

Glossary of London Stock Exchange Terms

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Introduction¹

In this publication, we provide an explanation of terms used by the London Stock Exchange (LSE).

This glossary is limited to LSE terms but we publish several other glossaries as well – check our website or call us for details.

Glossary of London Stock Exchange Terms

- **Abandon** - The choice made by the holder of a covered warrant to allow the warrant to expire without exercise.
- **Accountants** - They are the 'gatekeepers' of the public securities markets. Accountants ensure that the financial statements are correct and complete and give an accurate picture of the company.
- **Acquisitions** - One company takes over another by purchasing its assets or shares. Acquisitions can be friendly or hostile.
- **Active fund** - A fund in which the fund manager actively manages investments (see active management).
- **Active management** - Fund managers strive to outperform the market by identifying stocks that could produce better returns and beat the overall market (or target index).
- **ADMN** - Admin. Period.
- **Admission and Disclosure Standards** - The London Stock Exchange's Admission and Disclosure Standards are for companies admitted or seeking to be admitted to trading.
- **Admission or admission to trading** - Admission to trading on the Exchange's markets for listed securities and 'admitted' and 'traded' shall be construed accordingly. For the avoidance of doubt this does not include 'when issued dealings'.
- **Advisory broker** - An advisory broker advises (and executes) buy and sell decisions on behalf of the client. However, the final decision to buy and sell always rests with the client.
- **AESP** - Automatic Execution Suspended.
- **AGM** - See Annual General Meeting.
- **AIM** - The Exchange's global market for smaller and growing companies.
- **Alternative investment market (AIM)** - See AIM.
- **American depositary receipts (ADRs)** - ADRs are a convenient way for domestic investors to own shares in foreign companies. Denominated in US dollars, ADRs allow American investors to invest in a foreign company. However, ADRs are also traded in London.
- **American style covered warrant** - An American style covered warrant allows the holder to exercise the covered warrant at any time on or before the expiry date.
- **American style option** - Gives the buyer the right to exercise the option at any time before its expiry.
- **Annual General Meeting (AGM)** - An annual meeting called by the directors of a company that allow shareholders to stay informed and involved with company decisions and workings.
- **Anonymous Order** - An order that is displayed without the mnemonic of the participant that submitted it.
- **Applicant** - An issuer that is proposing to apply, or is applying, for admission to trading of any of its securities.
- **Arbitrage** - Buying securities in one country, currency or market, and selling in another to take advantage of price differences.
- **At best order** - An order submitted to an order book to deal in a specified number of shares. It may execute, either in part or in full, against eligible orders (at the price of those orders). Unexecuted portions of at best orders are rejected from the order book. Sometimes referred to as an 'Aggressive Type A' order.
- **At-the-Money (covered warrant)** - A covered warrant is At-the-Money when the strike price is the same or very close to, the price of the underlying. It applies to both Calls and Put warrants.
- **Attribute groups** - A grouping of certain companies admitted to trading which are identified by common attributes to provide additional profile and which satisfy the eligibility criteria for that grouping.
- **Auction Call Period** - A period of time when there is no automatic execution on an order book. Orders that are allowed during auctions may be entered during this period.
- **Auction Match Trade (UT)** - The total volume of trades executed at the auction match price are disseminated to the market as a single trade denoted by UT.

- **Auction Matching / Auction Match Algorithm** - The process that matches orders at the end of an auction and determines the auction price.
- **Auction period** - A period of time during which an auction is in operation. This includes the auction call and any extensions to the auction. The auction period ends with an auction match.
- **Auction price** - The price at which orders execute during an auction match - uncrossing price.
- **Auction volume** - The auction volume is the total executed volume as a result of an auction. Auditing Documenting and recording all business activities and transactions of an individual or a firm. Such a historic record allows to piece together the chronology of a trade.
- **Authorisation** - The process by which organisations are vetted and licensed to conduct investment business under the Financial Services and Markets Act 2000. Such organisations are known as Authorised Persons.
- **Authorised share capital** - The total number of shares a company is authorised to issue with regard to its memorandum and articles of association.
- **Automatic Execution** - An automatic trade executed by the trading system. Automatic trades are executed by matching buy and sell orders.
- **Automatic Execution Suspension Period (AESP)** - The period during which automatic execution is suspended. An AESP is applied to a security during continuous trading, if the potential execution price of that security breaches the price tolerance levels.
- **Automatic Trade (AT)** - A trade generated by the system through automatic execution.
- **Average Price** - The transaction was effected at a price based on a volume weighted average price over a given period.
- **Balance sheet** - One of the main components of a company's financial statements, the balance sheet provides an overview of the company's assets (what it owns) and liabilities (what it owes) at the end of a financial year.
- **Bank Interchange Code (BIC)** - A unique code identifying a participant.
- **Bargain Conditions Apply** - Certain Conditions were agreed between the two participants at the time of trading.
- **Basket** - A portfolio consisting of more than one security that may or may not replicate an index. For example, a share or equity basket is one that contains shares in more than one company.
- **Bear** - An investor who sells a security in the hope of buying it back at a lower price, as he thinks the market will go down. A bear market is a falling market in which bears would prosper.
- **Best bid** - The highest bid price for a specific tradable instrument (i.e. the highest price any buyer has declared that they are willing to pay for a specific security at a given time). Determined by the current quotes and orders in the trading system.
- **Best offer** - The lowest offer price for a specific tradable instrument (i.e. the lowest price any seller has declared that they are willing to accept for a specific security at a given time). Determined by the current quotes and orders in the trading system.
- **Bid offer spread** - The difference between the bid and offer prices of a security.
- **Bid price** - The price at which a market participant is bidding to buy shares.
- **Bidding Company** (in a Takeover) - The company that is planning to acquire another company.
- **Bid Situation** - This security is currently engaged in a bid situation, whether hostile or otherwise.
- **Big Bang** - 27 October 1986, when the Exchange's new regulations took effect and the automated price quotation system was introduced.
- **Block Trade** - The transaction was reported using the block trade facility, which is at least 75 times the NMS for a security with an NMS of 2,000 shares OR above 50 times the NMS for a security with an NMS of 1,000 shares.
- **Blue chip** - A term used to describe large, well-known companies that offer stable earnings and consistent dividend record. Blue-chip companies are reputed to be reliable investments.
- **Bond price** - The market price of a bond depends on the coupon rate, the market interest rate and the number of years to maturity. Bond prices are inversely related to interest rates.
- **Bonds** - Debt securities issued by governments and companies as a means of raising capital which generally entitle the holder to a fixed-rate of interest during their life and repayment of the amount of the bond at maturity.

