

TISE

The International
Stock Exchange
Authority

Trading and Settlement Rules

January 2020



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Preface

The **Authority** is responsible for the supervision of Members of the Exchange and is licensed to operate an investment exchange under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended).

Authority's Purpose:

Our purpose is to provide a well-regulated listing and trading venue for issuers of global securities and their investors, thus promoting responsible economic growth..

Authority's Mission:

Our mission is to constantly add value for all our stakeholders by providing a secure and high quality service across a trusted, cost effective and efficient marketplace.

The Trading and Settlement Rules:

- Govern transactions undertaken by Trading Members in securities listed or traded on the Exchange;
- Govern the behaviour of Trading Members to ensure their compliance with the Membership Rules;
- Are subject to revision. Current copies of the Membership Rules are available on the Exchange's website. The Authority will inform Members of the Exchange of any revisions;
- Are not exhaustive. The Authority may impose additional requirements or special conditions where it considers it appropriate, in order to ensure orderly trading and settlement on the Exchange; and
- May be waived or modified by the Authority.

A Trading Member is expected to comply with all Membership Rules applicable to it, and provide to the Authority without delay all the information and explanations that the Authority may reasonably require for the purpose of ensuring the orderly operation of the market or to verify compliance with the Membership Rules.

Any decision of the Authority regarding the interpretation, administration or enforcement of these Membership Rules shall be final, conclusive and binding. The Authority may publish notes of interpretation, from time to time, to assist in interpreting and complying with the Membership Rules.

The admission of any applicant to membership of the Exchange shall not constitute a warranty or representation by the Authority as to the competence of the Member, service providers or any other party connected with a Member.

The admission of any securities to trading on the Exchange shall not constitute a warranty or representation by the Authority as to the competence of the Trading Member, service providers or any other party connected with a security.

The Authority accepts no liability for any loss, damage, cost or expense whatsoever incurred by any person.

The Authority may provide additional guidance on any aspect of the Membership Rules and discussions take place in strict confidence, subject to any legal or regulatory obligations with which the Authority must comply. Please consult with us at an early stage if you need to clarify potential issues or have questions.

Principles

The Membership Rules, of which these Trading and Settlement Rules are a subset, require Members to adhere to the following Principles, for investors to have and maintain confidence in the markets we operate.

Members should:

1. Observe high standards of integrity and fair dealing at all times;
2. Conduct themselves in a manner which positively contributes to the market operated by the Authority being fair, efficient and transparent;
3. Act with due skill, care and diligence;
4. Observe high standards of market conduct;
5. Manage conflicts of interest fairly; and
6. Deal with the Authority in an open and transparent manner at all times.

Glossary of terms

Terms in bold are defined terms and shall have the meanings set out in this Glossary unless the context otherwise requires. The singular of a defined term also includes the plural and vice versa.

agent

a person or legal entity acting on behalf of or in the name of a Member whether by way of a contractual relationship or otherwise;

Authority

The International Stock Exchange Authority Limited, also known as TISEA;

Board

the Board of Directors of the Authority;

business day

any day on which the Exchange is open for business as published on the Exchange's website;

director

a person who acts as a director or equivalent officer;

Disciplinary Committee

a committee established by the Board for the purposes of considering disciplinary matters;

Exchange

the investment exchange known as The International Stock Exchange, TISE or any previous or successor name, which is operated by the Authority;

GFSC

Guernsey Financial Services Commission;

Listing Agent

a Member appointed by an issuer as a Listing Agent for the purposes of listing of certain debt securities;

Listing Member

a Member entitled to act as a Sponsor or Listing Agent for the purposes of obtaining and maintaining a listing of securities on the Exchange;

Market Maker

a Member who is registered as a market maker in accordance with the Trading and Settlement Rules;

Member

a company, partnership or other legal entity which has been admitted to membership of the Exchange;

