

## **LONDON NOTICE No. 2991**

ISSUE DATE: 18 January 2008  
EFFECTIVE DATE 18 February 2008

**OPTION CONTRACT ON EQUITY RELATED SECURITIES  
(INCLUDING COMPANY SHARES AND EXCHANGE TRADED FUND SHARES)  
(EXCHANGE CONTRACT NO. 201)**

**OPTION CONTRACT ON EQUITY RELATED SECURITIES  
(INCLUDING COMPANY SHARES, DEPOSITARY RECEIPTS AND EXCHANGE TRADED  
FUND SHARES) (EXCHANGE CONTRACT NO. 201F)**

**EQUITY RELATED SECURITIES CONTRACT  
(INCLUDING COMPANY SHARES, DEPOSITARY RECEIPTS AND EXCHANGE TRADED  
FUND SHARES) (EXCHANGE CONTRACT NO. 211)**

**INTRODUCTION OF STANDARD AND FLEXIBLE INDIVIDUAL EQUITY OPTION  
CONTRACTS BASED ON EXCHANGE TRADED FUND SHARES**

**REMOVAL OF CERTAIN CONTRACT TERMS IN RELATION TO CHANGES TO THE  
LAST TRADING DAY AND EXPIRY DAY OF INDIVIDUAL EQUITY OPTION  
CONTRACTS**

### **Executive Summary**

This Notice informs Members of: (a) the introduction of standard and flexible Individual Equity Option Contracts on Exchange Traded Fund shares ("ETF shares"); and (b) the removal of an inconsistency in Contract Terms relating to changes to the Last Trading Day and Expiry Day of an option.

#### **1. Introduction**

1.1 On and from 18 February 2008, the Exchange will make available, via the Liffe Central Order Book of the London market and Bclear, standard and flexible Individual Equity Option Contracts based on ETF shares.

#### **2. Details of Option Contracts to be made available through LIFFE CONNECT®**

2.1 On and from 18 February 2008, Equity Option and Equity Related Securities Contracts will be made available for trading in the Liffe Central Order Book of the London market (and also via the Block Trade Facility in the case of the Equity Option Contract) under the terms of Exchange Contracts No. 201 and No. 211, respectively, on the following ETF shares:

Web site: [www.euronext.com/derivatives](http://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.

<b>TRS Code</b>	<b>Underlying Share</b>	<b>ISIN Code</b>	<b>Underlying Stock Exchange</b>
IFT	iShares FTSE 100 Exchange Traded Fund	IE0005042456	London Stock Exchange

2.2 The summary contract specification of the standard Individual Equity Option Contracts based on ETF shares can be found in Attachment 1 to this Notice. An updated list of Equity Related Securities in respect of Exchange Contracts No. 201 and No. 211 will be made available on the Liffe website ([www.nyseuronext.com](http://www.nyseuronext.com)) in due course.

2.3 The new standard Individual Equity Option Contracts on ETF shares shall be included in the Exchange's Block Trade Facility with effect from 18 February 2008. The Block Trade minimum volume threshold for the new standard Individual Equity Option Contracts on ETF shares shall be:

<b>Equity Option Contract</b>	<b>Block Trade minimum volume threshold</b>
IFT	500 lots

2.4 Members are advised that, in addition to the listing of the IFT option on the London market, the ISX option, whose underlying is the Euronext Amsterdam listed iShares DJ Euro Stoxx 50 ETF, will be listed on the Amsterdam market on Monday 18 February 2008. Full details are available in Amsterdam Notice No. 08-002.

### **3. Details of Contracts to be made available through Bclear**

3.1 On and from 18 February 2008, the following contracts shall be made available through Bclear:

- (a) standard Individual Equity Option Contracts on ETF shares under the terms of Exchange Contract No. 201 (please see Attachment 1 of this Notice which provides details of the summary contract specification);
- (b) flexible Individual Equity Option Contracts on ETF shares, under the terms of Exchange Contract No. 201F, on the securities set out in Attachment 2 of this Notice; and
- (c) Equity Related Securities Contracts, under the terms of Exchange Contract No. 211, for the purposes of Stock Contingent Trades.

3.2 The underlying ETF shares on which IFT and ISX Option Contracts will be made available on the London and Amsterdam Central Order Books, respectively, will be

- (a) iShares FTSE 100 Exchange Traded Fund shares which are sterling denominated; and
- (b) iShares DJ Euro Stoxx 50 Exchange Traded Fund shares which are euro denominated;

and there are flexible Bclear products based on the same ETF shares.

3.3 Updated full legal Contract Specifications, in respect of each of Exchange Contracts No. 201, No. 201F and No. 211, will be made available in the London Market Handbook on the Liffe website ([www.nyseuronext.com/londonhandbook](http://www.nyseuronext.com/londonhandbook)).

### **4. Minimum volume requirements on Bclear**

4.1 Where Individual Equity Option Contracts based on ETF shares which are confirmed via Bclear have the same economic characteristics as those available for trading through the Liffe Central Order Book of the London market, the minimum volume requirement for such

contracts will be 250 lots. For all other Individual Equity Option Contracts based on ETF shares, there will be no Bclear minimum volume requirement.

