

LONDON NOTICE No. 3055

ISSUE DATE: 4 July 2008
EFFECTIVE DATE: 7 July 2008

AMENDMENTS TO THE TRADING PROCEDURES IN RESPECT OF ASSET ALLOCATION TRADES

Executive Summary

This Notice informs Members of amendments to the Liffe Trading Procedures in respect of the Asset Allocation Facility.

1. London Circular No. 05/30, issued on 4 November 2005, informed Members of provisions for the electronic submission of asset allocations following the introduction of LIFFE CONNECT[®] Release 9.0. Specifically, it noted that revised arrangements would be introduced which would enable a Member with an asset allocation order to procure the matching side for his order from two different counterparties who themselves wished to trade the component (outright) matching legs of the asset allocation. Furthermore, it noted that the revised arrangements would allow for two of the counterparties to such an asset allocation to submit component parts of the trade.
2. This Notice informs Members that with effect from Monday 7 July 2008, a Member with an asset allocation order must procure the matching side for his order from a single counterparty. In addition, the asset allocation executing Member will be required to report both sides of the trade.
3. For a transitional period between 7 July 2008 and 3 October 2008 inclusive, asset allocations may be submitted to the Exchange either electronically, using the ExPit functionality within LIFFE CONNECT[®], or via fax or e-mail. Members are advised that with effect from Monday 6 October 2008, asset allocations will only be accepted electronically via the LIFFE CONNECT[®] ExPit functionality. The manual submission facility, via fax or e-mail, will no longer be available on and from that date.
4. Trading Procedure 4.3, as amended, forms Attachment 1 to this Notice. The asset allocation registration slip forms Attachment 2 to this Notice and is available on the Liffe website at <http://www.euronext.com/fic/000/035/246/352469.pdf>. Asset allocations are permitted in designated combinations of futures contracts available for trading on the London market. Details can be found in Annexe Three of the Liffe Trading Procedures, available on the Liffe web site at www.nyx.com/liffe.

For further information in relation to this Notice, Members should contact their Account Manager or the following:

Fixed Income Derivatives +44 (0)20 7379 2222 stirs@liffe.com

Web site: www.euronext.com/derivatives

The Euronext Derivatives Markets ("Liffe") comprise 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. Euronext is part of the NYSE Euronext group.

Revised Section 4.3 of the Liffe Trading Procedures

4.3 Asset Allocations

- 4.3.1 Liffe provides an Asset Allocation Facility which allows Members to organise and execute, subject to this Trading Procedure 4.3, Transactions involving a specified combination of two Exchange Contracts in an appropriate ratio. For the purposes of these Trading Procedures such Transactions are called “asset allocations”.
- 4.3.2 Any Member is permitted to arrange asset allocations, subject only to the Member having in place arrangements for the execution of the individual legs of the asset allocation via a Member holding a relevant trading right (“the asset allocation executing Member”) to trade the asset allocation Exchange Contracts.
- 4.3.3 An asset allocation may be organised only during the trading hours of the Futures Contracts concerned, as published by the Relevant Euronext Market Undertaking** from time to time by Notice.
- 4.3.4 Asset allocations may be transacted only in Exchange Contracts which have been designated by the Relevant Euronext Market Undertaking** for that purpose. Such designations are published, from time to time by Notice and are detailed in Annexe One. Asset allocations are not permitted in respect of a delivery month of a designated contract which has never traded. The Asset Allocation Facility can be used in respect of a delivery month for a Futures Contract on any Trading Day up to and including the business day preceding the Last Trading Day of that delivery month.
- 4.3.5 The asset allocation executing Member is responsible for assigning the price of the individual legs of an asset allocation. For the individual legs to be authorised, the prices must be at the level trading on LIFFE CONNECT® at the time the asset allocation is submitted for execution, as specified in Trading Procedure 4.3.9, or within the high/low traded price that occurred on LIFFE CONNECT® in the preceding thirty minutes. In the event that no trade has occurred in the relevant delivery month on that day at the time the asset allocation is submitted for execution or in the preceding thirty minutes, the price of the individual legs of the asset allocation must be at or within the high/low traded price calculated by an Exchange maintained algorithm.
- 4.3.6 The hedge ratio considered acceptable will be either:
- (a) for contracts of the same duration or asset class (e.g. FTSE 100 Index futures versus FTSE Eurotop 100 Index futures) or where no duration bias applies (e.g. Long Gilt futures versus FTSE 100 Index futures): nominal value for nominal value (currency converted if applicable); or
 - (b) for contracts of different duration along the same (e.g. Short Sterling futures versus Long Gilt futures) or different (e.g. Euro (EURIBOR) futures versus Long Gilt futures) yield curve: a method based upon the ratio of the basis point values of shifts in the yield curve of, respectively, the relevant futures legs.
- 4.3.7 After an asset allocation has been organised, the asset allocation executing Member (or where the asset allocation has been organised between two Members, the Member agreed by mutual consent), must submit the asset allocation details via LIFFE CONNECT® or fax/e-mail the asset allocation registration slip, as specified in Trading Procedures 4.3.8 – 4.3.9A, or must procure that the individual legs of the asset allocation are so executed by another appropriately authorised Member.