Membership Rules

the rules of the Authority concerning, inter alia, its requirements for membership of the Exchange, code of conduct, trading, settlement of securities transactions, arbitration and discipline, as amended from time to time;

Model A settlement agent

acts as agent for a Trading Member in the reporting of, and the arranging for the settlement of, transactions in the name of the Trading Member which entered into the transaction;

Model B settlement agent

acts for a Trading Member and is liable for transactions (including the reporting of transactions) dealt by the Trading Member as if it, the settlement agent, had dealt the transaction itself;

Official List

the list of securities admitted to listing and trading on the Exchange, which is published and maintained by the Authority;

Sponsor

a Listing Member of the Exchange appointed by an issuer as Sponsor for the purpose of listing certain equity and retail debt securities;

Trading and Settlement Rules

a subset of the Membership Rules, concerning inter alia its requirements for trading;

Trading Member

a Member who is involved with the trading and settlement of transactions effected under the rules of the Exchange; and

trading system

the trading system operated by or on behalf of the Authority.

TISE

**The International
Stock Exchange
Authority**

Rules

Chapter 1 - Trading

Chapter 2 - Settlement

Trading

1.1. Scope

- 1.1.1. These rules govern transactions undertaken by Trading Members in securities listed or traded on the Exchange.
- 1.1.2. Such transactions include those between Trading Members and between Trading Members and non-members (clients).

1.2. Trading Hours

- 1.2.1. Trading is conducted every weekday (Monday to Friday) excluding public holidays and any other days determined, from time to time, by the Authority. Trading takes place on a continuous basis during normal trading hours of 09.00 to 16.30. Trading Members may trade outside of these hours but are not required to do so.
- 1.2.2. Orders and quotations may be added, deleted or amended on the trading system by Trading Members prior to normal trading hours between 08:00 and 09:00.
- 1.2.3. The Authority may, at its discretion, vary the trading hours of the Exchange.
- 1.2.4. The Authority may call a temporary trading halt if it deems that a disorderly market has developed or if there is a serious failure of the trading system. The implementation of a temporary trading halt will be communicated immediately to all Trading Members, with notification first to registered Market Makers, and immediately thereafter to the GFSC. During a temporary trading halt Trading Members may continue to trade outside the trading system but are not required to do so.
- 1.2.5. The Authority may, at its absolute discretion, withdraw orders and quotations in a security if it considers that a disorderly market has developed in that security. This action, and any reinstatement, will be reported immediately to all Trading Members.

1.3. Quote & Order Entry

- 1.3.1. Quotations and orders can only be entered into the trading system by a Trading Member. While there are no restrictions on viewing the information contained in the trading system, investors and issuers who wish to trade at a price displayed must do so through a Trading Member.
- 1.3.2. Except when acting as a Market Maker in a particular security, a Trading Member may enter into the trading system:
 - limit orders, which must contain price and size; and
 - indicative quotations, which must always have a price, but entry of the quantity shall be optional.

1.4. Market Makers

- 1.4.1. A Trading Member may register as a Market Maker in any number of listed securities. In order to register as a Market Maker in a security a Trading Member must first lodge an application with the Authority in the manner prescribed by the Authority.
- 1.4.2. A Market Maker's registration in a security may be terminated by the Authority if the Market Maker fails to enter quotations on the trading system within five business days of their registration or consistently fails to comply with Market Maker obligations referred to in rule 1.5.
- 1.4.3. A Market Maker may voluntarily terminate its registration as a Market Maker in a security by notifying the Authority of such a termination in the manner prescribed by the Authority. Notifications received by 17.00 will become effective from the following business day.
- 1.4.4. The Authority may postpone the effective date of termination and may request further information or impose other obligations on a Trading Member where it considers it necessary to do so.

