

Chapter 18

Securitised derivatives: requirements for listing and continuing obligations

18.2 Requirements for listing

Requirements for listing: the issuer

- 18.2.1 **R** An *applicant* for the admission of securitised derivatives must:
- (1) have *permission* under the Act to carry on its activities relating to *securitised derivatives* and be either a *bank* or a *securities and futures firm*;
 - (2) if the *applicant* is an *overseas company*:
 - (a) be regulated by an *overseas regulator* responsible for the regulation of banks, securities firms or futures firms and which has a lead regulation agreement for financial supervision with the *FCA*; and
 - (b) be carrying on its activities relating to *securitised derivatives* within the approved scope of its business; or
 - (3) arrange for its obligations in relation to the *securitised derivatives* to be unconditionally and irrevocably *guaranteed* by, or benefit from an arrangement which is equivalent in its effect to such a *guarantee* provided by, an entity which satisfies paragraph (1) or (2).

Requirements for listing

- 18.2.2 **R** For a *securitised derivative* to be *listed*, its *underlying instrument* must be traded on a regulated, regularly operating, recognised open market, unless it is:
- (1) a currency;
 - (2) an index;
 - (3) an interest rate; or
 - (4) a basket of any of the above.

- 18.2.3 **R** The *FCA* may modify or dispense with the requirement in **■ UKLR 18.2.2R** for other derivative products.

Requirements for listing: retail products

18.2.4

R

To be *listed*, a *retail securitised derivative* must:

- (1) satisfy the requirements set out in ■ UKLR 18.2.2R; and
- (2) not be a *contingent liability investment*.

18.2.5

R

To be *listed*, if a *retail securitised derivative* gives its holder a right of exercise, its terms and conditions must provide that:

- (1) for cash settled *securitised derivatives* that are *in the money* at the *exercise time* on the *expiration date*, the exercise of the *securitised derivative* is automatic; or
- (2) for physically settled *securitised derivatives* that are *in the money* at the *exercise time* on the *expiration date*, if the holder fails to deliver an *exercise notice* by the time stipulated in the terms and conditions, the *issuer* will, irrespective of the failure to exercise, pay to the holder an amount in cash in lieu of the holder's failure to deliver the *exercise notice*, the amount and method of calculation of this amount to be determined by the *issuer*.