



LONDON NOTICE No. 2835

ISSUE DATE: 18 January 2007
EFFECTIVE DATE: 22 January 2007

INTRODUCTION OF NEW SERIES POLICY FOR INDIVIDUAL EQUITY OPTION CONTRACTS

Executive Summary

This Notice informs members of a revised policy for the introduction of series in relation to Individual Equity Option Contracts.

1. This Notice informs members that the Exchange will introduce a revised series policy for Individual Equity Option Contracts on and from Monday 22 January 2007. This will entail changes to the minimum number of exercise prices listed per expiry month and the applicable series intervals. The number of expiry months listed per Individual Equity Option Contract will not change as a result of the introduction of the revised policy.
2. For each Individual Equity Option Contract it will be possible to have multiple series intervals applicable per expiry month. The around the money series will have smaller series intervals in comparison to the deeper in- and out-of-the-money series. In this way the Exchange will create more diversity between the series available for trading.
3. The revised series policy will introduce a minimum number of series per expiry month depending on the remaining lifetime of the expiry month. The minimum number of in-the-money ("ITM"), at-the-money ("ATM") and out-of-the-money ("OTM") series to be introduced initially for short-term, mid-term and long-term expiry months will be as follows:
 - short-term - 1, 2 and 3 months - 3 ITM + 1 ATM¹ + 3 OTM
 - mid-term - 6, 9 and 12 months - 2 ITM + 1 ATM¹ + 2 OTM
 - long-term - 18, 24 and 36 months - 1 ITM + 1 ATM¹ + 1 OTM

¹ The option series whose price differs the least from the price of the underlying is considered to be the at-the-money series. There will be no at-the-money series in a situation where the market price of the underlying security is exactly halfway between two series.

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.

4. The exercise price of each series is fixed in accordance with the following scale:

Interval Scheme denominated in Pence						
Range	Exercise Prices			Interval Scales in pence		
				Scale A	Scale B	Scale C
1	1	-	< 50	1	2	4
2	50	-	<100	2	4	8
3	100	-	< 250	5	10	20
4	250	-	< 500	10	20	40
5	500	-	< 1000	20	40	80
6	1000	-	< 2000	50	100	200
7	2000	-	< 4000	100	200	400
8	≥ 4000			200	400	800

5. Subsequent to an expiry month being initially listed, the minimum number of series per expiry month will be as follows:

≤ 3 months to expiry

For expiry months with a remaining lifetime of up to and including 3 months:

At least 7 series

- 3 series around the money: Interval Scale A

1st ITM+ATM+1st OTM

- 4 series: Interval Scale B

2nd ITM+3rd ITM+

2nd OTM+3rd OTM

> 3 to ≤ 12 months to expiry

For expiry months with a remaining lifetime exceeding 3 months and up to and including 12 months:

At least 5 series

- 3 series around the money: Interval Scale B

1st ITM+ATM+1st OTM

- 2 series: Interval Scale C

2nd ITM+2nd OTM

> 12 months to expiry

For expiry months with a remaining lifetime exceeding 12 months:

At least 3 series

- 3 series around the money: Interval Scale C

1st ITM+ATM+1st OTM

The following tables provide a summary of the exercise prices per expiry month at time of listing:

Time to maturity	1,2,3 months	6,9,12 months	18,24,36 months
	<div> <div>3rd 2nd Scale B</div> <div>1st ATM Scale A</div> <div>1st 2nd 3rd Scale B</div> </div>	<div> <div>2nd Scale C</div> <div>1st ATM Scale B</div> <div>1st 2nd Scale C</div> </div>	<div> <div>1st ATM Scale C</div> <div>1st</div> </div>

6. A price established on a trading day (T) will be the reference used to determine the introduction of additional series on the next trading day (T+1) to have at least the minimum number of in- and out-of-the-money series listed.
7. The necessary amendments to the Euronext.liffe Trading Procedures are set out in the Attachment to this Notice and will appear on the Euronext website (www.euronext.com) in due course.

