

LONDON NOTICE No. 3033

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ONE MONTH EONIA AND SONIA INDEXED FUTURES CONTRACTS THREE MONTH EONIA SWAP INDEX FUTURES CONTRACT

LIQUIDITY PROVIDER SCHEME

Executive Summary

This Notice informs Members of a Liquidity Provider Scheme to be introduced in the new One Month EONIA and SONIA Indexed Contracts and the Three Month EONIA Swap Index Contract and details the application process.

1. Introduction

- 1.1 London Notice No. 3031, issued on 14 May 2008, informed Members of the launch of the following new and amended Contracts (the “Contracts”):
 - (a) an amended One Month Euro OverNight Index Average (“EONIA”) Indexed Futures Contract (“One Month EONIA Contract”);
 - (b) a new Three Month EONIA Swap Index Futures Contract (“Three Month EONIA Swap Index Contract”); and
 - (c) a new One Month Sterling OverNight Index Average (“SONIA”) Indexed Futures Contract (“One Month SONIA Contract”).
- 1.2 This Notice provides details of a Liquidity Provider (“EONIA/SONIA LP”) Scheme to be introduced in the new Contracts and invites applications for the Scheme.
- 1.3 Members should also refer to London Info-Flash No. 08/04, also issued today, which provides details of a Designated Market Maker (“DMM”) Scheme to be introduced in the Contracts and which invites Members and appropriate clients of Members to apply for DMM status.
- 1.4 The Exchange remains committed to continuing to improve and develop its STIR portfolio and to offering its Members the most efficient and effective market place for the trading of STIR contracts. Members who wish to suggest new ideas and initiatives for the future development of the Exchange’s STIR portfolio should contact Fixed Income Derivatives at Liffe.

2. Overview of the EONIA/SONIA LP Scheme

- 2.1 Those registered on the EONIA/SONIA LP Scheme will benefit from a rebate of Exchange transaction fees on all eligible business transacted in the Contracts such that the net Exchange transaction fee will equate to 10 pence per lot, per side.
- 2.2 The Exchange transaction fee rebate is only available in respect of “Qualifying Business” transacted by individuals registered by the Exchange as EONIA/SONIA LPs.
- 2.3 The LP Scheme will run until the close of business on Wednesday 31 December 2008.

3. Qualifying Business

- 3.1 “Qualifying Business” is business which satisfies the following criteria:
 - (a) executed in the One Month EONIA, One Month SONIA and/or Three Month EONIA Swap Index Futures Contracts;
 - (b) assigned to a person registered by the Exchange as an EONIA/SONIA LP; and
 - (c) proprietary business of the EONIA/SONIA LP and not client business.
- 3.2 In general terms, an EONIA/SONIA LP is an individual who, through his trading activity (involving behaviour such as price improvement and the facilitation of order flow), supports and enhances the liquidity of the Contracts. A typical example of such behaviour is the frequent submission of orders into the LIFFE CONNECT[®] central order book to attract and satisfy customer order flow. Specifically, the Exchange defines an EONIA/SONIA LP as:
 - (a) an individual whose principal activities include trading futures on a discretionary basis for his own account, or for the proprietary account of an employer in which he has an interest; and
 - (b) whose trading activity contributes to price discovery and satisfies the futures order flow of other market participants.
- 3.3 There is no volume threshold requirement in relation to the EONIA/SONIA LP Scheme. Individuals can simply register with the Exchange and, if accepted, will benefit from the reduction in Exchange transaction fees in relation to Qualifying Business.

4. Application Process

- 4.1 EONIA/SONIA LP application forms will be available from the Liffe website at www.nyx.com/eonia and from Account Managers. Those wishing to apply for LP status should complete the forms and submit them to their Account Manager. The Exchange’s decision as to whether applications should be approved for LP status shall be final and binding.
- 4.2 Scheme Terms and Conditions are attached to all application forms. The Exchange advises every applicant to ensure that they have read and understood those Terms and Conditions as the Terms and Conditions and applicable Notices govern participation in the Scheme.
- 4.3 Ultimately, it is the responsibility of the applicant to ensure that all information included on the application form is complete and correct. Incorrect information will affect and

possibly lengthen the application process and could affect the payment of Exchange transaction fee rebates.

- 4.4 With the exception of May and June 2008, applications submitted near to the end of a month may not be approved until the next calendar month. Hence, Qualifying Business may not be deemed to have commenced until the calendar month following such approval.

5. Identification of Qualifying Business

- 5.1 Once an individual has been registered as an EONIA/SONIA LP, his Qualifying Business will be identified through a single unique entry in the User Specified field (a LIFFE CONNECT[®] field which translate into a single Account Reference in the Trade Registration System (“TRS”)) used exclusively by the EONIA/SONIA LP and solely for his activity in that capacity.
- 5.2 It is essential that submitted Account References are accurate as a simple error will result in Qualifying Business not being identified. For example, if Account Reference “ABC1” was submitted as “ABC”, no Qualifying Business would be identified and no transaction fee rebates would be awarded.
- 5.3 Applicants should be aware that after a LIFFE CONNECT[®] trade enters TRS, the Account Reference field can be amended through TRS post trade processing. For example, allocation can be made to a different Account Reference. As such, applicants should ensure that they submit in their application the final Account Reference of their trades for the Exchange to identify Qualifying Business accurately.
- 5.4 The Exchange stresses that any underpayment of transaction fee rebates resulting from inaccurate application/registration details will not be corrected retrospectively by the Exchange.

6. Billing Arrangements

- 6.1 Exchange transaction fees will be billed (as they are currently) to clearing members at the beginning of the next calendar month. The initial bill will be calculated on the basis of 25 pence per lot per side for all delivery months. The Exchange will then apply a reduction of 15 pence per lot per side for all registered EONIA/SONIA LPs and make rebates to clearing members during the following calendar month.

7. Change in LP Details

- 7.1 If a registered EONIA/SONIA LP decides to make changes to the trading and/or clearing arrangements which were detailed in the application, particularly those used by the Exchange to identify Qualifying Business (e.g., clearer, member and Account Reference details), it is the responsibility of the EONIA/SONIA LP to provide the Exchange with formal notification of such amendments in a timely manner, ideally in advance. Failure to do so could result in inaccurate registrations and transaction fee rebates not being received.

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

Fixed Income Derivatives

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