EURONEXT DERIVATIVES MARKETS

LONDON NOTICE No. 2990

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INTRODUCTION OF NEW SERIES IN BCLEAR CONTRACTS BASED ON STOCKS IN RESPECT OF WHICH THERE IS A CASH OFFER

Executive Summary

This Notice informs Members of a change in policy in relation to series introduction for Bclear contracts based on stocks in respect of which there is a cash offer (or an offer which consists of 67% or more in cash).

1. Background

1.1 This Notice informs Members of a change in policy in relation to series introduction for Bclear contracts based on stocks in respect of which there is a cash offer (or an offer which consists of 67% or more in cash). In circumstances where there is such an offer, implied volatilities are calculated for all existing Bclear contracts and, after the publication of these implied volatilities, no new Bclear series can be introduced. This policy is now being updated to allow the introduction of new series for Bclear contracts following such an offer. The introduction of any new series based on stocks in respect of which there is a cash offer will continue to be subject to the approval of Exchange officials.

2. Bclear

2.1 Following the introduction of new series in a Bclear contract, the implied volatility will be based on the volatility of the series in existence in the Central Order Book or it will be determined as described below (where the volatility of series available in the Central Order Book will also be used). Only new series that have an expiry date that is a third Friday will be allowed. These new series will not necessarily be introduced in the Central Order Book.

2.2 New series higher than the highest existing series or lower than the lowest existing series in the same expiry month

2.2.1 The implied volatility of the highest existing series in that expiry month will be used for all new higher series to be introduced in that expiry month. Similarly, the implied volatility for the lowest existing series in that expiry month will be used for all new lower series in that expiry month.

2.3 New series in between existing series

2.3.1 The implied volatility for such new series will be calculated by interpolation of the implied volatilities of the existing series in that expiry month.

2.4 New series with expiry dates in between existing expiry months

2.4.1 The implied volatility for new series with expiry dates in between existing expiry months will be calculated by interpolation of the implied volatility of the relevant series in the existing expiry months. If, for a certain series, only one expiry month is available, then the implied volatility will be calculated by interpolation of the two nearest series.

2.5 New series with an expiry date longer than the longest expiry month

2.5.1 Generally, new series with an expiry date longer than the longest expiry month will only be introduced if the offer period exceeds the latest expiry month. Where a series with a longer dated expiry date is introduced then the implied volatilities of series of the last available expiry month will be used to calculate the implied volatility.

2.6 New series with an expiry date nearer than the nearest expiry month

2.6.1 The implied volatility of the relevant series in the first existing month of that contract will be taken as the implied volatility for new series with an expiry date nearer than the nearest expiry month. If the specific series is not available in the first existing month, the implied volatility will be calculated using the methodology set out in Section 2.2 or 2.3 above.

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

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