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

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EURONEXT.LIFFE TRADING PROCEDURES

PART TWO – NON-HARMONISED AND MARKET-SPECIFIC PROVISIONS

SECTION 2 – TRADING PROCEDURES IN RELATION TO LIFFE

Lo.3 Introduction of a new series

- Lo.3.1
- (a) When a new expiry month of a FTSE 100 Index Option Contract (European style) is introduced, a minimum of eleven exercise prices (always including both a put and a call series in respect of each exercise price) will be made available for trading, on the basis set out in the contract specification.
 - (b) When any other Index Option Contract is listed, or a new expiry month introduced, a minimum of nine exercise prices, always including both a put and a call series in respect of each exercise price, will be made available for trading.
 - (c) When a new Financial Option Contract is listed or a new expiry month is introduced, a series of exercise prices (always including both a put and a call series in respect of each exercise price) will be made available for trading on the basis set out in the contract specification.
 - (d) In relation to Individual Equity Options Contracts, the series introduction policy is published by Notice. The Exchange may apply an alternative scale of exercise price intervals to specified Individual Equity Option Contracts if appropriate. Such alternative scales are **also** notified by means of a Notice.
 - (e) When a new Commodity Options Contract is listed or a new expiry month introduced, a minimum of nine exercise prices, always including both a put and a call series in respect of each exercise price, will be made available for trading on the basis set out in the contract specification.
- Lo.3.2
- (a) For the FTSE 100 Index Options Contracts (European Style), the exercise prices to be introduced shall be:
 - (i) the exercise price closest to the price of the underlying index (i.e. the at-the-money exercise price) at 16.30 hours (or such other time as the Exchange may notify by means of a Notice) on the business day immediately prior to the business day on which the new Contract/expiry month is to be introduced; and
 - (ii) the next five exercise prices above, and the next five exercise prices below, the at-the-money exercise price.
 - (b) For any other Index Option Contract, the exercise prices to be introduced shall be:
 - (i) the exercise price closest to the market price of the underlying equity index (i.e. the at-the-money exercise price); and
 - (ii) the next four exercise prices above, and the next four exercise prices below, the at-the-money exercise price.

- (c) **[Deleted]**
- Lo.3.3 (a) For Index Option Contracts, the exercise price of each series is fixed as follows:
- | | |
|----------------------------------------|------------------------------------------------------------------|
| FTSE 100 Index Option (European-Style) | 50 or 100 index point intervals, at 25 and/or 75 point levels |
| All other Index Option Contracts | 25, 50 or 100 point intervals, at 25, 50 and/or 100 point levels |
- (b) For Financial Option Contracts the exercise prices of each series is fixed as follows:
- | | |
|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| Short Term Interest Rate (STIR) Options (including Mid-Curve) | 12.5 basis point intervals in the first four quarterly expiry months and all relevant serial months and 25 basis point intervals for all other months |
| Bond Options | 50 basis point intervals |
| Euro Swapnote [®] Options | |
| 2 year | 10 basis point intervals |
| 5 year | 25 basis point intervals |
| 10 year | 50 basis point intervals |
- If the Exchange considers that a new exercise price in respect of a Financial Options Contract is unrepresentative of the current market conditions, he may rule that such new exercise price will not be listed on the business day in question.
- (c) **[Deleted]**
- (d) For Commodity Option Contracts, the exercise price of each series is fixed as follows:
- | | |
|----------------|------------------------------------------------------------------------------------|
| Cocoa | £25 per tonne intervals |
| Robusta Coffee | \$25 per tonne intervals up to \$1,000;
\$50 per tonne intervals above \$1,000. |
| White Sugar | \$10 per tonne intervals |
| Wheat | £1 per tonne intervals |

- Lo.3.4 The Exchange may permit the introduction of additional series for the commencement of trading in new Index Option Contracts. On occasions other than the commencement of trading in a new Index Option Contract, new series will be introduced on a particular business day for an Index Option Contract where the index value of the underlying index at any time during the previous business day:
- (a) exceeded the second highest exercise price of any existing series; or
 - (b) fell below the second lowest exercise price of any existing series.
- Lo.3.5 If the Exchange considers that a new series should not be introduced, the Exchange may rule that a new series shall not be listed on the business day in question.
- Lo.3.6 The Exchange, taking account of such factors as appear to be relevant (for example, a period of high volatility in one or more expiry months of the Index Option Contract in question), may determine that new series in excess of the number which would be indicated by the criteria contained in section Lo.3.4 shall be listed on the next business day.