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- **Bonus issue** - The issue by a company of new shares which do not require any payment to be made by the shareholder. This has the effect of making the company's shares more marketable because of the increased number available and the lower market price.
- **Bonus shares** - It is the issue of new fully paid-up shares to existing shareholders on a pro-rata basis. The impact of a bonus issue is to reduce the share price as the same market capitalisation of the company is spread over a larger number of shares, which in turn benefits the liquidity of the scrip.
- **Broker** - See Stockbroker.
- **Broker/Dealer** - An Exchange member firm, which provides advice and dealing services to the public and can deal on its own account.
- **Broker To Broker** - The transaction was between two member firms where neither firm is registered as a market maker in the security in question and neither is a designated fund manager. Brokers may also apply this indicator when buying or selling domestic equity market securities through a broker, which is not a member firm.
- **Bull** - An investor who buys a security in the hope of selling it at a higher price, as he thinks the market will go up. A bull market is a rising market in which bulls would prosper.
- **Business day** - Any day upon which the Exchange is open for business.
- **Buy/sell percentages** - The total volumes on each side of the order book expressed as percentages in real-time.
- **Call (covered warrant)** - A covered warrant that gives the holder the right, but not the obligation, to buy the underlying at a future date and specified price.
- **Call (option)** - It is an option that gives the buyer the right to buy an underlying asset at a future date at a specified price.
- **Call (warrant)** - A call warrant allows the holder to benefit from a rising market. It rises in value when the underlying asset rises in value.
- **Capital appreciation** - This occurs when the market value of the shares exceeds the purchase price.
- **Capital Gains Tax (CGT)** - The tax an individual is liable to on realised capital gains which accrue in a year of assessment during any part of which the individual is resident in the UK.
- **Capitalisation issue** - The issue by a company of new shares which do not require any payment to be made by the shareholder. This has the effect of making the company's shares more marketable because of the increased number available and the lower market price. A Capitalisation Issue is the same as a Bonus Issue and Scrip Issue.
- **Cash-settlement** - The investor receives cash if the covered warrant can be exercised profitably at expiry. The gain achieved on the warrant is transferred to the holder without the holder having to enact a buy or sell trade.
- **CAUC** - Closing Auction Execution followed by End of Order Book Trading.
- **CCAL** - Closing Auction Call.
- **Certificate representing shares** - An instrument which confers a contractual right (other than an option) to acquire shares otherwise than by subscription.
- **Change** - The difference between the previous day's closing price and the most recent price of a security.
- **Chinese Wall** - A 'Chinese Wall' separates two departments within an investment bank to ensure that conflicts of interest do not arise.
- **Churning** - Is the unethical practice of buying and selling shares simply in order to earn more commission.
- **City Code on Takeovers and Mergers** - The principles and rules governing takeovers and mergers of UK companies.
- **Class** - Securities, the rights attaching to which are or will be identical and which form a single issue or series of issues.
- **CLOS** - Closed.
- **Close Period (CLOS)** - The period during which the trading service remains closed.
- **Closed-end fund** - These funds have a fixed number of shares, which are listed on the stock exchange. The market price of the shares is determined by demand and supply factors. Investment trusts are closed-end funds.
- **Closing 52 week high** - The highest closing price for a specific security over the last 52 weeks.
- **Closing 52 week low** - The lowest closing price for a specific security over the last 52 weeks.

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- **Closing Price** - The closing price is the last price for a tradable instrument at the time the market closes. For SETS, the closing trade price is the uncrossing trade price at which orders execute during an auction, or a Volume Weighted Average Price (VWAP). For SEAQ, SEATS and AIM securities the closing price is the best bid, offer and mid price calculated from market maker quotes at the end of the mandatory quote period.
- **Code of Market Conduct** - The standards that are to be observed in the UK markets. The Code is issued and enforced by the Financial Services Authority (FSA).
- **Combined code** - The current benchmark for best practice corporate governance. The code is amended to the UKLA's Listing Rules.
- **Committed Principal** - A participant who registers to provide continuous two-way orders (buy and sell committed principal orders) for a particular security.
- **Consolidations** - When a company reduces the number of shares it has in circulation by consolidating its share capital e.g. shareholders would receive 1, 50p share for every 2, 25p shares held.
- **Consols** - Consols are British bonds that have no specified maturity date and pay a coupon forever.
- **Continuous Trading** - The period of a trading day when orders are automatically matched and executed against one another.
- **Contra Trade** - The trade was reported for a transaction previously executed through the order book.
- **Conversion price** - It is the price of the underlying shares at which the bond may be converted (see conversion ratio).
- **Conversion ratio - Convertible bond** - It is the number of shares that a holder of a convertible bond receives at conversion. It is the ratio of the face value of the bond and the conversion price (see conversion price).
- **Conversion ratio - Covered warrant** - This ratio is the number of warrants that must be held and exercised in order to buy or sell a single unit of the asset e.g. one share. A higher conversion ratio will produce a lower warrant price.
- **Convertible bond** - These bonds can be converted into a specified number of shares of the issuing company at a pre-determined price.
- **Convertible preference shares** - These can be converted into ordinary shares at a given price at a future date.
- **COREDEAL** - An electronic exchange for international debt-related securities.
- **Corporate Actions** - This includes a wide range of corporate actions, including takeovers, rights issues, demergers, scrip dividends and conversions to name but a few.
- **Corporate finance** - Any financial activity that deals with a company and its money. These include raising capital and mergers and acquisitions.
- **Correction** - This covers any corrections made to trade reports.
- **Counterparty** - The participant with whom a trade is being transacted.
- **Coupon** - This is a regular payment received by the bondholder over the lifetime of the bond. The coupon rate is expressed as a percentage of the face value of the bond.
- **Covered warrant** - A security issued by a party other than the issuer or originator of the underlying asset, giving the holder the right (but not an obligation) to acquire a share or bond at a specific price and date.
- **Creating a false impression** - The market abuse of deliberately creating false or misleading impressions regarding the supply, demand, price or value of an investment.
- **CREST** - The paperless share settlement system through which trades executed on the Exchange's markets (and elsewhere) can be settled. CREST is operated by CRESTCo, and was introduced in 1996. See Settlement.
- **Criminal proceeds** - Benefit from a criminal or illegal activity.
- **Cross** - The transaction was effected as an agency cross or a riskless principle trade between two member firms at the same price and on the same terms.
- **Cumulative preference shares** - These preference shares accumulate unpaid dividend, which is then paid out when the company next declares it.
- **Currency** - The currency that the security is traded in.
- **Currency Conversion** - The trade was executed in one currency but converted for trade reporting.
- **Daily change** - The daily change in the price of a security, i.e. the difference between the most recent price of a security and the previous day's closing price.

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- **Daily high** - The highest price reached by a given security or index during a given day.
- **Daily low** - The lowest price reached by a given security or index during a given day.
- **Daily Official List (DOL)** - The daily record setting out the prices of all trades in securities conducted on the Exchange.
- **Dealer** - Dealers buy and sell securities on behalf of the broking firm (or investment bank) itself. Securities bought by the bank may be sold to clients or other firms or becomes part of the bank's own holdings.
- **Debenture** - These are secured corporate bonds that are used to raise long-term debt capital.
- **Debt** - See Bonds.
- **Debt Management Office (DMO)** - An Executive Agency of the Treasury, which has responsibility for issuing gilts to fund the Government's borrowing activities.
- **Debt securities** - Debentures, debenture or loan stock, bonds and notes whether secured or unsecured.
- **Default schedule** - The schedule that securities of a particular trading service follow during a trading day.
- **Demutualisation** - Demutualisation involves the conversion of a not-for-profit association owned by its members into a for-profit company owned by its shareholders.
- **Department of Trade and Industry** - The government department that aims to generate wealth for everyone in the UK by helping people and businesses to become more productive and successful.
- **Depository receipt** - Commonly known as 'DRs', Depository Receipts are negotiable certificates that enable domestic investors to own shares in foreign companies. DRs are created when a broker purchases a non-UK company's shares in the home stock market and delivers those shares to the depository's local custodian bank. The custodian then instructs the depository bank to issue DRs to the investor. Each DR represents a given number of a company's shares and can trade as freely as any other security in the UK. Several types of DRs can be listed and traded in London, including Global Depository Receipts (GDRs) and American Depository Receipts (ADRs) that are denominated in US dollars.
- **Derivatives** - A derivative is an instrument whose value depends on the performance of an underlying asset or security, which may be a commodity or a financial instrument.
- **Deutsche Borse** - Deutsche Borse operates the Frankfurt Stock Exchange (FWB), the largest of the eight German stock exchanges.
- **Disciplinary and Appeals Handbook** - The Disciplinary and Appeals Handbook as issued by the Exchange from time to time, setting out procedures for issuers in relation to appeals regarding the Exchange's application and interpretation of Standards.
- **Discretionary** - A discretionary broker buys and sells shares on behalf of the client and also has the authority to make investment decisions without the prior approval of the client.
- **Distorting the market** - The market abuse of manipulating market prices by interfering with the normal supply and demand process.
- **Diversification** - The process of investing across a range of investments in order to diversify (or minimise risk). As a result, if one investment performs poorly, better performance from the rest of the portfolio helps to reduce the risk of loss.
- **Dividend** - That part of a company's profits after tax which is distributed to shareholders - usually expressed in pence per share. Also see Scrip Issue.
- **DSRY** - Disaster Recovery.
- **Due diligence** - Due diligence is a process carried out by accountants and lawyers when a company is about to acquire another. It involves verifying a company's liabilities and financial performance.
- **ECN** - An electronic communication network (ECN) is an electronic system that attempts to eliminate third party orders by a market maker, and permits such orders to be executed either in whole or in part.
- **EDS** - Electronic Data Services (EDS) gives historical turnover information about securities traded on the Exchange.
- **Efficient financial market** - A market that offers transparency, liquidity, low transaction costs and price movements.
- **EFIQ** - End of Firm/Indq Quote Period.
- **EIQP** - End of IMQP.

