

Introduction

Reference to any statute and statutory provision shall be construed as those in force from time to time. References to time shall mean the time in London unless stated otherwise. References to days are business days unless otherwise stated.

Chapter headings, section headings and the titles and numbers of rules are for guidance and ease of reference only.

For the purpose of these rules, an act or course of conduct includes both acts and omissions. Terms in bold are defined terms and shall have the meanings set out in the Definitions unless the context otherwise requires, and cognate expressions shall be construed consistently with them.

Rules with supplementary guidance are flagged with the notation "G" with the relevant guidance located immediately after the rule. A breach of the guidance is evidence of a breach of the rule.

A breach of the Rules would be subject to the disciplinary processes currently in place.

These rules shall be construed in accordance with, and governed by, the laws of England and Wales.

The Exchange shall not be liable in damages for anything done or omitted in the discharge of these rules unless it is shown that the act or omission was done in bad faith.

The Exchange's rules make a clear distinction between a member firm acting as principal and as agent. Two trades with a member firm interposed as agent is deemed to be a single transaction. Two trades with a member firm interposed as principal are deemed to be two transactions.

DEFINITIONS

central counterparty contract any contract arising between **Non Clearing Members, clearing members, clients of agency trades** and a **central counterparty**, resulting from a **central counterparty trade**

OFF ORDER BOOK TRADING RULES

Trades

On Exchange trades [3000]

G P	3000	A trade is on Exchange if one or both of the parties to the trade is a member firm and the trade is effected:
	3000.1	in a security admitted to trading on the Exchange's markets other than those specified in rule 3000.2 (as detailed in parameters) and the member firm and its customer or counterparty agree at or prior to the time of effecting the trade that it shall be subject to the rules of the Exchange ; or
	3000.2	in an AIM security not listed on another EU Regulated Market (as detailed in parameters) unless the member firm and its customer or counterparty agree at or prior to the time of effecting the trade that it shall be off Exchange and: <ul style="list-style-type: none"> (a) subject to the requirements of an AIM primary market registered organisation; or (b) subject to the requirements of an AIM secondary market registered organisation and reported to it in accordance with that organisation's requirements; or (c) where the member firm executes a trade through a mechanism that is not an AIM primary market registered organisation or an AIM secondary market registered organisation, the member firm is required to report the trade to the Exchange, on a real-time basis as a non-publishing, off Exchange trade report.

Guidance to Rule:

Rules 3000.1 and 3000.2

In relation to rules 3000.1 and 3000.2, where a **member firm** is interposed between two principal trades entered at the same time and price and one trade has been reported for publication, there is no obligation to report the second leg to the **Exchange**. **Member firms** should note that if they wish the second leg to be regarded as an **on Exchange** trade then they will have to submit a separate, non publishing **trade report**. This will ensure the **Exchange** has a satisfactory audit trail of the second principal trade.

A trade may be brought **on Exchange** where one or more of the following apply:

- the **member firm** or its counterparty is a registered **market maker** in that security and ~~has fulfilled its obligations~~ maintains an **on Exchange executable quote, firm quote or named order** at the time that the trade is agreed, or the trade is executed outside the **mandatory period**;
- the trade is **large in scale**;
- the trade is a **negotiated trade**;
- the trade is the second leg of a **matched principal transaction** (non-publishable) where the market leg has been published;
- the trade(s) is/are the second leg(s) of a riskless principal trade where the market leg(s) has/have been published.

[...]

MARKET MAKER RULES

Market makers in order-driven securities

Obligations of market makers in order-driven securities [4100-41056]

G	4101	A market maker must maintain an executable quote , or bid and offer named orders in each security in which it is registered. The executable quote or named orders must be maintained:
	4101.1	for at least 90% of regular trading during the mandatory period ;
	4101.2	until the conclusion of the closing auction including any extensions; and
	4101.3	<u>at the execution time of an off order book on Exchange trade except as permitted in the guidance to this rule;</u>
	4101.3 <u>4</u>	where relevant, for the duration of the intra-day auction for the FTSE index expiries, including any extensions;
	4101.4 <u>5</u>	where relevant, for the duration of the Scheduled Level 1 Only auction , including any extensions; and
	4101.6	in relation to certain securities designated by the Exchange trading on the Order book for Retail Bonds or the Order book for Fixed Income Securities a market maker provides bid only prices in at least the Exchange market size .

Guidance to Rule:

Market makers will not be able to enter **executable quotes** that are outside the maximum spread, if they attempt to do so a rejection message will be sent to the **market maker**.

Market makers using **named orders** must display bid and offer orders at the same time in at least **Exchange market size** and observe the maximum spread thresholds set out in **parameters**.

Rule 4101.1

*The 90% threshold is measured daily for each security in which a **market maker** is registered. Where an intra-day auction has been triggered in a security due to a price monitoring breach, the time in which the security will have been in **regular trading** will be reduced. Therefore, **market makers** will be required to maintain an **executable quote** or **named orders** for 90% of the reduced period.*

Rule 4101.2

*Where a security does not have a closing auction, **market makers** must maintain their **executable quotes** or **named orders** until the end of the **mandatory period**.*

Rule 4101.3

*Rule 4101.3 does not apply outside the **mandatory period** or where:*

- *the trade is **large in scale**:*
- *the trade is a **negotiated trade**:*
- *the trade is the second leg of a **matched principal transaction** (non-publishable) where the market leg has been published;*
- *the trade(s) is/are the second leg(s) of a **riskless principal trade** where the market leg(s) has/have been published.*

Rule 4101.34

***Market makers** must maintain their **executable quotes** during the FTSE index expiries. The following expiries are covered by this rule:*

- *FTSE 100 monthly options*
- *FTSE 100 quarterly futures*
- *FTSE 250 quarterly futures*

SETTLEMENT, CLEARING AND BENEFIT RULES

Clearing through a Central Counterparty

Clearing arrangements [5100-5102]

G	5100	A clearing member may only clear or agree to clear a trade in a given central counterparty security if it is party to a clearing membership agreement with the relevant central counterparty . A clearing member must comply with the rules and regulations and any reasonable conditions imposed by a central counterparty with which it has entered into a clearing membership agreement .
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Guidance to Rule:

*A **clearing member** that self-clears its own agency business should ensure that its client has consented to it clearing on this basis.*

G	5101	A member firm shall not enter an order in a central counterparty security into the trading system unless the following arrangements have been agreed with the Exchange :
	5101.1	it is a Non Clearing Member or clearing member and is party to a current, valid clearing agreement with a separate General Clearing Member that will clear any resulting trades; or
	5101.2	it is a clearing member itself and is clearing the resulting trade the order is in a principal, riskless principal or matched principal capacity (and the Exchange may require the clearing member to act as principal on any resulting trades regardless of how the order was entered).

Guidance to Rule:

*Where a model B arrangement is in use, rules 5101.1 and 5101.2 apply to the **model B firm***

although the **introducing firm** will have the technical connection to the **trading system**.

~~All agency trades must be cleared by a **General Clearing Member** that is separate from the **member firm** that is party to the trade. A **member firm** that is itself a **clearing member** can only clear its own **principal**, riskless principal or matched principal business and will need a separate clearing arrangement for its agency business.~~

Individual Clearing Members can only clear ~~their own~~ trades they executed themselves acting as **principal** or **agent**.