In the event that the quantity of Buyer Election Notices received from Buying Members exceeds the quantity of Selling Member Entitled Transactions, then in the event that the Clearing House maintains a Holding of an Eligible Security at an ASP that is subject to a Corporate Action, the Clearing House shall use reasonable endeavours to satisfy the excess Buyer Election Notices by electing an appropriate quantity of its Custody Holding.

If a Selling Member fails to deliver the relevant Eligible Securities by the last time to deliver before the CCP Deadline and the Clearing House is unable to elect its Holding, then any loss incurred by the Clearing House will be allocated and charged to those Selling Members responsible for late delivery.

#### *Selling Member delivery*

A Selling Member with Entitled Transactions who has received an Allocation Notice from the Clearing House is bound by that Allocation Notice. That Selling Member must not deliver the original or the Interim Securities unless the delivery occurs prior to the last time to deliver before the CCP Deadline.

After the CCP Deadline, a Selling Member who has received an Allocation Notice must deliver the new transformed securities or the relevant outturn distribution. In the event that a Selling Member does deliver the original or Interim Securities, and the Buying Member (or its agent) declines to accept delivery of such Securities then the Clearing House will return the said Securities to the Selling Member and the Selling Member is obliged to deliver to the Clearing House the new transformed securities or relevant outturn distribution in accordance with such directions as may be given by the Clearing House.

Once the Corporate Action is finalised if a transformation or distribution is required the procedures will follow those outlined for Mandatory Corporate Actions with the procedures of the Clearing House.

If, in relation to an Entitled Transaction, a Selling Member's delivery of the underlying securities: (a) may prevent the Clearing House from creating an Allocation Notice; (b) will require the Clearing House to elect its Custody Holding; or (c) occurs after the CCP Deadline, then the Clearing House reserves the right to block settlement, or refuse a full or partial delivery, or to return the securities received.

In the absence of receiving an Allocation Notice a Selling Member should apply the default option to the event.

## **Appendix 1 – Proposed CCP and Allocation Deadlines**

### **Option 1:**

CCP Deadline: 9am two business days prior to Euroclear Bank's Deadline  
Allocation Deadline: 11am on day of Euroclear Bank's Deadline

### **Option 2:**

CCP Deadline: 9am two business days prior to Euroclear Bank's Deadline  
Allocation Deadline: 11am one business day prior to Euroclear Bank's Deadline

### **Option 3:**

CCP Deadline: 9am one business day prior to Euroclear Bank's Deadline  
Allocation Deadline: 11am on day of Euroclear Bank's Deadline

***Question 2: Which option 1, 2 or 3 from Appendix 1 do respondents prefer and why?***

### **2.4.2 Administration Charges**

Where a Buyer Election or Allocation Notice is issued, the Buying and Selling Members concerned will be liable to pay the Clearing House for all costs and expenses incurred by the Clearing House in issuing such a Notice and/or carrying out the protection of the Buying Member pursuant to that Notice. These costs will include an administration fee per Notice issued to a Member. This administration fee will be charged to the Clearing Member in accordance with standard Clearing House procedures at the beginning of each calendar month (for the previous month's charges). The Clearing House is entitled to collect such costs, expenses, administration fee and VAT through the Protected Payments System (PPS) and debit the appropriate PPS account of that Buying or Selling Member accordingly.

The intention will be to charge the same as LCH currently charges for administration on Buy-In Notifications, though these charges will be reviewed by LCH as the process goes live to ensure it is appropriate.

***Question 3: Are respondents prepared to pay an administration charge for this service? Would GCMs look to pass on this charge to their customers?***

### **2.4.3 Corporate Action Governing Principles**

Notwithstanding the LCH Procedures outlined above, the Corporate Action Governing Principles below will apply at all times:

#### **Liability of the Clearing House**

While the Clearing House will do what it reasonably can to carry out the LCH Procedures, it shall have no liability for any loss or damage arising out of or in connection with any act or omission on its part or on its behalf in connection with any Corporate Action. This is in line with the Clearing House policy as well as with the policies laid out by other CCP's as published in their Rules and Regulations. The Clearing House shall be under no obligation to give effect to any instruction made by, or on behalf of, a Clearing Member or do any act required to obtain any benefit, dividend, stock or other thing arising out of such a Corporate Action.