- **Elasticity - covered warrant** - Sometimes called leverage. It measures the theoretical increase (decrease) in the price of a covered warrant (in percentage terms) based in a one percent move in the underlying asset.
- **Eligibility criteria** - The requirements for eligibility and admission to be followed by issuers seeking admission to an attribute group as published by the Exchange and amended from time to time.
- **EMQP** - End of MQP.
- **Enhanced best price** - The number and volume of orders are best on each side of the order book updated in real-time.
- **Entitlement Issue (Open Offer)** - Shareholders are given the right to subscribe for the new fully paid share. The new shares are not issued in nil paid form.
- **EOA** - End of Admin.
- **EOBT** - End of Order Book Trading.
- **EODR** - End of Order Hitting.
- **EPIC** - Exchange Price Input Computer (EPIC) code that has been replaced by Tradable Instrument Display Mnemonic (TIDM) code.
- **Equity** - The risk-sharing part of a company's capital, usually made up of ordinary shares.
- **Equity option** - Equity options give the option buyer the right to buy or sell shares of companies. The standard LIFFE contract size for equity options is 100 or 1000 shares.
- **ERRR** - Error Code Incorrect.
- **ETF (Exchange traded fund)** - A collective investment vehicles which track indices - they can allow low cost exposure to the performance of an index as quickly and efficiently as the most liquid UK stocks.
- **EUR** - Euro - common currency of the European Union.
- **Euro Depositary Receipt (EDR)** - As with other depositary receipts, the EDR is a certificate representing ownership of the issuer's underlying shares. The EDR is denominated and quoted in Euros.
- **Eurobond** - An interest-bearing security issued across national borders, often in a currency other than that of the issuer's home country.
- **Euronext** - The first cross-border exchange in Europe, it was formed by the merger of the Amsterdam, Paris and Brussels stock exchanges.
- **Euronext.liffe** - International derivatives business of Euronext comprising Amsterdam, Brussels, LIFFE (London International Financial Futures and Options Exchange), Lisbon and Paris derivatives markets which was formed following the purchase of LIFFE by Euronext NV in 2001.
- **European style covered warrant** - A European style covered warrant is one that may only be exercised on the last trading day.
- **European style option** - It gives the buyer the right to exercise the option only on the expiry date.
- **EUTC** - Euro Testing Closed.
- **EUTO** - Euro testing Open.
- **Ex** - When a stock or dividend is issued by a company it is based upon an "on register" or "record date". However, to create a level playing field when shares are traded on the London Stock Exchange during this benefit period an "ex" date is set. Before this "ex" date if shares are sold the selling party will need to pass on the benefit or dividend to the buying party.
- **Ex Capitalisation** - Trading has previously commenced "ex" capitalisation on this stock.
- **Ex Capitalisation Today** - Trading has commenced "ex" capitalisation on this stock today.
- **Ex Dividend** - Trading has previously commenced "ex" capitalisation on this stock today.
- **Ex Dividend Today** - Trading has commenced "ex" dividend on this stock today.
- **Ex Liquid** - Trading has previously commenced "ex" liquidation payment on this stock.
- **Ex Liquid Today** - Trading has commenced "ex" liquidation payment on this stock today.
- **Ex Other** - Trading has previously commenced "ex" a benefit on this stock.
- **Ex Other Today** - Trading has commenced "ex" a benefit on this stock today.
- **Ex Stabilisation** - Stabilisation is operating on the market in this security today.
- **Ex Stabilisation Today** - Stabilisation is operating on the market in this security today.
- **Ex Repayment** - Trading has previously commenced "ex" repayment on this stock.

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- **Ex Repayment Today** - Trading has commenced "ex" Repayment on this stock today.
- **Ex Rights** - Trading has previously commenced "ex" rights on this stock.
- **Ex Rights Today** - Trading has commenced "ex" rights on this stock today.
- **Ex Stock** - Trading has previously commenced "ex" stock distribution on this stock.
- **Ex Stock Today** - Trading has commenced "ex" stock distribution on this stock today.
- **Exchange** - An exchange provides access to capital and facilitates securities dealing through speedy and innovative trading platforms and services. An exchange is also responsible for delivering an orderly market.
- **Exchange traded contracts** - Exchange traded futures contracts are standardised in terms of delivery date, contract terms and amount. These are traded on the LIFFE.
- **Ex-dividend list** - The London Stock Exchange's ex-dividend list service provides advance details of securities that will be marked 'ex-dividend' in the following week. The ex-dividend date defines the date from which the dividend is excluded from the share price.
- **Execute and Eliminate order** - An order submitted to an order book to deal in a specified number of shares at a price no higher than a specified limit price. It may execute, either in part or in full, against eligible orders (at the price of those orders). Unexecuted portions of execute and eliminate orders are rejected from the order book.
- **Execution only** - An execution only broker merely buys and sells shares on the instructions of the client.
- **Exercise** - The process of using the right to buy or sell the underlying at the specified price.
- **Exercise price** - The exercise (or strike) price is the price at which the option can be exercised, regardless of the actual market price of the stock.
- **Ex-Marker** - An indicator used to highlight that a particular ex-benefit condition is in effect on a tradable instrument. For example, Ex-Rights, Ex-Dividend (as above), Ex-Liquidation Distribution, Ex-Entitlement, Ex-Capitalisation, Ex-Stock Distribution, Ex-Repayment.
- **Expiry date** - Every option/covered warrant contract has a specified date in the future when it expires. The option contract becomes worthless if it remains unexercised on the expiry date.
- **Face value** - This is the value of the bond or security as printed on the document. The face value represents the amount that the issuing company promises to pay at the time of maturity.
- **FAST** - Fast Market.
- **Fill or Kill Order** - An order submitted to the electronic order book with a specified size and, at the option of the member firm, a specified limit price which either executes in full against eligible orders at the price of those orders or is rejected in full from the order book.
- **Financial Investigation Unit (FIU)** - The police unit that investigates cases related to money laundering.
- **Financial Services Authority (FSA)** - An independent body which regulates the financial services industry in the UK.
- **Financial year** - The year for which corporate tax rates apply. It runs from April 1 of one year to March 31 of the next year.
- **FIQP** - Firm/Indq Quote Period.
- **Firm exposure order** - An order that is displayed on the trading system with the mnemonic of the member firm.
- **Firm quote** - A quote whose price is guaranteed. That is, market participants are obliged to deal at the displayed prices or volumes, when their quotes are firm. Firm quotes are displayed during the mandatory quote period.
- **Fixed interest securities** - Securities which attract a fixed rate of interest each year.
- **Flotation** - The process by which a company obtains a listing from the UKLA and is admitted to trading on the Exchange.
- **Forwards** - The buying and selling of underlying assets such as commodities and financial securities at a specified future date at a fixed price.
- **Fraud Squad** - The police department that deals with financial crime.
- **Free float** - The number of shares not held by corporate insiders that are freely tradable in the public market or markets on which a company's securities are listed.

