

LONDON NOTICE No. 2655

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CLARIFICATION OF THE HARMONISED CORPORATE ACTIONS POLICY

Executive Summary

This Notice clarifies the treatment under the harmonised Corporate Actions Policy of takeovers that affect Universal Stock Futures Contracts prior to 1 January 2006.

1. LIFFE General Notice No. 2540, issued on 22 October 2004, informed members of the introduction of a harmonised Corporate Actions Policy (“the Harmonised Policy”) on 15 November 2004. This Notice serves to clarify the Harmonised Policy’s **treatment of takeovers that affect Universal Stock Futures Contracts** prior to 1 January 2006 (i.e. for those takeovers which are made effective prior to 1 January 2006).
2. Section 6.8 of the Harmonised Policy states, among other things, that “for takeovers that affect UK Option Contracts, and are effective prior to January 2006, and where cash is offered as consideration, or part thereof...delivery shall be satisfied by requiring the matching and settlement of the components of the headline offer for the takeover in appropriate proportions”. In other words, in such circumstances an individual equity option that is available for trading in the London market would, as a general rule, be adjusted to become an Option Contract on the components of the headline offer in the appropriate proportions.
3. For the avoidance of doubt, this Notice confirms that, in such circumstances, Universal Stock Futures Contracts that are available for trading in the London market would, as a general rule, also be adjusted on the basis described in paragraph 2, i.e. for a takeover which was effective prior to January 2006 and where cash was offered as consideration or part thereof, the relevant Universal Stock Futures Contract would become a Futures Contract on the components of the headline offer in the appropriate proportions.
4. Members are reminded that for all takeovers made effective on and from 1 January 2006, individual equity option and Universal Stock Futures Contracts that are available for trading in the London market shall be subject to the treatment set out on page 18 of the Harmonised Policy. In particular circumstances, such Contracts shall be subject to cash settlement by reference to their value immediately preceding the effective date of the takeover.

Web site: www.euronext.com/derivatives

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