

Chi-X Europe Comment on London Stock Exchange Outage

LONDON – 26 November 2009 – Outages at the market of listing are unfortunate and we understand why they occur as systems are not infallible. Today's outage at the London Stock Exchange has however emphasised a number of issues which need to be addressed by the wider market.

Following a technical fault, the LSE elected to put its market into 'auction' status. Chi-X Europe does not believe that this is in the best interests of the overall market and investment community and calls instead for any venue which is disrupted to halt trading promptly and restart only when all technical problems have been completely resolved.

The LSE putting its market into an auction phase resulted in many trading firms' systems acting as if it is a normal market event, such as the closing auction. This triggered the exclusion of routing to other trading venues, such as Chi-X Europe. Given that recently the LSE has consistently represented less than 60% of all trading in FTSE 100 stocks, the auction status hampered investors' ability to trade by not enabling participants to seek a reference price on another venue. On 9 November 2009, the LSE suffered a partial systems failure affecting a number of its securities. On this occasion trading was halted and consequently many member firms were able to switch trading to other venues trading UK stocks.

The FSA has overall responsibility for the supervision of trading venues and market participants in the UK and an objective of ensuring market confidence. It should act to ensure that individual venues act promptly in a way that is in the interest of the overall market and allows the continuation of trading and an orderly market.

We also urge FTSE International and other index providers to include stock trades from significant MTFs in their index calculations to ensure that derived products and arbitrage strategies based on underlying indices - such as FTSE 100 - also continue to function effectively based on the indices continuing to update when the market of listing is unavailable.

The introduction of alternative venues under MiFID was designed to improve competition and reduce concentration risk. These objectives are not achievable while the markets of listing are able to use technical constructs to prevent normal market activity continuing.

We call for the LSE and any other market of listing to close their market outright when outages occur in order to allow market participants to continue trading

About Chi-X[®] Europe

Chi-X Europe Limited is an FSA-authorized securities firm operating a multilateral trading facility (MTF). Chi-X Europe enables its trading participants to trade a wide range of European equities in both a visible order book and the Chi-Delta[™] non-displayed order book. Chi-X Europe also offers Chi-Vision[™], a separate routing service. Chi-X Europe's low-cost, streamlined operating model is designed to help trading participants achieve ultra-low execution, clearing and settlement costs, and benchmark tests have shown Chi-X Europe to be significantly faster than Europe's traditional equity exchanges. Chi-X Europe disseminates real-time market data directly and via third-party market data vendors at no cost, and off-exchange trade reporting is available for a low monthly fee. For more information, please visit www.chi-x.com.



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