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- **Front running** - A type of misuse of information, where the employees of a brokerage firm or a bank trade in equity shares using price-sensitive information that is privately available to the firm.
- **FSA** - See Financial Services Authority.
- **FST1** - Fast Market.
- **FST2** - Fast Market.
- **FTSE™ 100** - An index of the share prices of the UK's 100 largest companies (by market capitalisation).
- **FTSE™ Indices** - Indices, including the FTSE 100 index, which are calculated and maintained by FTSE International Ltd to illustrate the performance of various sectors of the UK and European markets.
- **FTSE™ International Ltd** - A jointly owned company by the London Stock Exchange and the Financial Times that provides financial indices.
- **FTSE™ MID 250 Index (FTSE 250)** - Financial Times Stock Exchange Mid 250 Index comprises the share prices of the 250 companies that follow the top 100 (comprising the FTSE 100).
- **Fund** - A fund is a collective investment scheme where money is pooled, which is invested in a portfolio of securities with a common investment purpose.
- **Fund manager** - A fund manager is a professional who decides how fund money is invested (see Fund).
- **Futures** - A futures contract is an agreement or obligation to buy or sell a given quantity of a particular security, at a specified future date at a pre-determined price.
- **GBP** - Pound Sterling.
- **GBX** - Pence Sterling.
- **Gearing** - Gearing is a feature of leveraged instruments such as covered warrants, options and futures. In an option, by investing a small amount called the option premium, investors can multiply their gains since returns are magnified.
- **GEMMs** - Gilt-edged market makers.
- **Gilts or Gilt-Edged Securities** - Debt securities issued on behalf of the Government.
- **Global Depositary Receipt (GDR)** - Certificate which represents ownership of a given number of a company's shares and which can be listed and traded independently from the underlying shares. Denominated in US dollars, GDRs are traded in London.
- **Globalisation** - The tendency of world investment and business to move from national and domestic markets to a worldwide environment.
- **Going long** - Buying futures involves a commitment to buy the underlying asset at a future date at a specified price. This is called going long.
- **Going short** - Selling futures involves a commitment to sell the underlying asset at a future date at a specified price. This is called going short.
- **Gross** - The total amount before deductions (e.g. before tax deductions).
- **HALT** - Trading Halt.
- **Hedge** - A hedge is typically accomplished by making approximately offsetting transactions that will largely eliminate one or more types of risk. Hedging Investors can use derivatives and covered warrants to hedge investments. For instance, if an investor owns a particular stock, he or she can neutralize the impact of an impending fall in price by buying a put option, selling futures or buying a put warrant.
- **High** - The highest price that a security traded at during a certain time period.
- **High-yield bonds** - High-yield bonds, popularly known as junk bonds, are lower than investment-grade securities. These bonds are considered to be 'speculative' because the issuing company's ability to meet the debt obligations is less certain.
- **Historic Price Service (HPS)** - An internet and telephone enquiry service for historic share price information.
- **Hit Order** - An order submitted to the trading system to execute automatically against a firm exposure order.
- **HLT1** - Local Market Trading Halt.
- **HLT2** - Local Market Trading Halt.
- **HM Treasury** - Her Majesty's Treasury is the government department that formulates and implements the UK's financial and economic policy.
- **Holder - covered warrant** - The owner of the covered warrant.
- **Hostile bid** - A takeover bid by one company for another, in which the directors of the target company oppose the bid.
- **Hybrid Service** - A trading service that combines the features of an order-driven trading service and a quote-driven trading service.
- **IMQ1** - IMQP No Automatic Execution.
- **IMQP** - Indq Quote MQP.

- **Infolect™** - The London Stock Exchange's real-time information service, used to disseminate market data to customers.
- **In the money** - Options and covered warrants have a 'positive intrinsic value'. In a call option / warrant, the underlying asset price exceeds the exercise price. In a put option / warrant, the underlying asset price is less than the exercise price. For a Call covered warrant, this is where the strike price is less than the price of the underlying. For a Put covered warrant, this is where the strike price is greater than the price of the underlying.
- **Intrinsic value** - A term used in options and covered warrants. For a call option / warrant, a 'positive intrinsic value' denotes the difference between the current underlying asset price and the exercise price. For a put option / warrant, a 'positive intrinsic value' denotes the difference between the exercise price and the underlying asset price.
- **Index** - A statistical measure of the changes in a portfolio of stocks representing a portion of the overall market. For instance, the FTSE 100 and the S&P500 are examples of indices.
- **Index fund** - See Tracker fund.
- **Index futures** - Index futures are based on the projected movement of a share price index, such as the FTSE 100.
- **Indicative Auction Price** - The price at which the orders participating in an auction will be executed, if the auction match were to occur at that point.
- **Indicative Quote** - A quote whose price and volume are not guaranteed. That is, market participants are not obliged to deal at the displayed prices or volumes, when their quotes are indicative. Indicative quotes are displayed during the pre-mandatory quote period.
- **Individual Turnover Report (ITR)** - The Exchange's Individual Turnover Report (ITR) provides historic turnover data for individual Equity and Fixed interest securities, in a report format, on a daily, monthly or yearly basis.
- **INDQ** - Indicative.
- **Initial Public Offering (IPO)** - Also known as flotation, it is the company's first offer of shares in the stock market. The shares may be offered at face value or at a premium. Also see Offer for sale.
- **INQ1** - Indicative.
- **INQ2** - Indicative.
- **International order book (IOB)** - An order-driven trading service for international equities.
- **International Petroleum Exchange** - The world's second largest and Europe's leading energy futures and options exchange.
- **International Retail Service (IRS)** - An order and quote-driven trading service for international equity market securities.
- **Introduction** - Introduction is a process that allows a company to join a stock exchange without raising capital. A company does not issue any fresh shares; it merely introduces its existing shares in the market.
- **ISIN** - International Securities Identification Number (ISIN). International code for a listed security.
- **Insider dealing** - The purchase or sale of securities by someone who possesses 'inside' information affecting securities which has not yet been made available to the market and which, if made available, would significantly affect the share price. In the UK such deals are a criminal offence.
- **Insolvency** - The inability of a person (or a company) to settle debts.
- **Issued capital** - Issued share capital is the total number of shares subscribed to by the shareholders.
- **Issuer** - Any company or other legal person or undertaking (including a public sector issuer) any class of whose securities has been admitted or is, or is proposed to be, the subject of an application for admission to trading.
- **Issuer Implementation team** - The Exchange's department responsible for dealing with applications for admission to trading.
- **Investment bank** - An investment bank is a financial intermediary that offers a range of services and advice to its clients. The role of an investment bank includes corporate finance, securities trading, research, investment management and international finance.
- **Investment trust** - A collective investment fund in the form of a listed company which holds a portfolio of securities on behalf of its own shareholders. Because an investment trust is itself a listed company, its shares can be bought and sold in the usual way.
- **Investor relations** - A department in most medium and large public companies that provide investors with an accurate account of the company.
- **Jobbers** - A dealer in shares prior to the Big Bang in October 1986.

