



News release

27 February 2003

**Trading in UK covered warrants disappointing,  
finds research by Knowledge Technology Solutions PLC**

Almost four months after the London Stock Exchange launched its covered warrants market to a fanfare of publicity, trading volumes in the new securities are still very thin.

According to new research by Knowledge Technology Solutions PLC (KTS), the live financial data technology company, turnover volume of covered warrants in January\* was just 542 million and valued at only £9.3m. This is the equivalent to approximately 0.01% of the £77.5bn traded in equities in the same month.

Since the covered warrants market was launched in late October last year, it appears the appetite among UK retail investors for these new securities has not rivalled that in continental Europe. For example, in November\* almost 352 million covered warrants with a value of only £3.4m were traded in London. In December\*, turnover rose to 509 million covered warrants valued at £6.2m. In February\*\* to date, volume turnover is up only slightly on January\* to 556 million covered warrants with a value of £12m.

\*Figures measured from 29<sup>th</sup> of one month to 28<sup>th</sup> of the next month

\*\*Figures from 29<sup>th</sup> January to 24<sup>th</sup> February 2003

While it is still early days for the new covered warrants market, it is lagging behind other major European exchanges (Deutsche Bourse, and the Spanish, Swiss and Italian Exchanges). Figures from the Federation of European Securities Exchanges show that the Helsinki Exchange's (HEX) market in covered warrants is the closest in size to the LSE in terms of turnover. But with a turnover in covered warrants of £34.5m across 180 types of covered warrant in January, the HEX market is considerably more active than London's.

However, the LSE has been successful in growing the number of different covered warrants available. Today there are now 375 different instruments listed, compared with 160 at launch.

Covered warrants give holders the right to buy or sell a given security at a preset price, at or before a future date. They were introduced to give the UK's private investors the opportunity to profit from movements in the markets without having to pay stamp duty on trades.

**Dr Marc Pinter Krainer, the chief executive of KTS, says:**

*"The LSE launched its covered warrants market with a blaze of publicity last year. But despite its best efforts it seems that demand for the new instruments is weak. Perhaps this is not the right time to be testing the appetite among private investors for a new type of instrument."*

Knowledge Technology Solutions carried out this research using QuoteTerminal, its live financial information product aimed specifically at the UK market. QuoteTerminal offers financial news, data and analysis from well-known providers such as Standard & Poor's, RNS and Dow Jones.

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### **About Knowledge Technology Solutions PLC**

Knowledge Technology Solutions PLC is a technology and software solutions company listed on the Alternative Investment Market of the London Stock Exchange (AIM: KTS). Utilising its proprietary technology, KTS focuses on developing and licensing software solutions related to real-time information processing. The Group's information technologies aggregate, analyse and process live data and deliver the enhanced information as organised knowledge in real time, tailored to customer requirements, via the Internet and wireless platforms. This delivery mechanism offers organisations a cost-effective communications infrastructure and enables users to speedily connect to and instantaneously interact with live information from any location at any time.

KTS provides real-time market data solutions to market professionals via its financial information products which deliver essential real-time financial information from leading data providers at a low cost point.

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