

LONDON NOTICE No. 3028

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Liffe TRADING PROCEDURES

EXTENSION TO THE LIST OF ELIGIBLE CASH LEGS IN RESPECT OF BASIS TRADES

Executive Summary

This Notice informs Members of changes to the Liffe Trading Procedures to extend the list of eligible “cash” legs in respect of basis trades.

1. Members will be aware that under the current Liffe Trading Procedures they are able to execute Basis Trades in Liffe Short Term Interest Rate (“STIR”) Futures Contracts and Euro Swapnote[®] Futures Contracts using specified non-Liffe exchange traded futures contracts as the eligible “cash” leg. Currently, non-Liffe German government bond futures are permitted as the “cash” leg in Liffe EURIBOR Futures and Euro Swapnote[®] Futures Basis Trades and non-Liffe Eurodollar futures may be used as the “cash” leg in a Basis Trade involving any Liffe STIR Futures Contract.
2. This Notice informs Members that the Exchange proposes to extend these arrangements to include all non-Liffe exchange traded interest rate or bond futures contracts in the list of eligible “cash” legs for Liffe STIR Futures and Euro Swapnote[®] Futures Basis Trades. The change will offer customers greater flexibility in the Basis Trading Facility and will provide a mechanism for managing the execution risk associated with legging two transactions on different exchanges.
3. The necessary amendments to the Liffe Trading Procedures are set out in the Attachment to this Notice. They will be included in the London Market Handbook in due course and will be made available on the Liffe website at www.nyx.com/liffe.

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

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.

Amendments to Section 4.2 of the Liffe Trading Procedures

(Additions are underlined, deletions are ~~struckthrough~~)

4.2.14A Where a basis trade involves a Euro Swapnote[®] Futures or Liffe short term interest rate futures contract ~~Three Month Euro (EURIBOR) Interest Rate Futures Contract~~ against a non-Liffe exchange traded short term interest rate or German government bond futures contract, the following details must be submitted via LIFFE CONNECT[®] by the basis trade executing Member:

- (a) Liffe Futures Contract in which the BTF is being transacted;
- (b) delivery month(s);
- (c) agreed Liffe Futures Contract price(s);
- (d) number of Futures Contracts;
- (e) a unique identifier/reference number for the non-Liffe exchange traded ~~German government~~ short term interest rate or bond futures transaction;

In addition, the basis trade executing Member must retain, in an easily accessible form that can be audited by the Relevant Euronext Market Undertaking**, documentary evidence of the following information:

- (f) the exchange on which the ~~German government~~ non-Liffe short term interest rate or bond futures contract was executed;
- (g) the type of ~~German government~~ bond futures contract executed;
- (h) the delivery month of the ~~German government~~ bond futures contract;
- (i) the price (including currency) and number of lots of the ~~German government~~ bond futures contract; and
- (j) where applicable, the identity and the conversion factor of the cheapest-to-deliver bond in respect of ~~the German government~~ bond futures contract.

All information required to be retained by the basis trade executing Member, pursuant to this Trading Procedure 4.2.14A, must be retained by the Member for five years. If the basis trade executing Member is not directly responsible for the execution of the cash leg of the basis trade, he must have appropriate arrangements in place with the party organising/executing that leg such that the information in (f) - (j) above can be provided promptly to the Relevant Euronext Market Undertaking**.

4.2.14B ~~Where a basis trade involves one or more delivery month(s) of a short term interest rate futures contract against non-Liffe exchange traded Eurodollar futures contracts, the following details must be submitted via LIFFE CONNECT[®] by the basis trade executing Member:~~

- ~~(a) Liffe Futures Contract(s) in which the BTF is being transacted;~~

- ~~(b) — delivery month(s);~~
- ~~(c) — agreed futures price(s);~~
- ~~(d) — number of Futures Contracts;~~
- ~~(e) — a unique identifier/reference number for the non-Liffe exchange traded Eurodollar futures transaction.~~

~~In addition, the basis trade executing Member must retain, in an easily accessible form that can be audited by the Relevant Euronext Market Undertaking**, documentary evidence of the following information:~~

- ~~(f) — the exchange on which the non Liffe exchange traded Eurodollar futures contract was executed;~~
- ~~(g) — the delivery month(s) of the non Liffe Eurodollar futures contract;~~
- ~~(h) — the price(s) of the non Liffe Eurodollar futures contract; and~~
- ~~(i) — the number of lots of the non Liffe Eurodollar futures contract.~~

~~All information required to be retained by the basis trade executing Member, pursuant to this Trading Procedure 4.2.14B, must be retained by the Member for five years. If the basis trade executing Member is not directly responsible for the execution of the cash leg of the basis trade, he must have appropriate arrangements in place with the party organising/executing that leg such that the information in (f) — (i) above can be provided promptly to the Relevant Euronext Market Undertaking**.~~