Glossary of London Stock Exchange Terms

- **Junk bonds** - See High-Yield Bonds.
- **Last trade price** - The most recent price at which a specific security was traded.
- **Late Reported Trade** - The transaction was not reported in accordance with the Exchange's rules on trade reporting.
- **Leverage** - See Gearing.
- **LIFFE** - See Euronext.liffe.
- **Limit order** - An order submitted to the electronic order book with a specified size and price which is either held on the order book or executes, either in part or full, against eligible orders with any remaining unexecuted portion being added to the order book.
- **Limited company** - A limited company is privately owned with less than 50 shareholders having limited liability. Nearly all newly formed companies in the UK are incorporated as limited companies.
- **Limited liability** - When the liability of the shareholders is limited to the nominal value of their shares, it is called limited liability.
- **Liquid security** - A security that has a sufficient number of buyers and sellers. Liquid securities can be easily traded on the Exchange.
- **Liquidation** - When a company becomes insolvent, it may go into liquidation, wherein all its assets are sold and the proceeds are distributed among the debtors and shareholders, in that order.
- **Liquidity** - The ease with which a security can be traded on the market, usually defined by turnover.
- **Liquidity provider** - A market participant that is obliged to buy and sell less liquid securities that it is registered in. In the process, it facilitates trading and improves liquidity in those securities.
- **Listed** - Admitted to the Official List of the UKLA and 'listing' shall be construed accordingly.
- **Listed company** - A company whose securities have been admitted to the UKLA's Official List and admitted to trading on the London Stock Exchange.
- **Listing** - The process of being listed.
- **Listing particulars** - When a company applies for a listing of its securities, in some circumstances listing particulars (or a prospectus) are required in accordance with the UKLA's Listing Rules, giving information on the company, its accounts, directors and the securities.
- **Listing Rules** - The Listing Rules of the UKLA.
- **LMIL™** - LMIL - London Market Information Link (LMIL™) was the legacy real-time information service, replaced by Infolect in September 2005.
- **London International Financial Futures and Options Exchange (LIFFE)** - A Recognised Investment Exchange (RIE) that deals with futures and options.
- **London Metal Exchange (LME)** - An international market for the trading of non-ferrous metals (copper, aluminium, lead, nickel, tin and zinc).
- **Long** - A long position is when someone buys (holds) a warrant or holds the underlying asset. Contrasts with Short position.
- **Low** - The lowest price a security reached in a certain period of time. Opposite of high.
- **Main Market** - The Exchange's principal market for listed companies from the UK and overseas.
- **Management fee - investment trust** - A fixed fee that a fund manager charges for his services.
- **Mandatory quote period (MQP)** - The period during which market makers on the Exchange's quote driven SEAQ and SEAQ International services are obliged to make a firm two-way quote for the securities in which they are registered. This is 0800-1630 hours for SEAQ and 0930-1530 hours for SE.
- **Margin** - An account with a broker where a client is able to purchase securities on credit after the margin has been deposited.
- **Market Abuse** - A conduct that adversely affects a financial market and falls below the standards expected by the regular user of that market. The Financial Services Authority (FSA) can enforce disciplinary action against those who commit such abuses.
- **Market capitalisation** - Market capitalisation is used to indicate the value of a company by multiplying the number of shares in issue by the current share price.
- **Market maker** - A Securities firm which is obliged to offer to buy and sell securities in which it is registered throughout the mandatory quote period.
- **Market Maker to Market Maker** - The transaction was between two market makers registered in the security in question. This may also include those executed through an inter-dealer broker or a public display system.

Glossary of London Stock Exchange Terms

- **Market manipulation** - The offence of illegally inflating or deflating the price of a security.
- **Market offence** - An illegal/criminal conduct that adversely affects the market.
- **Market order** - An unpriced order submitted to an order book to deal in a specified number of shares. Unexecuted portions of a market order are added to the order book.
- **Market order extension** - A time extension to the auction call period. It occurs if market orders are going to remain unexecuted after the auction match. The extension allows further entry and deletion of orders.
- **Market price** - The price of a security. For shares, there are two prices quoted on the exchange – bid price and offer price.
- **Market Regulation Department** - A department that monitors and enforces the rules of the Exchange.
- **Market Share** - Dissemination of market share and ranking information to member firms.
- **Maturity period** - This is the life of a bond or security. A bond usually ranges from 5 to 15 years but a few government bonds may even have a lifespan of 25 to 50 years.
- **Maximum spread** - The maximum permissible difference between the bid and offer prices of a security.
- **Member firm** - An investment firm which is a member of the Exchange and which may deal in securities on our market on behalf of its clients, or on behalf of the firm itself.
- **Mergers** - In a merger, two companies come together to become one. The shareholders of the merging companies often become joint owners of the combined entity.
- **Mid price** - A price between the offer and bid price. The mid price is equal to the sum of the best bid price and the best offer price divided by two, and rounded up to be consistent with the relevant price format.
- **Mid-cap shares** - A company with a medium-sized market capitalisation.
- **Misuse of information** - The abuse of dealing in securities based on information that is not publicly available. This abuse is similar to the offence of insider dealing.
- **MOC1** - Closing Market Order Extension, no Price Monitoring Extension, supports volume check.
- **MOCX** - Closing Market Order Extension.
- **MOE1** - Market Order Extension, no Price Monitoring Extension.
- **MOEX** - Market Order Extension.
- **Money flow per security** - The cumulative value of trades executed and the value of orders residing on each side of the order book for each security in real-time.
- **Money laundering** - The process of disguising money obtained from criminal activity.
- **Money Laundering Reporting Officer (MLRO)** - An official of a financial firm who is responsible for monitoring and reporting suspicions related to money laundering. Employees of the firm must report such suspicions to the MLRO.
- **MQP** - Firm Quoted MQP.
- **MQP1** - MQP No Automatic Execution.
- **MQP2** - Mandatory Quote Period with Order Deletion at Start.
- **MTN** - Medium-term note (MTN). An unsecured note issued in a euro-currency with a maturity of 3 to 6 years.
- **Mutual fund** - A collective investment scheme in the US that pools investors' money to be invested in stocks, bonds and other securities.
- **Named order** - A limit order that is displayed alongside the mnemonic of the participant that submitted it.
- **NASDAQ** - National Association of Securities Dealers Automated Quotation (NASDAQ) – the first electronic stock market in the world.
- **Net** - The amount remaining after deductions (e.g. after tax adjustments have been made).
- **Net asset value (NAV)** - In the context of trusts and funds, NAV is the total value of the fund's portfolio less liabilities.
- **New issue** - An issue of shares: when a company either comes to the market for the first time or issues extra shares.
- **Nominated Adviser (NOMAD)** - Exchange-approved adviser for AIM companies. AIM companies must retain a nominated adviser at all times.
- **Nominated Broker (NOMBRO)** - The broking firm for AIM companies that brings buyer and sellers of the company's shares together.
- **Non-anonymous order** - An order that is displayed alongside the mnemonic of the participant that submitted it.