## **5. Business days and hours**

- 5.1 Transactions will be capable of being reported via Bclear and the Liffe Central Order Book of the London market on those market days on which the Relevant Stock Exchange is open for business. A list of market days for 2008 on which transactions, in the standard and flexible Individual Equity Option Contracts based on ETF shares, will **not** be capable of being reported via Bclear and the Liffe Central Order Book of the London market forms Attachment 3 to this Notice.
- 5.2 Members may report transactions in the standard and flexible Individual Equity Option Contracts based on ETF shares to the Exchange via Bclear between 08:00 and 17:00 hours (London time) unless otherwise specified. In respect of a contract on its Last Trading Day, reporting hours will end at the time trading ceases in such contract, as set out in the relevant Contract Specification and in Attachment 2.
- 5.3 Members may trade the standard Individual Equity Option Contracts based on ETF shares in the Liffe Central Order Book of the London market between 08:00 and 16:30 hours (London time) unless otherwise specified. In respect of a contract on its Last Trading Day, trading will end at 16:30 hours (London time).

## **6. Fees**

- 6.1 Exchange transaction fees and LCH.Clearnet Ltd fees will be the same as those for options based on UK shares, as set out in Attachment 4 to this Notice.
- 6.2 Fees for trades reported via Bclear will be charged on a per lot, per side basis, subject to a fee cap per transaction. For trades with multiple legs, each leg will be charged separately, up to the fee cap (i.e. for these purposes, each leg is treated as a separate transaction). Details of all Bclear fees, including LCH.Clearnet Ltd fees (specifically, clearing and cash settlement fees), applicable to the standard and flexible Individual Equity Option Contracts based on ETF shares confirmed through Bclear can be found in Attachment 4 to this Notice.

## **7. Market-Making**

- 7.1 All Members are eligible to apply for Primary Market Maker Status in IFT options. Applicants should complete the Application Form, available from Niall Haughian at Liffe, and submit it by e-mail to [niall.haughian@liffe.com](mailto:niall.haughian@liffe.com) no later than by the close of business on 11 February 2008.
- 7.2 Members are reminded that the appointment of each Primary Market Maker will be subject to a binding contract (“the Agreement”) between the successful applicant and Liffe. A completed application form does not constitute an Agreement. Furthermore, a successful applicant’s market-maker status, and therefore the period for which the market-maker may receive financial benefits, may not be deemed to have commenced until the Agreement is completed and signed by all parties.

## **8. U.S. Regulatory Position**

- 8.1 Members should note that U.S. persons are not permitted to engage in standard and flexible Individual Equity Option Contracts based on ETF shares through Bclear pending approval by the relevant U.S. regulatory authorities. The Exchange will advise members in due course if and when such approval is granted.

## **9. Statement in relation to EDSP Price Formation**

- 9.1 Members' attention is drawn to the following statement, which is contained in term 30 of Exchange Contract No. 201F. Members should ensure that their clients are made aware of the statement:

“Statement in relation to EDSP Price Formation

Potential users of the cash-settled Option Contracts on Equity Related Securities made available on The London International Financial Futures and Options Exchange should familiarise themselves with the relevant contract terms of the cash-settled Option Contracts on Equity Related Securities.

Price formation leading to the EDSP for the cash-settled Option Contracts on Equity Related Securities is subject to similar influences to those in the case of many other cash-settled contracts. Trading activity on the relevant stock market during the EDSP period is likely to be affected by the activity of particular market participants who are seeking to obtain price convergence at the EDSP between offsetting security and derivatives positions. Such participants might typically seek to achieve this by unwinding their securities positions during the EDSP period at prices which will, in turn, be used to determine the final EDSP. A consequence of this concentrated activity might be that the final EDSP differs from the security's price immediately prior to the commencement of the EDSP period and, if relevant, from the security's price immediately following that period.

Potential users should, therefore, consider the risks of holding positions into the expiry of the cash-settled Option Contracts on Equity Related Securities. In particular, they should consider their exposure to potentially unfavourable price movements in the expiry and whether to take steps to neutralise such exposure; for example, taking into account that there may be relatively limited liquidity provision, whether to “roll” or close positions prior to expiry.”

## **10. Removal of Contract Terms from Exchange Contract No. 201**

- 10.1 London Notice No. 2982, issued on Friday 21 December 2007, reminded members that options shall not be capable of being exercised on days on which such options are not available for trading/reporting. Having reviewed the updated Exchange Contract No. 201 to accommodate the introduction of Options on Exchange Traded Funds, an inconsistency with this practice has been found in Contract Terms 10.03a and 10.03b. These Terms have therefore now been removed.