The Clearing House shall not be responsible for any act or omission with regard to any Corporate Action (for example a rights issue, dividend payment or other corporate entitlement) relating to any EquityClear Eligible Security which is the subject of any EquityClear Contract, other than as set out in these Procedures.

***Question 4: Are respondents comfortable that LCH will not accept liability for any losses or damages arising from inaction on a Buyer Election? If not, why not?***

#### **Corporate Action information and accuracy**

The Clearing House does not provide members with any information in regards to Corporate Actions announcements. The Clearing House is not responsible for forwarding any information or delivering any notice or instruction received. Members should continue to rely upon their current providers for this service.

The Clearing House is not responsible for the accuracy of any relevant data provided by ASPs or information vendors in regard to Corporate Action events but will make reasonable efforts to resolve any difference highlighted by Clearing Members.

#### **Clearing House processing of Corporate Actions**

The Clearing House will process Corporate Actions on Entitled Transactions as set out in these Procedures and based on its records of those transactions. Where net settlement arrangements apply, the Clearing House will calculate

and apply Corporate Actions to a Clearing Member's net position and not to the individual trades making up that position.

In the case of any uncertainty as to how a Corporate Action should be treated, the Clearing House, at its absolute discretion, will determine the treatment of any specific Corporate Action as appropriate.

Clearing Members are responsible for notifying the Clearing House of an election in relation to a Corporate Action in accordance with the LCH Procedures. The Clearing House will not solicit responses from Clearing Members on elective events and will only act upon an instruction received from Clearing Members given in accordance with these Procedures.

Except as otherwise provided in these Procedures or the Rulebook, each Clearing Member (and/or its Settlement Agent) is solely responsible for the notification, satisfaction and reconciliation of any entitlement that is the result of a Corporate Action. All claims should be settled on the Intended Settlement Date (ISD) and Clearing Members must not take any action to prevent timely settlement.

If a Corporate Action results in the creation of a position in cash or securities, the Clearing House will calculate and collect Initial Margin and/or Variation Margin on a case-by-case basis. Each Clearing Member should ensure that it has made appropriate arrangements to meet such margin calls.

### **Clearing Member obligations**

The terms of a Corporate Action will establish whether a Clearing Member is affected by that event. It is the responsibility of the Clearing Member to ensure that it complies with the terms and conditions (including any restrictions) that apply to a Corporate Action. When a Clearing Member issues a Buyer Election Notice to the Clearing House in accordance with Section 2D.13.5, the Clearing Member agrees to indemnify the Clearing House in respect of any loss suffered by the Clearing House as a result of that Clearing Member's breach of the terms and conditions of the relevant Corporate Action.

Where a Clearing Member fails to take delivery from the Clearing House that results in the Clearing House incurring a cost due to a Corporate Action, the Clearing House may recover such costs from the Clearing Member via the Clearing Member's Protected Payment System (PPS) account.



## **Actions out of scope of the Clearing House**

The Clearing House shall be under no obligation to give effect to any instructions made by or on behalf of a Clearing Member or do any act required to obtain any benefit, dividend, stock or other thing arising out of any corporate event settable through a relevant ASP.

The Clearing House will not process voting rights, nor be accountable for any Corporate Action consisting of a right to vote.

### **2.4.4 Changes to the Exchange's Rulebook**

To ensure that the Exchange's Rules are aligned with the procedures set out above, the Exchange proposes the changes set out in Appendix 2 which relate to Rules 5302-5932.

The full Rulebook can be found at  
<http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/rules-lse-2009.pdf>

# 3 IOB Clearing and overall service

## 3.1 Extending IOB Clearing

The initial phase of IOB Clearing included the 50 most liquid IOB securities by value traded. Due to the success of the service, since then it has been extended to cover 75 securities.

Currently DRs are only added to the cleared service as part of the Exchange's quarterly review process, with notification to market participants by the Exchange's reference data service Datasync and also within the quarterly review Service Announcement. Whilst the Exchange will continue to review existing DRs as part of the review process, it is proposed that new DRs that will clearly be liquid are cleared from their admission. Datasync will continue to give details of the trading segment of new securities admitted to trading, as today. This brings IOB in line with the principles adopted for the equity SETS service.