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- **Non-Protected Portfolio** - The transaction was reported as a non-protected portfolio transaction or a fully disclosed portfolio transaction.
- **Non-Risk Trade** - These trades are the same as Ordinary trades but specifically for SEATS based segments only (i.e. SEQ1, AIM, SEAT).
- **Normal market size (NMS)** - A value assigned to a security by the Exchange. The NMS indicates the liquidity of that security. For quote-driven securities, the NMS is used to calculate the minimum quote size within which market makers are obliged to trade.
- **NOTR** - Non Trading Day.
- **NTR1** - Non Trading Day.
- **NTR2** - Non Trading Day.
- **NYSE** - The New York Stock Exchange (NYSE), the world's largest stock exchange, with a combined market capitalisation of £6 trillion in 2002.
- **OB15** - Order Book Trading 15.
- **OB25** - Order Book Trading 25.
- **OBC** - Order Book Closed.
- **OBT** - Order Book Trading.
- **OBT1** - Order Book Trading 1.
- **OBT2** - Order Book Trading 2.
- **OBT3** - Order Book Trading 3.
- **OBTD** - Order Book Trading Dynamic Monitoring.
- **OBTS** - Order Book Trading Static Monitoring.
- **ODR1** - No Order Hitting Allowed.
- **ODRH** - Order hitting Allowed.
- **ODRM** - Order Removal.
- **ODRS** - Order Entry Suspended.
- **OEICs** - These are Open-Ended Investment Companies. OEICs are a 'hybrid' of unit trusts and investment trusts (see unit trusts and investment trusts).
- **OESP** - Order Execution Suspended.
- **OETY** - Order Entry.
- **Offer for sale** - A method of bringing a company to the market. The public can apply for shares directly at a fixed price. Details of the sale must be printed in a national newspaper.
- **Offer for subscription** - A method of bringing a company to the market. The public can apply for shares directly at a fixed price.
- **Offer price** - The selling price for securities in the market.
- **Official List** - A list of securities maintained by the UK Listing Authority. The Official List includes all securities that are approved for trading in the UK.
- **OPEN** - Open.
- **Open Period (OPEN)** - The period that defines when the trading service is opened.
- **Open-ended fund** - These funds have no limit to the number of units (or shares) they can issue. The price of the units (or shares) remains closely aligned to the NAV of the fund. Unit trusts and OEICs are open-ended funds.
- **Option** - The right (but not the obligation) to buy or sell securities at a fixed price within a specified period.
- **Option premium** - It is the price paid by a buyer to acquire the option right. The amount is typically expressed as pence per share.
- **Order** - An offer to buy or sell a tradable instrument with a variety of conditions attached. See limit, at best, fill or kill, execute and eliminate and market orders.
- **Order book** - An automatic execution facility operated by the Exchange. Order books facilitate the trading of order book securities.
- **Order book security** - A security that is admitted to trading on the order book.
- **Order management** - The period of a trading day when no automatic execution occurs. During order management, participants are only allowed to delete their orders.
- **Order matching** - The process of automatically matching and executing buy and sell orders. Order matching is carried out by the system.
- **Order-driven** - Trading services that are based on the order book.
- **Ordinary** - The transaction was not covered by any of the other trade types listed.
- **Ordinary shares** - The most common form of share. Holders may receive dividends in line with the company's profitability and recommendation of its directors.
- **Out-the-money** - For a Call covered warrant, this is where the strike price is greater than the price of the underlying. For a Put covered warrant, this is where the strike price is less than the price of the underlying.
- **Over the counter (OTC) contracts** - OTC contracts are off-exchange futures contracts that are individually negotiated. These are tailor-made and illiquid.

- **Overbought** - A term describing a market (or a particular security), which is at an artificially high price level due to excessive buying. When a market (or security) is believed to be overbought, it is also believed to be due for a downward correction. On the other hand, when a market (or security) is believed to be oversold, it is believed that there has been excessive selling and the price is due for an upward correction.
- **Overnight Trade** - The transaction was reported after 17:15 and before 7:15 the following day.
- **Panel on Takeovers and Mergers (POTAM)** - The body that regulates the conduct of takeovers and mergers in the UK.
- **Pari Passu** - This is the result of a line of stock being issued with a constraint on it, i.e. Not ranking for a particular dividend. Once this constraint is passed the line of stock will be merged with the existing.
- **Partial execution** - When only a part of an order is executed.
- **Participant** - An investor or intermediary acting in a trading capacity.
- **Participating preference shares** - Participating preference shareholders have the right to participate in the surplus profits of the company, after payment of equity and preferred dividend.
- **Partnership** - In a partnership, two or more people jointly own the business. While general partners are fully liable for the debts of the business, limited partners have limited liability.
- **Passive fund** - A fund in which the fund manager passively manages investments (see passive management).
- **Passive management** - Fund managers do not attempt to beat the market. Instead, they try to mirror the performance of a selected market index such as the FTSE 100.
- **Pension fund** - A fund set up by a company or government to invest the pension contributions of members and employees. These are then paid out when the beneficiaries reach the retirement age.
- **Percentage (%) change** - The percentage change in the price of a security, i.e. the percentage of change between the last trade and the previous day's closing price.
- **Period name** - Name given to a particular period. A period is defined by a specific set of rules which are effective for a specified period of time.
- **PFIQ** - Pre Firm/Indq Quote Period
- **Physically settled** - Settlement of a warrant by the delivery or receipt of an actual underlying asset. This contrasts with cash settlement, where no delivery of an underlying physical asset takes place just a cash difference.
- **PIQP** - Pre IMQP.
- **Placing** - It is a method of flotation in which a company issues shares to a select group of institutional investors.
- **Plc** - See public limited company.
- **PMC1** - Closing Price Monitoring Extension, no Market Order Extension, supports volume check.
- **PMCX** - Closing Price Monitoring Extension, supports volume check.
- **PME1** - Price Monitoring Extension, no Market Order Extension.
- **PMEX** - Price Monitoring Extension.
- **PMON** - Price Monitoring Override.
- **PMQP** - Pre MQP.
- **POB1** - Pre order Book Trading 1.
- **POBT** - Pre Order Book Trading.
- **Portfolio** - A group of investments held across asset classes (stocks, bonds, real estate, gold) or within the same asset class (exposure to stocks across companies and industries).
- **POTAM** - See Panel on Takeovers and Mergers.
- **Pound cost averaging** - A disciplined investment technique where fixed amounts are invested over regular periods (typically monthly) to accumulate wealth in shares, unit trusts and investment trusts.
- **Preference shares** - These are normally fixed-income shares whose shareholders have the right to receive dividends before ordinary shareholders would rank above ordinary shareholders for the repayment of their investment in the company.
- **Premium** - A term used to describe the price paid for a covered warrant.
- **Price** - The price of a tradable instrument. This is the last automatic trade or uncrossing price for a security in SETS or the mid-price for a security in SEAQ, SEATS, AIM or an international security (that is securities in EULQ, LSTD, NLLD or OINT market segment).
- **Price monitoring** - Automatic price monitoring capability that is used to limit extreme price deviations.