Trading

1.5 Market Maker Obligations

- 1.5.1 During normal trading hours, as defined by rule 1.2.1, a Trading Member that is registered as a Market Maker in a security must, subject to rule 1.5.6:
- enter and maintain at all times two-sided quotations on the trading system; and
 - actively offer to buy from and sell to an enquiring Trading Member at the price and in a size up to that displayed by it.
- 1.5.2 Quotations must be at least in the minimum quoted size for the security, as specified by the Authority. Quotations must be entered prior to normal trading hours and, subject to rule 1.5.6, a Trading Member that is registered as a Market Maker in a security may not withdraw from displaying quotations in securities in which it is registered until the end of normal trading hours.
- 1.5.3 A Trading Member that is registered as a Market Maker in a security must enter and maintain quotations which, in the opinion of the Authority, are reasonably related to prevailing market conditions and within allowable spreads. Details of allowable spreads for any given security are made available to all Trading Members. The Authority monitors prices and spreads for compliance with these rules. If in the opinion of the Authority a Trading Member's quotations are no longer reasonably related to the prevailing market, or its spreads are outside of the allowable parameters, it may require the Trading Member to re-enter its quotations.
- 1.5.4 If a Trading Member which is registered as a Market Maker in a security fails to re-enter its quotations when requested by the Authority to do so the Authority may suspend the Trading Member's quotations in one or all securities in which it is registered.
- 1.5.5 If one Trading Member that is registered as a Market Maker in a security trades with another Trading Member that is registered as a Market Maker in the same security, the price of the transaction must equal or better the best quotation in that security, at the time of the transaction.
- 1.5.6 If because of a system failure a Trading Member that is registered as a Market Maker in a security is unable to enter or update its quotations, the Trading Member must immediately inform the Authority and may:
- request that its quotations are flagged as indicative only, in which case the Trading Member is not obliged to execute transactions at its displayed price until the quotation is no longer flagged as indicative; or
 - continue to trade at the prices displayed, in which case the Authority will not put up the indicative flag against the Trading Member's quotations.
- 1.5.7 On an exceptional basis a Trading Member that is registered as a Market Maker in a security may request a temporary suspension of its obligations as a Market Maker. Such requests are required to be made in writing five business days in advance. The Authority may in its absolute discretion agree to or refuse such requests and its decision shall be binding on the Trading Member.

1.6 Failure to Comply

- 1.6.1 Where the Authority has reason to believe that a Trading Member is not or may not be compliant with any part of the Membership Rules, including these Trading and Settlement Rules, it may:
- impose on the Trading Member conditions relating to their staffing, training, policies, procedures and controls or any other relevant matters;
 - restrict the scope of Exchange business conducted by the Trading Member;
 - initiate disciplinary action, including referring the Member to the Disciplinary Committee;
 - suspend the Member from membership of the Exchange for such time as it thinks fit; and/or
 - terminate the Member's membership of the Exchange.

Trading

1.7 Trading Member Obligations

- 1.7.1 Trading Members are required to process client orders as promptly as possible at the best price available at the time, unless the order has a limit price. Within the best price requirements Trading Members must give preference to any firm quotations displayed by a Trading Member that is registered as a Market Maker in that security.
- 1.7.2 When carrying out a riskless principal transaction a Trading Member must ensure that the price of the transaction is better than the price prevailing at the time of the transaction, in its size.
- 1.7.3 A Trading Member that is not registered as a Market Maker in a security and that undertakes an agency cross or principal transaction with a non-member (client) shall take all reasonable steps to ensure that the price at which the transaction is carried out shall be better than the best quotation available at that time in a comparable size in the security concerned.

1.8 Minimum Size & Currency of Quotation

- 1.8.1 The Authority shall publish the minimum quotation size for each traded security. The minimum quotation size for each security shall be determined by the Authority in consultation with Trading Members that are registered as Market Makers in those securities but shall initially be set to equate to a value of approximately £5,000. From time to time the Authority may amend the minimum quotation size of any security in order to reflect changes to the underlying price of the security. Any such change shall be published by the Authority.
- 1.8.2 For each security there is normally only one currency of quotation. The currency of quotation, or any change to the currency of quotation, shall be determined by the Authority in consultation with Trading Members that are registered as Market Makers in that security and the Sponsor to the issuer. Requests to change the currency of quotation must be submitted to the Authority. The Authority will normally give at least five clear business days' notice of a change of currency of quotation.

