



8 July 2002

MARKET NOTICE NO – 349

NEW OFF-ORDER BOOK SERVICE

virt-x is introducing a new transaction reporting service for off-order book trades in respect of the following:

- transactions effected in any 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.

Rules

New Rule 3.3 sets out the scope of the new service. The proposed text of the rule is set out in the Appendix to this attachment and members are invited to comment on the draft by Wednesday 24 July 2002.

Trade and transaction reporting:

The usual trade reporting deadlines will not apply to transactions dealt under new Rule 3.3. Instead, members will deliver a Report File to virt-x via a secure File Transfer Protocol not later than 23:00 CET in respect of transactions executed that day. The Report File must contain such details as required by virt-x.

Admission of Securities to Trading:

The provisions of Directive 14 (Admission of Securities to Trading) will continue to apply in respect of the non-blue chip securities covered by this service.

Other 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. Since transactions in such securities will take place by bilateral negotiation, the other provisions of Directive 14 may not be applicable in all cases.

Settlement:

The client sides of the riskless principal transactions are covered by virt-x's flexible settlement solution in the usual way.

Settlement of transactions in non-blue chips will be by bilateral arrangements. The 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 5 business, giving the reason for the delay.

APPENDIX

RULE CHANGES FOR NEW OFF-ORDER BOOK SERVICE

The proposed changes to the virt-x rules for the introduction of the new off-order book service are set out below. Additions to existing wording are shown underlined and deletions are struck through.

Members are invited to comment on the proposed changes, by 24 July 2002.

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
- ETFs traded on virt-x
- 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, during market hours,~~ 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 **3.3** shall apply as appropriate
- by not later than 23:00 CET on the day of the transaction by File Transfer Protocol containing such data items as may be specified from time to time by **virt-x**.

3.20 A **member** shall not 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 by not later than 23.00 CET on the day of the **transactions**. The file must contain such data items as may be specified from time to time by **virt-x**.*

If you have any comments on the above proposals, please contact Emma Vick (emma.vick@virt-x.com) on or before 24 July 2002.