4.3.8 In respect of each asset allocation to be submitted by fax/e-mail, the following details must be recorded on an asset allocation registration slip by the asset allocation executing Member:

- (a) time of order receipt;
- (b) time of organisation;
- (c) executing Member mnemonic and ITM;
- (d) each Futures Contract in which the asset allocation is being transacted;
- (e) delivery month(s) of the Futures Contracts;
- (f) agreed futures prices;
- (g) number of lots of each Futures Contract;
- (h) name and signature of individual presenting the trade;
- (i) time-stamp (at point of completion of the asset allocation registration slip); and
- (j) fax number of asset allocation executing Member.

4.3.8A In respect of each asset allocation to be submitted via LIFFE CONNECT[®] the Member accepting the asset allocation order must record the order details prescribed by (a) to (i) below, on an order slip. Where a Member employs an electronic system for order routing, such details must be recorded electronically:

- (a) time of order receipt;
- (b) time of organisation;
- (c) executing Member mnemonic;
- (d) each Futures Contract in which the asset allocation is being transacted;
- (e) delivery month(s) of the Futures Contracts;
- (f) agreed futures prices;
- (g) number of lots of each Futures Contract;
- (h) name and signature of individual presenting the trade; and
- (i) time-stamp on execution.

4.3.8B All information required to be retained by the asset allocation executing Member, pursuant to Trading Procedures 4.3.8 and 4.3.8A, must be retained by the Member for five years.

4.3.9 The asset allocation details set out in Trading Procedure 4.3.8 (c) – (j), or Trading Procedure 4.3.8A (c) – (h), as applicable, must be submitted to the Relevant Market Undertaking** as soon as practicable. In any event, details of the asset allocation must be submitted by the asset allocation Executing Member within fifteen minutes of the time at which the asset allocation was organised. Members must not delay submission of an asset allocation. No asset allocation can be submitted for execution later than five

minutes prior to the close of trading of the Futures Contracts concerned. In the case of contracts with different closing times, no asset allocation can be submitted for execution later than five minutes prior to the earliest close of trading of the contracts concerned. The Relevant Euronext Market Undertaking** will check the validity of the asset allocation details submitted. If the Relevant Euronext Market Undertaking** is satisfied that all such details are valid, it will authorise execution of the asset allocation.

4.3.9A In respect of asset allocations which are submitted manually, the asset allocation details must be faxed or e-mailed to Market Services (contact details contained in Annexe Four to these Trading Procedures) by the asset allocation executing Member. When the asset allocation is deemed executed, the Relevant Euronext Market Undertaking** will add the following information to the asset allocation registration slip:

- (a) time-stamp (at point of execution);
- (b) signature of individual authorising the trade; and
- (c) asset allocation identifier (unique alpha numeric code given to the trade by the Relevant Euronext Market Undertaking**).

4.3.10 **[Deleted]**

4.3.11 If a Member intends to submit asset allocation slips via e-mail, the e-mail address to be used by the Member for that purpose must be lodged with the Relevant Euronext Market Undertaking** in advance of using such e-mail address for asset allocation submission. Such notifications must be sent to the mail address detailed in Annexe Four to these Trading Procedures.

4.3.12 The Relevant Euronext Market Undertaking** will retain the authorised asset allocation registration slip and will return by fax/e-mail a copy of the authorised asset allocation registration slip to the asset allocation executing Member.

4.3.13 Authorisation of a Transaction does not preclude the Relevant Euronext Market Undertaking** from instigating disciplinary proceedings in the event that the Transaction is subsequently found to have been made other than in compliance with the Rules and Trading Procedures.

4.3.14 The following information with respect to the individual legs of the asset allocation will be published on LIFFE CONNECT®:

- (a) Futures Contracts and delivery month(s);
- (b) futures prices; and
- (c) volume of futures traded.

In addition, these details will be distributed to Quote Vendors, marked with the trade type indicator “J”.

For each Exchange Contract, the cumulative volume of futures traded as asset allocations/basis trades during the day will also be published.

4.3.15 Both the long and short positions associated with the individual legs of the asset allocation will be entered to Trade Registration and matched under the asset allocation executing Member’s mnemonic.

4.3.16 Upon request by the Relevant Euronext Market Undertaking** the asset allocation executing Member must produce satisfactory evidence that the asset allocation has been organised in accordance with the Rules and Trading Procedures. Asset allocation executing Members must, therefore, be in a position to supply documentary evidence in connection with an asset allocation.

ASSET ALLOCATION REGISTRATION SLIP

Slip can be e-mailed to Liffe Market Services at ELMSFinancials@liffe.com

OR faxed to Liffe Market Services on +44 (0)20 7329 3977

Executing Member mnemonic	
Individual Trading Mnemonic	
FIRST FUTURES ELEMENT (LEG 1)	
Contract Code	
Delivery Month	
Futures Price	
Number of lots	
SECOND FUTURES ELEMENT (LEG 2)	
Contract Code	
Delivery Month	
Futures Price	
Number of lots	
Individual presenting asset allocation trade Name:	
Signature:	
Fax number of asset allocation trade executing member	
Telephone number of asset allocation trade executing member	
TO BE COMPLETED BY AN EXCHANGE OFFICIAL	
Asset Allocation Trade Identifier	
Trade Authorisation - Signature	
Time Stamp	Copies of this must be held as follows: 1 - Retained by Exchange 1 - Retained by Executing Member 1 - Passed to Clearing Member of Executing Member