1.9 Trade Reporting

- 1.9.1 Trading Members must report every transaction in a listed security to the Authority within three minutes of execution in such a format as may, from time to time, be required by the Authority. Transactions shall be reported through the trading system or any other means approved, from time to time, by the Authority. Transactions that are not reported within three minutes of execution will be considered late reports. Consistent late reporting of transactions may result in disciplinary action being taken against a Trading Member.
- 1.9.2 From time to time, the Authority may require a Trading Member to supply additional information regarding a transaction. Failure to supply such information within a timescale set by the Authority may result in disciplinary action being taken against the Member.

1.10 Trade Publication

- 1.10.1 Except as set out in rule 1.10.3, all trades executed on the Exchange are published immediately by means determined by the Authority.
- 1.10.2 The Authority will also publish at the end of each business day by such means as may be determined from time to time by the Authority, the highest and lowest price and the traded volume for each traded security.
- 1.10.3 A Trading Member may request the delayed publication of a trade where the risk being assumed by the Trading Member is of a value per transaction of ten times the minimum quotation size or greater. If approved, such trades shall be published either when they have been 90% offset or within seven calendar days, whichever is the earlier. In order to qualify for such a publication delay the Trading Member must immediately inform the Authority each time it carries out such a transaction. No exemptions shall be given with riskless trades or when the underlying security is subject to a take-over bid.

Trading

1.11 Indicative Quotes

- 1.11.1 In securities in which there is only one Trading Member registered as Market Maker, quotations input by the sole Trading Member shall be considered indicative.
- 1.11.2 Trading Members may input indicative quotations in any security in which they are not registered as a Market Maker. The quantity of an indicative quotation does not have to be disclosed.

1.12 Limit & Indicative Quotes

- 1.12.1 Trading Members may input limit and indicative orders into the trading system, in any security in which they are not registered as a Market Maker.

1.13 Recording of Transactions

- 1.13.1 Trading Members are strongly encouraged to install, maintain and use voice recording equipment to record electronically all telephone calls and conversations with regard to their Exchange trading activities. Such recordings should be retained for a minimum of three months.

1.14 Record Keeping

- 1.14.1 A Trading Member shall keep and maintain such transaction and accounting records as may be prescribed from time to time by its regulatory body.

1.15 Price Stabilisation

- 1.15.1 Before undertaking any price stabilisation activities, a Trading Member must first inform the Authority that they propose to enter into stabilisation activities.
- 1.15.2 The Trading Member must establish a register to record each stabilisation action effected in the relevant security or associated securities. This register must include any actions undertaken by third parties on behalf of either the Trading Member or Listing Member. A copy of this register shall be made available to the Authority at any time, on request.

1.16 Short Selling

- 1.16.1 All Trading Members, whether acting as agent or principal, may sell securities short. However, such selling must be undertaken within the Member's capital adequacy requirements as may be prescribed from time to time by its regulatory body.
- 1.16.2 Any short position may be subject to buying-in by either the counterparty to the transaction or the Authority.

1.17 Stock Borrowing & Lending

- 1.17.1 Subject only to outside fiscal considerations Trading Members may borrow stock to cover short principal positions and late deliveries by clients. Trading Members may lend principal stock to other Trading Members. All stock loans and returns must be reported to the Authority in the same manner and in the same timescale as transaction reports, but they are not published.

1.18 Disputes

- 1.18.1 Disputes between Members, whether arising from these rules or otherwise, except those concerned with post-trade matching queries, shall be reported to the Authority.