***Question 5: Do respondents have any objections to the proposal in section 3.1? Are there any additional existing securities that respondents would like to see included in the IOB Clearing service? If so, which?***

## 3.2 IOB market opening hours

On 23 February 2009, the opening hours of IOB were changed to align it more closely with the trading hours of key UK, European and Russian markets. The opening auction call currently starts at 08:00 London time, with the auction uncrossing and continuous trading commencing from 08:15 London time. The closing auction call starts at 15:30 London time, with the closing auction execution from 15:40 London time. There have been requests from some market participants to start the opening auction from 07:50 London time to bring it in line with the start time of the other London markets with the opening uncrossing remaining at 08:15.

***Question 6: Would respondents support a revision to the start of the opening auction call to 07:50? Is there a requirement for any further revision to either the start or end time of automated trading on IOB? If so, what should that revision be?***

### **3.3 Minimum Order Size**

Since the inception of IOB there has been a minimum electronic order size of 50 DRs. This was to protect users from disproportionate settlement fees for small electronic executions. Whilst acting as a deterrent, the current minimum order size is very inconsistent in value terms across individual securities.

***Question 7: Would respondents support a revision of the current minimum order size? If so, would they prefer that it is removed or replaced with a value based threshold, this could be US\$1,000 for example? If preferring a value based threshold, at what level should it be set?***

***Question 8: Do respondents have any other feedback or suggestions in relation to the IOB trading service?***

# 4 Consultation feedback and project implementation

## 4.1 Consultation feedback

The table below summarises the specific consultation questions for market feedback. Please provide responses to these questions and any general feedback on the proposals contained in this document by Friday 16 April. All responses should be provided via email to [job@londonstockexchange.com](mailto:job@londonstockexchange.com).

Should you have any queries or wish to discuss this document or any other aspect of the IOB please contact:

- At the Exchange: the Business Development team at [clients@londonstockexchange.com](mailto:clients@londonstockexchange.com) or Helen Jeeves on +44 (0)20 7797 4366, [hjeeves@londonstockexchange.com](mailto:hjeeves@londonstockexchange.com)
- At LCH: Andrew Rees on +44 (0)20 7426 7469, [andrew.rees@lchclearnet.com](mailto:andrew.rees@lchclearnet.com)

Question no.	Question
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### Corporate Actions

1	Market participants are invited to comment on the proposal set out in sections 2.4.1 to 2.4.4. Taking into account all of the details of the alternative proposal, would respondents prefer to retain the current service or adopt this proposal?
2	Which option 1, 2 or 3 from Appendix 1 do respondents prefer and why?
3	Are respondents prepared to pay an administration charge for this service? Would GCMs look to pass on this charge to their customers?

4	Are respondents comfortable that LCH will not accept liability for any losses or damages arising from inaction on a Buyer Election? If not, why not?
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### **IOB Clearing and overall service**

5	Do respondents have any objections to the proposal in section 3.1? Are there any additional existing securities that respondents would like to see included in the IOB Clearing service? If so, which?
6	Would respondents support a revision to the start of the opening auction call to 07:50? Is there a requirement for any further revision to either the start or end time of automated trading on IOB? If so, what should that revision be?
7	Would respondents support a revision of the current minimum order size? If so, would they prefer that it is removed or replaced with a value based threshold, this could be US\$1,000 for example? If preferring a value based threshold, at what level should it be set?
8	Do respondents have any other feedback or suggestions in relation to the IOB trading service?

## **4.2 Project implementation**

This consultation runs from Monday 15 March to Friday 16 April.

Following this we will collate all of the responses and aim to publish the results on the Exchange's website at [www.londonstockexchange.com/iob](http://www.londonstockexchange.com/iob).

Any changes to the current procedures will be notified to participants via the Exchange's website and via Service Announcement or Stock Exchange Notice as appropriate. The changes to the rules laid out in Appendix 2 will only come into effect if the corporate action proposal is accepted by market participants.

To help you keep your trading database synchronised on a real time basis, you may wish to subscribe to either the Datasync Email Service or the Datasync Daily Tradable Instrument Report (DTI). To find out more please contact:

Tel: +44 (0)20 7797 1220, STX: 31220  
Email: [datalect@londonstockexchange.com](mailto:datalect@londonstockexchange.com)

Full details of the trading thresholds in operation for IOB are contained in the TradElect Parameters document which can be found at:  
[www.londonstockexchange.com/tradingservices](http://www.londonstockexchange.com/tradingservices).

Sign up to receive Service Announcements at:

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