

# virt-x *compliance*

## The European blue chip platform



the newsletter of the  
virt-x Regulation & Compliance Department

November 2001  
Issue 2

**This issue covers the timeframe of 1 October to 30 November 2001 included.**

Dear Member

We hope you will find this second issue of virt-x *compliance* a useful source of information and we welcome your comments and suggestions.

You may note that the department has changed its name from Regulation & Legal to Regulation & Compliance, in response to member feedback.

**Emma Vick**  
**Director of Regulation and Compliance**

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## Market Notices

Of the Market Notices issued since No 267 and up to No 288, please note that the following was not of a temporary nature and has **not** been superseded:

Market Notice Number	Date	Content
275	22 October 2001	Changes to settlement should be advised to virt-x at least 10 business days before their effective date.  The Standing Settlement Instructions Notification Form and guidance notes are available from Member Services or in <i>Notifications &amp; Forms</i> at <a href="http://www.virt-x.com">www.virt-x.com</a> .

## Updates to Rules and Directives

virt-x has updated the following Rules and Directives:

Rule/ Directive	Date	Market Notice	Content
3.1	1 November 2001	271 & 279	Where a transaction is executed by one member on behalf of another, no trade report is required in respect of the purchase or sale to revert the transaction back to the originating member provided that the price and size are the same.  No trade report is required for an averaged price trade in a security if its price is an exact arithmetical average of the transactions already reported that day. Members are advised to consider whether such a transaction should nevertheless be reported to their regulator.
3.6	1 November 2001	271 & 279	The deadline for reporting an ERTA timed one hour or less before the market close is by the end of order book trading on the following market day.
3.11	1 November 2001	271 & 279	The deadline for reporting a BTA timed one hour or less before the market close is by the end of order book trading on the following market day.
5.41	1 November 2001	271 & 279	A member may report a stock lending arrangement to virt-x; the form is on the web site. (Members/Notifications and Forms)

All Market Notices are available at [www.virt-x.com](http://www.virt-x.com) under the Member section at Notifications & Forms. All Rules and Directives are available on the web site under the Regulation section.

## FAQ

**Q1** What is the maximum time period within which a trade must be reversed?

**A1** By the end of the next market day.

**Q2** How do I do reverse a trade on virt-x?

**A2** A trade reversal is by means of an equal transaction marked with a "-" sign, using the off order book functionality. Both trades are subject to the straight-through process (except in the case of a clearing prevention group). Self-instructing members must ensure that their back offices are aware of a reversal and that both the original trade and the reversal must be matched and settled since they have to instruct the CSD manually. The completion of this process requires the delivery of stock.

## Member visits

virt-x has a programme of visits to review members' compliance with the Member agreement and the virt-x rules and directives. In particular, there is a focus on a member's controls, procedures, systems, competence and resources to fulfil its trading, clearing, settlement and compliance responsibilities. The review does not cover capital adequacy, which is monitored by a member's prudential regulator, nor have the purpose of identifying client details recorded by a Member firm.

The regulatory review is conducted by virt-x regulatory staff on a rolling schedule and each member will be visited once every 12 – 18 months. The visits complement other virt-x monitoring activities, and virt-x completes as much preparatory work as possible off-site in order to avoid disrupting the member's activities.

## Disciplinary fees

In Market Notice No 287, virt-x is consulting on the use of disciplinary fees.

virt-x's Rule 4.20 (Disciplinary Provisions) and Directive 12 (Discipline and Appeal Procedures) set forth the provisions under which virt-x may assess fines as a result of disciplinary proceedings. Pursuant to these provisions and Section 2.15 of the FSA Recognised Investment Exchange Sourcebook, virt-x proposes to apply fines collected as a result of disciplinary proceedings as set out below.

Fees collected by virt-x pursuant to these disciplinary provisions will be applied in one or more of the following ways:

- a) Towards meeting the expenses incurred by virt-x in the course of the investigation of the breach in respect of which the penalty is paid, or in the course of any appeal against the decision of virt-x in relation to that breach;
- b) For charitable purposes;
- c) Rebate of fees to the Membership;
- d) Carried forward to recoup the costs of future investigations or appeals.

Members are invited to provide any comments by 28 December 2001.

## Christmas and New Year holidays

virt-x will be closed on the following days this year:

- Monday 24, Tuesday 25, Wednesday 26 and Monday 31 December
- Normal business hours will apply on Thursday 27 and Friday 28 December
- The value dates for trading during the Christmas and New Year period were set out in Market Notice No 288

We would like to take this opportunity to wish our members best wishes for the festive season and success and prosperity for 2002.

Please address any comments or questions to [compliance@virt-x.com](mailto:compliance@virt-x.com)

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