- **Price monitoring extension** - A time extension to the auction call period. It occurs if the auction match price breaches price tolerance limits. The extension allows further entry and deletion of orders.
- **Price priority** - Orders are first prioritised for execution according to their price. This is price prioritisation.
- **Price sensitive information** - Information which, if made public, is likely to have a significant effect on the price of the company's securities.
- **Price tolerance level** - The percentage up to which the price of a security can increase or decrease from the base price.
- **Price/Earnings ratio (P/E ratio)** - A measurement of a company's rating, calculated by dividing the share price by the annual earnings per share. A high P/E ratio means the company is highly-rated by the stock market, suggesting that investors think its prospects are good.
- **Price-time priority** - How orders are prioritised for execution. Orders are first ranked according to their price. Orders of the same price are ranked depending on when they are entered.
- **Primary market** - The function of a stock exchange in bringing securities to the market for the first time. Money is raised either for the company at admission or through further issues to fund future growth.
- **Private company** - A company which is not a public company and which is not allowed to offer its shares to the general public.
- **Privatisation** - Conversion of a state-run company to public limited company status - often accompanied by a sale of its shares to the public.
- **Professional DRs** - These are depositary receipts that are traded only by the institutional investors in the UK.
- **Prospectus** - When a company applies for a listing of its securities which are to be offered to the public in the UK, a prospectus is required in accordance with the UKLA's Listing Rules, detailing information on the company, its accounts, directors and its securities.
- **Protected Portfolio** - The transaction was reported as a protected portfolio or, was as a result of a worked principle agreement for portfolio transaction.
- **Protection Applied** - The transaction was protected at the time of reporting it.
- **Public limited company (plc)** - A company whose shares may be purchased by the public and whose share capital is not less than a statutory minimum. Not all plcs are listed companies.
- **Public offer** - It is a method of flotation in which a company issues shares to the public at large, including private and institutional investors.
- **Public relations** - Public relations consultants are employed by companies to keep their business on the financial pages and in the minds of investors.
- **Public sector issuers** - States and their regional and local authorities, state monopolies, state finance organisations, public international bodies and statutory bodies.
- **Put - covered warrant** - A covered warrant that gives the holder the right, but not the obligation, to sell the underlying at a future date and specified price.
- **Put - option** - It is an option that gives the buyer the right to sell an underlying asset at a future date at a specified price.
- **Put - warrant** - A put warrant allows the holder to benefit from a falling market. It rises in value when the underlying asset falls in value.
- **Quote** - An offer to buy or sell a quote driven security. Quotes are displayed by market makers that are registered in that security.
- **Quote book** - An electronic facility operated by the Exchange. A quote book facilitates the display of buy and sell quotes made by market makers.
- **Quote-driven** - A service that does not allow automatic execution. Trading of quote-driven securities is conducted via telephone dealing.
- **Rating agencies** - Rating agencies determine the issuer's ability to meet their debt obligations to the investors. Agencies include Moody's, Standard & Poor's (S&P) and Fitch IBCA.
- **Recognised Investment Exchange (RIE)** - An investment exchange in relation to which a recognised order granted by the FSA is in force.
- **Redeemable preference shares** - The issuing company reserves the right to redeem these preference shares. The shares may, or may not, have a specific redemption date.
- **Redemption** - Certain stocks are repayable at a future date set by the issuing company.
- **Registrar** - An organisation responsible for maintaining a company's share register.
- **Result of Exercising Option** - The transaction was reported as a result of exercising a traditional option or a negotiated option.

- **Result of Stock Swap** - The transaction was reported as a result of a stock swap or stock switch (one report is required for each line of stock swapped or switched).
- **Retail consumer** - A private user of the financial markets. The retail investor is typically a small investor, who buys and sells shares through his/her broker.
- **Retail DRs** - These are depository receipts that are traded by all investors, including private individuals, in the UK.
- **RIE** - See Recognised Investment Exchange.
- **Rights issue** - An invitation to existing shareholders to purchase additional shares in the company.
- **Rights shares** - Companies issue more shares at a later stage to fund further projects. These are issued to existing shareholders on a pro-rata basis. Shareholders have an opportunity to subscribe to these shares at a price lower than the prevailing market price.
- **RIS** - Regulatory Information Service (RIS) – which ensures that information from listed and AIM companies, and certain other bodies, is disseminated to all subscribers (such as major information vendors) at the same time for onward transmission to the market.
- **Risk** - Risk is the probability that the actual return of an investment will be different from the expected return. Higher the risk, higher will be the probability of gain or loss on the investment.
- **Risk Trade** - The transaction was reported by a market maker registered in either a SEATS security, an AIM security or a covered warrant market security.
- **Riskless Principal** - The trade was reported as a riskless principal transaction between two non-members, where the two transactions are executed at different prices or on different terms (requiring two separate trade reports). OR a market maker is reporting a riskless principal transaction where the two transactions are executed at different prices.
- **RNS** - The Exchange's Regulatory Information Service – which ensures that information from listed and AIM companies and certain other bodies is disseminated to all RNS subscribers, such as major information vendors at the same time for onward transmission.
- **RSD1** - Security Restored.
- **RSD2** - Security Restored.
- **RSTD** - Security Restored.
- **Rule Book** - The rules of the London Stock Exchange.
- **S&P 500** - Standard & Poor's Composite Index – an index comprising shares of 500 US companies reflecting the general trend in the US stock market.
- **SAUC** - Auction Execution.
- **Scheme of Arrangement** - A non-optional event proposed by a company on its share capital.
- **Scrip dividend** - An issue of shares available to shareholders that replaces a dividend payment. Shareholders have the option to forgo their dividend for the share alternative.
- **Scrip issue** - The issue by a company of new shares which do not require any payment to be made by the shareholder. This has the effect of making the company's shares more marketable because of the increased number available and the lower market price.
- **SEAQ** - The Stock Exchange Automated Quotations system. SEAQ is a continuously updated electronic notice board containing price quotations of UK securities. Market makers use the system to display the prices at which they are prepared to buy or sell shares.
- **SEAQ Crosses** - SEAQ Crosses supplements SEAQ (market maker quote-driven system) by providing an alternative order-driven execution mechanism.
- **SEAQ International** - The Stock Exchange Automated Quotations system for international equities.
- **SEAQ Trade** - This is used for the single uncrossing trade, detailing the total executed volume and uncrossing price as a result of a SEAQ auction.
- **Secondary market** - Marketplace for trading in securities.
- **Securities** - General name for stocks and shares of all types.
- **Securities Management** - The Exchange's department responsible for dealing with applications for admission to trading.
- **Securities Masterfile (SMF)** - SMF provides up-to-date information on securities traded on UK and International markets.
- **Securities trading** - Investment banks offer securities trading by maintaining broker-dealer operations. Many investment banks also provide market making for securities.
- **Security Suspended** - This security has been suspended from trading by the Exchange.
- **SEDOL** - Stock Exchange Daily Official List code, a 7 digit alphanumeric reference for a listed security.

- **Sell note** - Published by a brokerage/research firm, a sell note is a report that recommends the selling of a particular stock. On the other hand, a 'buy note' recommends the buying of a particular stock.
- **SEOD** - Special End of ODRH.
- **Serious Fraud Office (SFO)** - An independent government department that investigates and prosecutes serious fraud.
- **SETS** - Stock Exchange Electronic Trading Service (SETS), an order-driven trading service.
- **SETS participant** - A partnership, corporation, legal entity or sole practitioner approved by the Exchange to trade in order book securities only.
- **Settlement** - The process of transferring stock from seller to buyer and arranging the corresponding movement of money between the two parties.
- **SFA (Securities and Futures Authority)** - Now included within the FSA, the Securities and Futures Authority (SFA) was the Self Regulating Organisation responsible for regulating the conduct of brokers and dealers in securities, options and futures - including most member firms of the Exchange.
- **SFST** - SETS Fast Index Expiry.
- **Share** - The authorised share capital of a company is divided into a number of equal parts. Each part is called a share. See Ordinary shares, Preference shares, Securities.
- **Shares in public hands** - A company seeking admission to the Official List must have at least 25 per cent of its shares in public hands. Shares are not deemed to be in public hands where they are held by a director of the company or its subsidiaries, individuals connected with the directors and any person holding 5 per cent or more of the shares.
- **Short** - A short position is when someone sells a warrant or the underlying asset. Contrasts with Long position.
- **SIMQ** - Special End of IMQP.
- **Single Protected Trade** - the trade was reported as a result of a single protected transaction.
- **SMQP** - Special End of MQP.
- **SOBT** - Special End Order Book Trading.
- **Sole trader** - The sole promoter has unlimited liability. In other words, the sole promoter is fully liable for the debts of the business.
- **Specialist securities** - Securities, which, because of their nature, are normally bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.
- **Speculation** - The process of selecting a high-risk investment to profit from an anticipated price movement.
- **Sponsor** - A company's adviser who is approved by the UKLA. The role of a sponsor is to ensure that the company is suitable for listing.
- **SPT1** - Start of Pre Trading Period.
- **SPT2** - Start of Pre Trading Period.
- **SPTP** - Start of Pre Trading period.
- **SQAL** - Mandatory Quote period with Auction Call.
- **SSPD** - Segment Suspended.
- **Stabilisation** - A stabilisation may occur after a new issue in accordance with FSA rules. It will entail the stabilising manager buying shares in the market to counter selling pressure in the initial market. This stabilisation period must be fully disclosed by way of a daily notice and last for a maximum of 30 days.
- **Stamp duty** - A government tax levied on share dealing.
- **STBY** - Standby.
- **Stock Situation Notices (SSNs)** - Stock Situation Notices which contain extensive details of a corporate action.
- **Stockbroker** - A securities firm which provides advice and dealing services to the public and which can deal on its own account.
- **Stock-settlement** - The warrant holder receives the underlying if the warrant can be exercised profitably at expiry.
- **Strike price - covered warrant** - The price at which the investor may buy or sell the underlying during (if American style) or at the end (if European style) of the expiry period. Also referred to as 'expiry price' and 'exercise price'. It is known when the warrant is issued.
- **Subdivisions** - When a company increases the number of shares it has in circulation by subdividing its share capital e.g. shareholders would receive 2, 25p shares for every 1, 50p share held.
- **SUS1** - Security Suspended 1.
- **SUSP** - Security Suspended.
- **Suspension of trading** - Any cessation of trading imposed by the Exchange, including a trading halt.
- **Swaps** - Complex derivative products which are cash settled.

