

LONDON NOTICE No. 2660

ISSUE DATE: 16 June 2005
EFFECTIVE DATE: 1 September 2005

THREE MONTH EURO (EURIBOR) AND THREE MONTH STERLING (SHORT STERLING) INTEREST RATE FUTURES CONTRACTS

REVISED CHARGING STRUCTURE FOR PACK AND BUNDLE STRATEGY TRADES

Executive Summary

This Notice advises members of the introduction of a new charging structure in respect of Euribor and Short Sterling Pack and Bundle strategy trades.

1. Introduction

- 1.1 Packs and Bundles are recognised strategies on LIFFE CONNECT[®] which allow users to gain exposure to long term interest rates in a single transaction (from one year via the White Pack out to several years via the Bundles), saving time and eliminating legging risk. Packs and Bundles can be used to hedge swap positions and offer an accurate, efficient and flexible alternative to bond futures.
- 1.2 Under the existing charging structure, LIFFE transaction fees are charged on each lot of each leg of Pack and Bundle strategy trades in the Three Month Euro (EURIBOR) and Three Month Sterling (Short Sterling) Interest Rate Futures Contracts (“the Contracts”).
- 1.3 In order further to develop usage of these strategies, the Exchange has determined to introduce a new charging structure for explicit Pack and Bundle strategies traded in the Contracts. Under the new charging structure, LIFFE transaction fees will be charged on a “per strategy lot” basis, i.e. each side of a Pack or Bundle trade in the Contracts will attract a charge based on the number of lots contained in a single leg of the strategy.
- 1.4 In relation to Packs and Bundles in the Three Month Eurodollar Interest Rate Futures Contract, members are reminded that the current fee holiday in respect of Exchange transaction fees and LCH.Clearnet clearing charges shall continue to be in place until close of business on 30 December 2005. Further details are contained in LIFFE General Notices No. 2632 and No. 2636, issued on 30 March 2005 and 6 April 2005 respectively.

Web site: www.euronext.com/derivatives

The Euronext Derivatives Markets (“Euronext.liffe”) include the markets for derivatives operated by Euronext Amsterdam, Euronext Brussels, Euronext Lisbon, Euronext Paris and LIFFE Administration and Management, referred to respectively as the Amsterdam, Brussels, Lisbon, Paris and London markets.

2. Revised Pack and Bundle Charging Structure

2.1 On and from Thursday 1 September 2005, the LIFFE transaction fee and LCH.Clearnet clearing charge per side for Packs and Bundles traded in the Contracts shall be as follows:

	LIFFE transaction fee (per strategy lot)	LCH.Clearnet clearing charge	LIFFE fee + LCH.Clearnet charge
White Pack	£0.82	£0.08	£0.90
Red Pack	£0.62	£0.08	£0.70
Green Pack	£0.42	£0.08	£0.50
Blue Pack	£0.00	£0.08	£0.08
Gold Pack	£0.00	£0.08	£0.08
Two Year Bundle	£1.04	£0.16	£1.20
Three Year Bundle	£0.96	£0.24	£1.20
Four Year Bundle	£0.88	£0.32	£1.20
Five Year Bundle	£0.80	£0.40	£1.20

2.2 The new Pack and Bundle charging structure will reduce significantly the cost of trading in these strategies and, on the basis described in paragraph 2.1, will offer the following savings:

	Current LIFFE fee+ LCH.Clearnet charge	Saving under new charging structure
White Pack	£1.12	20%
Red Pack	£1.12	38%
Green Pack	£1.12	55%
Blue Pack	£1.12	93%
Gold Pack	£1.12	93%
Two Year Bundle	£2.24	46%
Three Year Bundle	£3.36	64%
Four Year Bundle	£4.48	73%
Five Year Bundle	£5.60	79%

3. Billing and Rebating Arrangements

3.1 As is currently the case, LIFFE transaction fees and LCH.Clearnet clearing charges will be billed to clearing members shortly after the end of each month. In relation to the Contracts, this initial bill will be calculated on the basis of 25p per side, per lot for LIFFE transaction fees and 3p per side, per lot for LCH.Clearnet clearing charges. The Exchange will then calculate the discounted LIFFE transaction fee and LCH.Clearnet clearing charge under the new Pack and Bundle charging structure and will rebate the amounts due to clearing members at the beginning of the following month. For example, rebates on business transacted during September will be calculated and notified to clearing members at the beginning of October and paid in early November.

3.2 For the avoidance of doubt, explicit Pack and Bundle strategy business transacted in the Contracts will not be eligible as “Qualifying Business” under the existing STIR Liquidity Provider (“SLP”) and Individual Liquidity Provider (“ILP”) Schemes.

4. Wholesale Trading Facilities

4.1 The minimum volume thresholds for Pack and Bundle strategies transacted in the Contracts through the Block Trade Facility will remain unchanged. Members should note that the minimum volume thresholds apply to the aggregate number of lots traded in the strategy concerned. Further details are contained in the Attachment to this Notice which, for convenience, also shows the minimum volume thresholds for Pack and Bundle strategies on a per leg basis.

4.2 Members are reminded that Packs and Bundles in the Contracts can be traded against OTC swaps using the Basis Trading Facility.

4.3 Full details of the Trading Procedures governing the Block Trade and Basis Trading Facilities are available in the Member Handbook and at www.euronext.com/derivatives.

5. Market Making Arrangements

5.1 In order to develop on-screen liquidity in respect of Pack and Bundle strategies in the Contracts, the Exchange intends to introduce a market making scheme to provide continual quoting of two-way Pack and Bundle prices on LIFFE CONNECT[®]. Full details of the scheme and information about how to apply will be published in due course.

For further information in relation to this Notice, members should contact:

Interest Rate Product Management	+44 (0)20 7379 2785	packsandbundles@liffe.com
U.S. Office	+1 212 482 3000	us.office@liffe.com

Block Trade Facility – Minimum Volume Thresholds

Three Month Euro (EURIBOR) Interest Rate Futures Contract	Minimum Volume Threshold (Lots)
Outrights in the first year (white months)	3,000
Outrights in the second year (red months)	1,500
Outrights in all other months	500
Strategies involving white months	5,000 in aggregate
Strategies involving red months	3,000 in aggregate
Strategies involving all other months	1,000 in aggregate
White Pack	1,250 each leg of strategy
Red Pack	750 each leg of strategy
Green Pack	250 each leg of strategy
Blue Pack	250 each leg of strategy
Gold Pack	250 each leg of strategy
Two Year Bundle	625 each leg of strategy
Three Year Bundle	417 each leg of strategy
Four Year Bundle	313 each leg of strategy
Five Year Bundle	250 each leg of strategy

Three Month Sterling (Short Sterling) Interest Rate Futures Contract	Minimum Volume Threshold (Lots)
Outrights in white months	2,000
Outrights in red months	1,000
Outrights in all other months	500
Strategies involving white months	3,000 in aggregate
Strategies involving red months	2,000 in aggregate
Strategies involving all other months	1,000 in aggregate
White Pack	750 each leg of strategy
Red Pack	500 each leg of strategy
Green Pack	250 each leg of strategy
Blue Pack	250 each leg of strategy
Gold Pack	250 each leg of strategy
Two Year Bundle	375 each leg of strategy
Three Year Bundle	250 each leg of strategy
Four Year Bundle	188 each leg of strategy
Five Year Bundle	150 each leg of strategy

For strategy trades involving more than one contract month the higher threshold level will always apply.