

LONDON NOTICE No. 3077

ISSUE DATE: 2 October 2008
EFFECTIVE: 6 October 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 Notice No. 3055, issued on 4 July 2008, informed Members of amendments to the Trading Procedures in respect of the Asset Allocation Facility. Specifically, it noted that for a transitional period between 7 July 2008 and 3 October 2008 inclusive, asset allocations could be submitted to the Exchange either electronically, using the ExPit functionality within LIFFE CONNECT[®], or via fax or e-mail, but that with effect from Monday 6 October 2008, asset allocations would only be accepted electronically via the LIFFE CONNECT[®] ExPit functionality.
2. This Notice confirms to Members that, with effect from Monday 6 October 2008, the manual submission facility, via fax or e-mail, will no longer be available for reporting asset allocations.
3. This Notice also informs Members that the Asset Allocation Facility, which currently allows customers to take positions or transfer exposure between specified combinations of two futures contracts, will be extended to include Short-Term Interest Rate (“STIR”) Options Contracts. The Asset Allocation Facility may be used to trade STIR Options against other STIR Options on and from 6 October 2008.
4. Asset allocations executed in STIR Options will only be accepted electronically via the LIFFE CONNECT[®] ExPit functionality.
5. Trading Procedure 4.3, as amended, forms the Attachment to this Notice. Details of the designated combinations of futures contracts and of options contracts which can be traded using the Asset Allocation Facility can be found in Annexe Three of the Liffe Trading Procedures which is 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

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Web site: www.nyx.com/liffe

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.

Amended 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 or Options 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 or an expiry 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, or an expiry month for an Options Contract, on any Trading Day up to and including the business day preceding the Last Trading Day of that delivery month or expiry 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 4.3.8A, 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 or expiry 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[®], as specified in Trading Procedures 4.3.8A – 4.3.9, or must procure that the individual legs of the asset allocation are so executed by another appropriately authorised Member.
- 4.3.8 **[Deleted]**
- 4.3.8A In respect of each asset allocation submitted, the Member accepting the asset allocation order must record the order details prescribed by (a) to (j) 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 Contract in which the asset allocation is being transacted;
 - (e) delivery month(s) of the Futures Contracts or expiry month(s) of the Options Contracts;
 - (f) agreed futures prices or options premia;
 - (g) number of lots of each Futures or Options Contract;
 - (h) put / call indicators and the exercise price of the Options Contracts (if applicable);
 - (i) name and signature of individual presenting the trade; and
 - (j) time-stamp on execution.
- 4.3.8B All information required to be retained by the asset allocation executing Member, pursuant to Trading Procedure 4.3.8A, must be retained by the Member for five years.
- 4.3.9 The asset allocation details set out in Trading Procedure 4.3.8A (c) – (h), 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 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 **[Deleted]**

4.3.10 **[Deleted]**

4.3.11 **[Deleted]**

4.3.12 **[Deleted]**

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) or Options Contracts and expiry month(s);
- (b) futures prices or option premia; and
- (c) volume of futures or options 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 and options 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.