



4 October 2002

MARKET NOTICE NO – 368

NEW OFF ORDER BOOK SERVICE

Market Notice No 349 advised members of the proposed introduction of a transaction reporting service for off order book trades in respect of the following:

- transactions effected in equity securities which are not currently admitted to trading by virt-x and
- in the case of securities which are currently admitted to trading on virt-x, the client sides of riskless principal transactions, where the market side of the transaction has already been trade reported to virt-x or another market recognised under the Investment Services Directive.

Resulting trades will be on-Exchange transactions on virt-x. They will be deemed to have been carried out on a prescribed market for the purposes of FSA's market abuse regime, but not on a regulated market for ISD purposes.

The new service does not affect the trade reporting requirements for blue-chip securities or ETFs as set out in Rules 3.1 and 3.2.

The proposed changes to the virt-x rules set out in that Market Notice have now been confirmed as set out in the Appendix to this Market Notice.

The changes to the virt-x rules will become effective from 7 October 2002.

Members are asked to note the following in respect of the new service:

Admission of Securities to Trading:

Securities will be admitted to trading on virt-x for the purposes of Rule 3.3 provided that they are admitted to listing by the relevant competent authority for listing. Transactions in such securities will take place by bilateral negotiation and the other provisions of Directive 14 may not be applicable in all cases.

Settlement:

Please note that settlement of all transactions covered by this service will be by bilateral arrangements.

As set out in Market Notice No 349, such transactions will be eligible for the settlement discipline provisions which are set out in Directive 13. In addition, members are required to notify virt-x where such transactions are affected by failed / late delivery of more than 10 business days, giving the reason for the delay.

Please direct any questions to the Market Helpdesk on

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APPENDIX

RULE CHANGES FOR NEW OFF ORDER BOOK TRADING SERVICE

The changes to the virt-x rules for the introduction of the new off order book trading service are set out below. Changes to the wording in Market Notice No 349 are shown underlined and deletions are struck through.

New definition:

Rule 3.3 securities

securities which are ordinary shares in a company admitted to listing by a **Competent Authority for Listing**, and such listing has not been suspended, but excluding any of the following **securities**:

- constituents of the indices in which **virt-x** offers trading, which are the SMI, FTSE Eurotop 300, Dow Jones STOXX, S&P Europe 350, MSCI Euro & Pan Euro, CAC 40, DAX 30, MIB 30 and AEX, or
- **ETFs** traded on **virt-x** or
- primarily listed by the UK Listing Authority
- ~~subject to intra-day transparency requirements imposed by another ISD or EEA regulated market.~~

- 3.1 Except as set out in **Rule 3.3**, where a **member** enters into an **off-order book transaction** under **virt-x** rules during market hours, the **member** shall ensure that a **trade report** is input to **virt-x** within 3 minutes of the **transaction**.

[The Practice note is unchanged]

- 3.2 Except as set out in **Rule 3.3**, where a **member** enters into a **transaction** under **virt-x** rules:
- a) between the **close of the market**, and 15 minutes prior to the **opening of the market** on the next **market day**, a **trade report** shall be input to **virt-x** up to 15 minutes before the **opening of the market** and
 - b) within 15 minutes prior to the **opening of the market**, a **trade report** shall be input to **virt-x** within 3 minutes of the **transaction**.

3.3 In respect of **Rule 3.3 securities**, a **member** may enter into a **transaction** under **virt-x rules** provided that it is reported to **virt-x** in one of the following ways:

- using the trade confirmation or reported trade functionality, in which case the provisions of **Rules 3.1 or 3.2** shall apply as appropriate
- by not later than 23.00 CET on the day of the transaction by ~~File Transfer Protocol~~ file transfer containing such data items as may be specified from time to time by **virt-x**.

Practice note 3.3:

1. The scope of Rule 3.3 covers:

- transactions effected in equity securities which are not currently admitted to trading by virt-x and
- in the case of securities which are currently admitted to trading on virt-x, the client sides of riskless principal transactions, where the market side of the transaction has already been trade reported to virt-x or another market recognised under the Investment Services Directive

2. Rules 3.5 to 3.15 do not apply to transactions effected under Rule 3.3

3. Member should use all reasonable endeavours to settle Rule 3.3 transactions promptly. The provisions of Directive 13 (Settlement Discipline) apply to such transactions.

3.20 A **member** is not required to submit a trade report for a **transaction** where that **transaction** is one part of a **riskless principal transaction**, where the other part has already been reported to **virt-x**.

*Practice note 3.20: Notwithstanding the provisions of **Rules 3.1 and 3.2**, a **member** may submit the client side reports of a **riskless principal trade** to **virt-x** by ~~File Transfer Protocol~~ file transfer by not later than 23.00 CET on the day of the **transactions**. Such file must contain such data items as may be specified from time to time by **virt-x**.*
