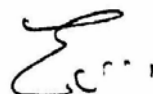


We hope you will find this issue of virt-x *compliance* useful. We welcome your comments and suggestions.



Emma Vick
Director of Regulation and Compliance

Contents	Special topics in this issue
Market Notices Updates to Rules and Directives Special topics	Updates to Rules and Directives for MiFID Nominations for Disciplinary and Appeals panels Market segment change Publication of mistrades

MARKET NOTICES

Since the last Compliance Newsletter, Market Notices 24/2006 to 003/2007 inclusive have been issued. The contents of those Market Notices have been included in standing data with the exception of the following:

Market Notice	Date	Content
30/2006	24.10.06	A number of proposed changes to the Rules and Directives – see below
37/2006	28.12.06	Feedback on the changes proposed in Market Notice 30/2006 Confirmation of the amendments, with some changes as set out in the Attachment to Market Notice 37/2006 Effective date for of changes: 15.01.07 Exception: the proposed introduction of a Practice note to Rule 2.1 (Access) to the effect that the virt-x system must not be used for testing purposes; this is under further review

All Market Notices are available at www.virt-x.com in the Regulation section.

UPDATES TO RULES

The changes to the Rules since Compliance Newsletter 15 have been:

Rule	Summary of changes	Effective date
Definitions	Change in definition of Security	15.01.07
2.10: Market integrity	Inclusion of orders within determination of whether a breach has occurred	15.01.07
3.1: Trade reporting	Tidying and addition of an Appendix to clarify reporting obligations	15.01.07

UPDATES TO DIRECTIVES

The changes to the Directives since Compliance Newsletter 15 have been:

Directive	Summary of changes	Effective date
1: Admission and Membership Procedures	Correction of reference to the Delivery Report Service	01.01.07
4: Orders, Off-order Book Trades and their Attributes	Amendment of heading; tidying and clarification	01.01.07

12: Discipline and Appeal Procedures	Introduction of penalty of £1,500 for misuse of IDs (except for repeated misuse)	01.01.07
13: Settlement Discipline	Tidying	01.01.07
14: Admission of Securities to Trading	Tidying to include Australian \$ as a currency	01.01.07

The Rules and Directives are also available at www.virt-x.com in the Regulation section.

UPDATES TO RULES AND DIRECTIVES FOR MiFID

We continue with our preparations to ensure compliance with MiFID which include drafting updates to the Rules and Directives:

- Changing the trade reporting deadline to “as close to real time as possible and in any case within 3 minutes”
- Replacing the existing ERT and block regime with the standard MiFID deferred and delayed publication regime (which is included in the Appendix to this Newsletter for information)
- Adapting requirements to include the inclusion of new Trade Type Codes on entry of:
 - a corrected trade, to show that it is an amendment
 - trade(s) executed by reference to criteria other than current market price/value, including VWAP trades
- Adding criteria for the execution of orders (i.e matching rules)
- Adding processes to ensure issuers’ compliance with initial and ongoing/ad hoc disclosure obligations
- Adding a requirement that virt-x will not suspend an instrument which no longer complies with the admission criteria if it would be likely to cause significant damage to the interests of investors or the orderly functioning of the financial markets.

We are proposing to issue the draft changes to members at the end of March for comment. Please contact us at regulation@virt-x.com if you would like any further information in the meantime.

In addition to revising a number of Rules and Directives to accommodate the MiFID requirements, we would be pleased to review any other Rules or Directives which members would like us to consider as part of the review – please contact us with any suggestions.

NOMINATIONS FOR VIRT-X REGULATORY FORA

Members are invited to nominate persons to virt-x’s regulatory fora which are as follows:

- The Regulatory Advisory Forum (“RUAF”) is a small group of compliance and market specialists who advise virt-x on an ad hoc basis on practical implications for members of regulatory proposals

- The Market Panel is part of virt-x's disciplinary process and is comprised of specialists in trading and/or compliance in England or Switzerland. Its functions are to hear:
 - alleged offences for which a fine of over £30,000 and/or suspension or expulsion may be imposed; and
 - appeals against fines imposed by the virt-x Executive Panel (i.e up to £30,000)
- The Appeal Commission is appointed to consider appeals against decisions of the Market Panel.

If you would like to suggest a person to serve on one of the above bodies, please send details, preferably including a CV, to regulation@virt-x.com.

MARKET SEGMENT CHANGE

On 22 January 2007 the shares of Synthes Inc. were reallocated from the EU Regulated Market segment on virt-x to the UK Exchange Regulated Market segment for SMI securities.

The Swiss issuers whose shares are on the UK Exchange Regulated Market on virt-x are now as follows:

EMS -Chemie
Nobel Biocare
Roche
Swatch
Synthes.

PUBLICATION OF MISTRADES

In the interests of maintaining an orderly market, virt-x may declare trades null and void if the price of a transaction deviates significantly from the market price. Since 1 February, virt-x publishes these "mistrades" on the public section of the virt-x website (<http://www.virt-x.com/information/mistrades.html>) showing any mistrades for the current and 4 previous business days.

TOPICS FOR FUTURE COMPLIANCE NEWSLETTERS

We welcome topics for inclusion in future issues of the *compliance* newsletter. Please contact us with suggestions. Thank you!

Please address any comments/questions/suggestions to regulation@virt-x.com
Tel: 44 (0) 20 7074 4545 - Fax: 44 (0) 20 7074 4532

MiFID Deferred publication thresholds and delays

The table below shows, for each permitted delay for publication and each class of shares in terms of average daily turnover (ADT), the minimum qualifying size of transaction that will qualify for that delay in respect of a share of that type.

		Class of Shares in terms of average daily turnover (ADT)			
		ADT < €100 000	€100 000 ≤ ADT < €1 000 000	€1 000 000 ≤ ADT < €50 000 000	ADT ≥ €50 000 000
		Minimum qualifying size of transaction for permitted delay			
Permitted delay for publication	60 minutes	€10 000	Greater of 5% of ADT and €25 000	Lower of 10% of ADT and €3 500 000	Lower of 10% of ADT and €7 500 000
	180 Minutes	€25 000	Greater of 15% of ADT and €75 000	Lower of 15% of ADT and €5 000 000	Lower of 20% of ADT and €15 000 000
	Until end of trading day (or roll-over to noon of next trading day if trade undertaken in final 2 hours of trading day)	€45 000	Greater of 25% of ADT and €100 000	Lower of 25% of ADT and €10 000 000	Lower of 30% of ADT and €30 000 000
	Until end of trading day next day after trade	€60 000	Greater of 50% of ADT and €100 000	Greater of 50% of ADT and €1 000 000	100% of ADT
	Until end of second trading day next after trade	€80 000	100% of ADT	100% of ADT	250% of ADT
	Until end of third trading day next after trade		250% of ADT	250% of ADT	