1.19 Settlement

- 1.19.1 Unless otherwise agreed at the time of trade, settlement of transactions will take place using the Authority's approved settlement system for the security concerned, and in accordance with the rules.

Settlement

2.1 Scope

2.1.1 These rules govern the settlement of transactions undertaken by Trading Members in securities listed or traded on the Exchange.

2.2 Trade Confirmation

2.2.1 Where Trading Members effect a transaction on Exchange, they must confirm the terms of the transaction through means approved by the Authority and agreed between the Trading Members at the time of trade. Transactions effected before or during normal trading hours, as defined by rule 1.2.1, must be confirmed within one hour of the close of normal business on the day of the transaction. Transactions undertaken after normal trading hours must be confirmed by the close of normal business on the following business day.

2.2.2 A Trading Member who undertakes a transaction with a non-member must dispatch a contract note to the client by the close of normal business, on the next business day following the transaction. The contract note must include the following wording:

- “a member firm of The International Stock Exchange”; and
- “this transaction is subject to the rules of The International Stock Exchange Authority Limited”.

2.2.3 In addition, the following minimum data must be included:

- whether the Trading Member is acting in a principal or agency capacity;
- the quantity and description of the securities that are the subject of the transaction;
- the price per unit of the securities;
- the amount of commission (if any) and any other fees charged; and
- the date and time of the transaction (or state that the time of the transaction is available on request) and the settlement date.

2.2.4 Alternatively, a Trading Member may confirm a transaction with a client using an electronic trade confirmation service that has been approved by the Authority.

2.3 Method of Settlement

2.3.1 The Authority will, in consultation with the issuer’s Trading Member and Sponsor, designate an approved clearance system to be used for each security. This information will be published by the Authority on its trading system. A clearance system may be one of the following:

- Euroclear (incorporating CREST and CREST Residual);
- Clearstream; or
- as otherwise agreed with the Authority.

2.3.2 All Trading Members are required to operate, either directly or indirectly through a settlement agent, via an account with Euroclear (incorporating CREST and CREST Residual), Clearstream or any other settlement system approved by the Authority.

2.3.3 Unless otherwise agreed by the Authority, Trading Members shall settle transactions through the clearance system designated by the Authority for the security in question.

2.3.4 Where Trading Members use one of the approved clearance systems to settle a transaction, the rules and regulations of the system concerned apply in lieu of the rules on the method of settlement and matters affecting custody of securities in the system. In those cases where the buyer and seller are members of different clearing systems that are interlinked, the terms and conditions governing such interlinking shall also apply, in lieu of the rules on such matters.

Settlement

2.4 Timing of Settlement

- 2.4.1 The Authority shall determine the standard settlement period for each listed security, which in general follows market practice for the type of security concerned. A Trading Member may request an amendment to the standard settlement period for a security, but the Authority is not obliged to accede to such a request. A change to a settlement period will be published in the Official List and by such other means as shall be determined by the Authority. The Authority will normally, but is not obliged to, give at least ten business days' notice of any such change.
- 2.4.2 Unless otherwise stipulated by the Authority or agreed between the parties at the time of the transaction, all deliveries are cum all future benefits.
- 2.4.3 Provided it is agreed between the parties concerned at the time of the transaction, Trading Members can enter into transactions for non-standard settlement periods, subject to a maximum of 30 days.
- 2.4.4 A transaction cannot be settled for value prior to the actual date of the transaction.

