



London
STOCK EXCHANGE

Market Share service description



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1. Introduction

Market Share services provide Member Firms with detailed, flexible and timely market share statistics on trading volumes and associated market share rankings.

In an increasingly competitive environment, understanding your market share is of key importance. Our Market Share services provide you with access to your underlying market share data in addition to a range of powerful analytical tools. By accessing these services it has never been so easy to find out how you are performing in the market.

2. Benefits

The new services provide Member Firms with a number of important benefits as follows:

- Improved timeliness - the new services will provide detailed market share figures based on trades executed up to and including the close of the previous business day.
- Greater flexibility - advanced features of the new service will allow users to extract and view market share information in a variety of ways as well as analyse their own performance and trends.
- Official – the Exchange's Market Share services deliver the definitive and official statistics on trade volumes and peer group rankings. This is a valuable tool for Member Firms to measure and improve business performance.

3. Technical specification

3.1 Key assumptions and descriptions

3.1.1 Basis of market share calculation

The Daily service calculates market share statistics based on business executed up until the close of the previous business day. Monthly licence holders have access to the previous month's statistics on the first business day of each month. Yearly figures based on calendar year are available to both licence holders.

Market share figures will be based on trade reported information from January 2004. Note that Market Share figures based on transaction reports for 2003 are available at <http://www.marketshare.londonstockexchange.com/ssl/login.asp>.

Market Share products currently include:

- **All UK equities** - this includes all equities and depository receipts with a country of incorporation of Great Britain
- **UK equities by index** - this includes all equities classified within a FTSE index and with a country of incorporation of Great Britain
- **UK equities by sector** - this includes all equities classified within a FTSE business sector and with a country of incorporation of Great Britain
- **All Irish equities** - this includes London Stock Exchange listed equity securities with a country of incorporation of Republic of Ireland
- **EuroSETS** - this includes securities traded on the Dutch Trading service
- **International Order Book (IOB)** - this includes emerging market Global American depository receipts, as well as some ordinary equities
- **International Bulletin Board (ITBB)** – includes a range of International equity and Depository Receipt securities

Market share figures are based on reports submitted to the Exchange pursuant to the Exchange's trade reporting rules and guidance.

Market share figures include turnover information for late matched trades and block trades as they are released for publication and account for all Post Trade Contrats. Late Corrections are not accounted for, as they are not published to the market.

Market share figures are calculated at Member Firm level and where a Member Firm uses more than one BIC code, they are mapped to a single Member Firm.

3.1.2 Default dealing capacity

The Market Share service breaks down trading into four business categories as follows:

- Agency business.
- Direct customer business.
- Principal business with agent Member Firm.
- Principal business with principal Member Firm (intra-market).

As manual trade reports do not include the dealing capacity of non-reporting Member Firms, in order to offer a breakdown by business category, a “default dealing capacity” is used for manual trade reports where the dealing capacity of non-reporting Member Firms is not available.

Each Member Firm has a default dealing capacity assigned to their BICs, based on the type of business typically conducted, namely; Principal, Riskless Principal or Agency. The Exchange then applies this default dealing capacity to each trade to generate the breakdown by business category.

3.1.3 Riskless principal business

Trade type indicators S, T, or U should be used for orders submitted in central counterparty securities, where trading as riskless principal and the off order book leg of the trade is directly with a non-member. Trade type indicators P, Q or R should be used for orders submitted in central counterparty securities, where trading as riskless principal and the off order book leg of the trade is directly with another member firm.

3.1.4 Business qualifying for inclusion in Member Firms' market share totals

3.1.4.1 Between two Member Firms

Both the buy and sell sides of the trade are included in the calculation, with each firm being credited with the value of the trade (both firms will be credited with 100 per cent of the deal turnover).

3.1.4.2 Between Member Firm and non-member client

For all trades where the counterparty is classified as a “Non-Member”, only the Member Firm is included within the calculation (only the member will be credited with 100 per cent of the deal value).

3.1.4.3 Transactions with the same Member Firm on both the buy and sell side

(a) Member Firms executing against their own orders on the order book

These transactions are deemed to reflect the execution of two orders on the order book and are therefore treated as though those orders execute separately against another Member Firm's (the Member Firm is credited with both the buy and sell side of the transaction - i.e. 200 per cent of the deal turnover).

(b) Member Firms reporting transactions between two parts of their own business

Under trade reporting rules, trades between two parts of the same business always result in just one side of the trade submitting a trade report. The reporting party is required to specify the alleged counterparty as a “Non-Member” (the Member Firm will therefore be credited with 100 per cent of the deal turnover). This includes

business in securities where one of the reporting entities/Member Firms is a registered market maker. Trades between different BIC codes of the same member firm, or between BIC codes of two Member Firms aggregated for market share purposes are also treated as transactions between two parts of the same business.

3.1.5 Market Share categories

Category no.	Category name	Category description
1	Agency business	Where a member firm acts on behalf of a client in an agency capacity and transacts with another member firm (who could be acting as an agent or as a principal)
2	Direct customer business	Where a member firm transacts (usually as principal) directly with a customer which is identified as a transaction with a "non-member". This category will also include the member's riskless principal transactions with a non-member firm. Transactions where the counterparty is a designated fund manager will also be included within this category.
3	Principal business with a member firm acting as agent	Where a member firm transacts as principal with another member firm who is acting in an agency capacity.
4	Principal business with principal member firm (intra market)	Where a member firm transacts as principal with another member firm acting as principal. This category will also include the member's principal transactions where the counterparty is acting as riskless principal.

The following totals/sub totals are used to calculate daily/monthly market share:

Category no.	Category name	Category description
5	Customer business	Sub total: categories 1 and 2 combined
6	Other principal business	Sub total: categories 3 and 4 combined
7	Total business	Total: sum of categories 1 – 4

Each transaction is classified as one of categories 1 – 4. The categories are specific to a Member Firm's "role" in a transaction, eg. for an Agent/Principal trade, the Agent's side will be credited to category "1" and the Principal will have their category "3" credited.

If you any questions about the new services please contact your Account Manager or Tom O'Brien on STX 34135 or +44 (0) 20 7797 4135. Alternatively, e-mail marketshareservice@londonstockexchange.com.

The Exchange's anonymous Market Share services provide our Member Firms with their proportion of London Stock Exchange business relative to all other Member Firms. The names of all Member Firms, except the users are blanked out in ranking reports, however, associated volume figures and percentages are displayed. If you are a non-member and want to view fully anonymous market share figures, please contact the Exchange on +44 (0) 20 7797 4135 or e-mail marketshareservice@londonstockexchange.com.

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