- **SWIFT** - Society for Worldwide Interbank Financial Telecommunications. International body which sets protocols and standards for international payment systems, such as electronic money transfers.
- **Syndication** - In a public offer, usually, a syndicate of investment banks is formed to underwrite the issue. Each member of the syndicate is assigned a certain amount of liability and (number or quota of) shares to sell.
- **SYSP** - LSE System Problem.
- **Takeover** - The acquisition of one business or company by another.
- **Target company (in a Takeover)** - The company that is going to be acquired by another company.
- **TDEX** - Trading Extended.
- **techMARK™** - The Exchange's international market for innovative technology companies.
- **techMARK mediscience™** - The Exchange's international market for healthcare companies.
- **Third party account** - A bank account that does not belong to the client. Money laundering transactions often use third party accounts.
- **Time priority** - Orders of the same price are prioritised depending on when they are entered. This is time prioritisation.
- **Time value** - Time value is the intrinsic value subtracted from the market price. Time value represents the remaining value that has been attributed to the warrant by the market, and the fact that the market might move before the expiry date.
- **Time weighted average spread** - The average spread (calculated hourly) weighted by the length of time a spread applies.
- **Touch** - The best buying and selling prices available on SETS or from a market maker on SEAQ or SEAQ International in a given security at any one time.
- **Tracker fund** - A fund that aims to mirror the performance of a chosen share index. The amount invested in each company is proportional to the company's weighting on the target index. Management fees for a passively managed tracker fund are lower than an active fund.
- **Tradable instrument display mnemonic (TIDM)** - The mnemonic code is allocated by the Exchange and used to identify a tradable instrument. Used to be called an EPIC code.
- **Tradable instrument** - A security for which orders, trade reports and company information may be entered.
- **Trade** - A trade is a deal made on the London Stock Exchange. Sometimes referred to as a 'bargain'.
- **Trade reporting period** - The period during each working day (between 07:15 and 17:15) when the Exchange accepts trade reports.
- **Trade value** - The trade value of each of the last 5 trades.
- **Trade volume** - The volume figure for each of the last 5 trades.
- **Trading platform** - A trading platform is the technology infrastructure in a stock exchange that is used to support one or more trading services.
- **Trading service** - A configuration of system and market rules that support the trading activity of a market.
- **Transparent market** - A market that provides timely and accurate information regarding all transactions.
- **Trust** - A fiduciary relationship that empowers one or more people (trustees) to safeguard and administer the assets (money or property) of the beneficiaries or investors.
- **UKLA** - The Financial Services Authority acting in its capacity as the United Kingdom Listing Authority (UKLA).
- **Uncrossing Trade** - This is used for the single uncrossing trade, detailing the total executed volume and uncrossing price as a result of a SETS auction.
- **Underlying - covered warrant** - The asset on which the covered warrant is based and derives its value. The underlying may be a security (such as shares), a share index (e.g. FTSE 100), a commodity or a currency. Some warrants are based on a 'basket' of underlyings, which gives an invest.
- **Underlying asset** - The value of a derivative instrument depends on the performance of the underlying asset or security. These may be commodity derivatives such as gold, sugar, jute, pepper, iced broilers or coffee. They could also be financial in nature such as stocks, bonds, gilts, currencies and money market instruments.
- **Underlying share price** - See Underlying Asset.
- **Underwriter** - See Underwriting.
- **Underwriting** - An arrangement by which a company is guaranteed that an issue of shares will raise a given amount of cash. Underwriters undertake to subscribe for any of the issue not taken up by the public. They charge commission for this service.

- **Unit trusts** - These are open-ended funds where private investors pool their money to be invested in a portfolio of securities. Unit trusts issue units to investors.
- **Units** - Unit trusts issue units in response to demand. Being open-ended, unit price is closely aligned to the net asset value (NAV) of the fund.
- **Unlimited liability** - When a promoter is fully liable for the debts of the business, it is called unlimited liability.
- **USD** - US Dollars.
- **USM** - Unlisted Securities Market (USM) set up in 1980 to provide an easier route to the market for small or new companies. The market closed at the end of 1996. (USM companies could move to the main market or AIM.)
- **virt-x** - A cross-border stock exchange for European blue chips.
- **Volatility** - A measure of the amount of movement in the price of an instrument.
- **Volume** - The daily cumulative volume for each security.
- **Voting rights** - The entitlement of ordinary shareholders to vote in person or by proxy at annual meetings or annual general meetings.
- **VWAP (Volume weighted average price)** - Volume weighted average price (VWAP), which is calculated by dividing the value of trades by the volume over a given period. A closing 10 minute VWAP is used to set closing prices on the order book.
- **VWPT** - Volume Weighted Price trading.
- **VWPX** - Volume Weighted Price Uncrossing.
- **Warrants** - Securities giving the holder a right to subscribe to a share or a bond at a given price and from a certain date.
- **WFE** - Also called the World Federation of Exchanges. The Federation is a private international organisation that promotes co-operation between international exchanges.
- **Winding up** - See Liquidation.
- **Worked Principle Trade** - The reported trade was from a worked principle agreement for a single security.
- **Working capital** - The capital used by the company to run its day-to-day operations. It is the difference between current assets and current liabilities of the business.
- **Writer** - The issuer of a covered warrant is sometimes referred to as the writer.
- **XONE** - Execution Only - no order entry.
- **Yellow Book** - see Listing Rules.
- **Yellow strip** - The yellow band on a SEAQ or SETS screen which displays the highest bid and the lowest offered prices that competing market makers are offering in a security. They are known colloquially as the 'touch' or 'yellow strip' prices.
- **Yield** - The return earned on an investment taking into account the annual income and its present capital value. There are a number of different types of yield, and in some cases different methods of calculating each type.
- **Yield to maturity (YTM)** - Yield to maturity or YTM is the rate of return anticipated on a bond if it is held until the maturity date.
- **Zero coupon bonds** - Zero coupon bonds are corporate or municipal debt securities that trade at a deep discount from the face value, as the bond pays no interest to the bondholders during its lifetime.

Further Information

This guide is for general interest - it is always essential to take advice on specific issues.

We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

If you would like to receive further information about this subject or other publications, please call us – see our contact details on the next page.

Acknowledgement

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