2.5 Responsibility for Settlement

- 2.5.1 It is the responsibility of the selling Trading Member, or their settlement agent, to deliver the securities to the buying Trading Member, or their settlement agent. For deliveries effected against payment it is the responsibility of the buying Trading Member or their settlement agent to ensure that consideration is paid, as directed by the selling Trading Member.
- 2.5.2 It is also the responsibility of the selling Trading Member to ensure stock is in good order, free from any lien, and that any stamp duty, where applicable, has been applied to transfer deeds.
- 2.5.3 Where temporary certificates have been issued, these do not constitute good delivery on or after the date when the definitive certificates are available.
- 2.5.4 A bond must have securely attached the proper warrants or coupon sheet with the same certificate numbers as those of the bond. A bond whose warrants or coupon sheet has been detached, prior to the date stipulated, shall not constitute good delivery.
- 2.5.5 Mutilated securities and/or securities with mutilated warrants or coupons attached do not constitute good delivery unless they have been authenticated by the trustee, fiscal agent or any paying agent acting on behalf of the trustee or fiscal agent.

2.6 Partial Settlement

- 2.6.1 Trading Members buying securities are required to accept partial deliveries of transactions, however Trading Members selling securities must try to restrict these to the minimum. This rule applies equally to both free deliveries and deliveries against payment.

2.7 Erroneous or Bad Deliveries

- 2.7.1 If a Trading Member causes an erroneous or bad delivery, through an approved clearance system, they shall bear the full costs for the return or transfer plus interest on any out of money amounts.

Settlement

2.8 Late Settlements

- 2.8.1 Trading Members, both buyers and sellers, are required to report to the Authority, on a weekly basis, details of any open transactions that are five or more days past settlement due date. Based on this evidence the Authority may require the selling Trading Member to provide an explanation as to the reason for the delay. In any event the Authority may, at its sole discretion, impose financial penalties on the failing Trading Member. The level of these penalties is set by the Authority and published by notice to Trading Members.

2.9 Buying In

- 2.9.1 A Trading Member may instruct the Authority, in writing in the prescribed form, to buy-in securities not delivered in settlement of a transaction from the third business day after the due date for settlement, except that the Authority may decide a buy-in is not appropriate and take no action.
- 2.9.2 Once a buying-in instruction has been given, the Trading Member who issued the instruction may withdraw the instruction and shall do so forthwith if the selling Trading Member settles before the buy-in is effected.
- 2.9.3 The Authority may, at its own instigation, buy-in any transaction that is still open 20 days after its settlement due date.
- 2.9.4 The cost of buying-in is borne by the failing Trading Member. These costs include fees set by the Authority to cover its costs in undertaking the buying-in.

2.10 Ex-Transactions

- 2.10.1 A Trading Member who purchases securities, as either principal or as agent, prior to the ex-date for a dividend, interest payment or stock event, is entitled to receive the benefit concerned. If settlement takes place after the record date, then the selling Trading Member must, within five business days, pass the benefit concerned to the buying Trading Member. It is the responsibility of the selling Trading Member to collect the benefit from its client. These services of the approved clearance systems should be used, whenever possible, to settle benefit positions.

2.11 Settlement Agents

- 2.11.1 An organisation that is, in the opinion of the Authority, suitably regulated may, with the written consent of the Authority, act as Model A settlement agent or Model B settlement agent on behalf of a Trading Member.
- 2.11.2 The Authority may give permission to a Trading Member which effects transactions in its own right to offer the facilities of a Model A settlement agent or Model B settlement agent. If such permission is granted the Trading Member is liable in respect of its settlement activity as if it were a settlement agent of the type in question.
- 2.11.3 A Trading Member must report to the Authority the appointment of any organisation, including those of a Model A settlement agent or Model B settlement agent, relating to the settlement of transactions, at least ten business days before the settlement agent settles the first transaction for the Trading Member concerned.

TISE

The International Stock Exchange Authority

Products

- » Trading companies
- » Debt
- » Investment vehicles
- » SPACs
- » **TISE GREEN**

Key Credentials

- » Total market value: > £350bn
- » Listed securities: ~ 3,000
- » International marketplace
- » Globally recognisable clients
- » Growing product range

Why TISE?

- » Responsive approach
- » Competitive pricing
- » Global standards
- » Wide international recognition
- » Premier location

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