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

Equity Product Management

+44 (0)20 7379 2200

equities@liffe.com

**Standard Individual Equity Option Contracts on ETF shares**  
**Summary Contract Specification**

<b>Contract Code</b>	IFT
<b>Underlying</b>	iShares FTSE 100 Exchange Traded Fund
<b>Underlying Exchange</b>	London Stock Exchange
<b>ISIN Code of Underlying</b>	IE0005042456
<b>Contract Size</b>	1000
<b>Expiry Months</b>	Three nearest expiry months from the March, June, September and December cycle
<b>Quotation</b>	Pence per share
<b>Trading Tick Size</b>	0.25
<b>Trading Tick Value</b>	£2.50
<b>EDSP Tick Size</b>	0.25
<b>Last Trading Day</b>	Third Friday in expiry month. In the event of the third Friday not being a business day, the Last Trading Day shall normally be the last business day preceding the third Friday
<b>Contract Standard</b>	Physical delivery. Delivery will be 1000 iShares FTSE 100 ETF shares
<b>Trading Hours</b>	08:00 – 16:30 (London time)
<b>Time trading ceases on LTD</b>	16:30 (London time)
<b>Liffe market</b>	London: LIFFE CONNECT®
<b>Clearing</b>	LCH.Clearnet Ltd

**ADDITIONS TO THE LIST OF CONTRACT DETAILS IN RESPECT OF EXCHANGE CONTRACT NO 201F  
OPTION CONTRACT ON EQUITY RELATED SECURITIES  
(INCLUDING COMPANY SHARES, DEPOSITARY RECEIPTS AND EXCHANGE TRADED FUND SHARES)**

\* A business day in the context of the settlement period (i.e T+4) is described as a day on which a particular security can be settled in CREST or Euroclear, irrespective of a currency holiday in the local market  
 AMR American Style Exercise  
 EUR European Style Exercise  
 CSH Cash Settled contracts  
 PHY Physical Delivery contracts  
 All times are London times

**RELEVANT STOCK EXCHANGE: LONDON STOCK EXCHANGE**

Underlying	ISIN Code	TRS Code				Underlying Currency	Relevant Currency	Minimum Price Fluctuation	Minimum EDSP Price Increment	Lot Size (number of shares)	Last trading day	Time trading ceases on the Last Trading Day	Reference Day	Daily Reference Price	Expiry Reference Price	Settlement Day*			
		AMR/CSH	AMR/PHY	EUR/CSH	EUR/PHY											AMR/CSH	AMR/PHY	EUR/CSH	EUR/PHY
iShares FTSE 100 Exchange Traded Fund	IE0005042456	IFW	IFO	IFB	IFV	GBX	GBX	0.01	0.01	1000	Expiry Day	16:30	Expiry Day	Official Closing Price	Official Closing Price	Market day immediately following the Reference Day	Fourth Business Day after Expiry Day	Market day immediately following the Reference Day	Fourth Business Day after Expiry Day

**RELEVANT STOCK EXCHANGE: EURONEXT AMSTERDAM**

Underlying	ISIN Code	TRS Code				Underlying Currency	Relevant Currency	Minimum Price Fluctuation	Minimum EDSP Price Increment	Lot Size (number of shares)	Last trading day	Time trading ceases on the Last Trading Day	Reference Day	Daily Reference Price	Expiry Reference Price	Settlement Day*			
		AMR/CSH	AMR/PHY	EUR/CSH	EUR/PHY											AMR/CSH	AMR/PHY	EUR/CSH	EUR/PHY
iShares DJ Euro STOXX 50 Exchange Traded Fund	IE0008471009	IEW	IEO	IEB	IEV	EUR	EUR	0.0001	0.0001	100	Expiry Day	16:30	Expiry Day	Official Closing Price	Official Closing Price	Market day immediately following the Reference Day	Fourth Business Day after Expiry Day	Market day immediately following the Reference Day	Fourth Business Day after Expiry Day

**Trading of standard and flexible Individual Equity Option Contracts on ETF shares in 2008**

Standard and flexible Individual Equity Option Contracts based on ETF shares will not be available for trading/reporting on the following days in 2008:

<b>Relevant Stock Exchange</b>	<b>Dates unavailable for trading</b>
Euronext Amsterdam	21, 24 March 1 May 25, 26 December
London Stock Exchange	21, 24 March 5, 26 May 25 August 25, 26 December

**Fees (per side, per lot) applicable to standard and flexible Individual Equity Option Contracts based on ETF shares**

**Standard Individual Equity Option Contracts based on ETF shares traded in the Liffe Central Order Book of the London market:**

Exchange fee	Clearing fee	Exercise / Assignment fee
£0.37	£0.03	£0.20

**Individual Equity Option Contracts based on sterling denominated ETF shares reported via Bclear:**

Exchange fee	Clearing fee	Exercise / Assignment fee	Cap					
			Proprietary Business			Client Business		
			Exchange fee	Clearing fee	Exercise / Assignment fee	Exchange fee	Clearing fee	Exercise / Assignment fee
£0.25	£0.03	£0.20	£600	£150	£750	£1,200	£300	£1,500

**Individual Equity Option Contracts based on euro denominated ETF shares reported via Bclear:**

Exchange fee	Clearing fee	Exercise / Assignment fee	Cap					
			Proprietary Business			Client Business		
			Exchange fee	Clearing fee	Exercise / Assignment fee	Exchange fee	Clearing fee	Exercise / Assignment fee
€0.15	€0.05	€0.20	€800	€200	€1,000	€1,600	€400	€2,000