

## **LONDON NOTICE No. 3159**

ISSUE DATE: 8 June 2009  
EFFECTIVE DATE: 27 July 2009

### **NYSE LIFFE CLEARING INTRODUCTION OF NEW CLEARING AGREEMENTS AND AMENDMENTS TO LIFFE RULES**

#### **Executive Summary**

This Notice advises Members of the introduction of new clearing agreements and certain proposed amendments to Book II of the LIFFE Rules, in each case to support the new NYSE Liffe Clearing arrangements which are targeted to come into force on Monday 27 July 2009. Members wishing to comment on the amendments to the Rules, or to seek further clarification thereof, should do so by Friday 26 June 2009.

#### **1. Introduction**

- 1.1 London Notice No. 3158, issued on 26 May 2009, advised Members that LIFFE Administration and Management (“LIFFE”) will replace LCH.Clearnet Ltd (“LCH”) as the Central Counterparty (“CCP”) in respect of LIFFE Contracts from the go-live of the proposed NYSE Liffe Clearing arrangements. Following this, LIFFE will outsource, amongst other things, the existing clearing guarantee arrangements and related risk functions to LCH, which will remain responsible (as today) for the positions of a defaulting Clearing Member and for applying its rules and resources to manage the impact of any such default. The termination of the existing clearing arrangements and commencement of the new arrangements between LIFFE and LCH are targeted for **Monday 27 July 2009** (the “Go-Live Date”), on which date NYSE Liffe Clearing will commence operations.
- 1.2 This Notice provides Members with further information relating to the execution of new Member agreements and notifies Members of the necessary amendments to Book II of the LIFFE Rules to support the introduction of NYSE Liffe Clearing.

#### **2. New Clearing Agreements**

- 2.1 The new NYSE Liffe Clearing arrangements will necessitate the replacement of the existing clearing agreements with the following:
  - (a) **Tripartite Clearing Membership Agreement (“TCMA”)** – this agreement is between a Clearing Member (i.e. an Individual Clearing Member, a General Clearing Member or a Commodity Clearing Member), LIFFE and LCH; and

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The **Euronext Derivatives Markets** 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) **Non Clearing Membership Agreement (“NCMA”)** – this agreement is between a Non-Clearing Member, its General Clearing Member and LIFFE. It should be noted that LCH has agreed, notwithstanding that it is not a signatory to the NCMA, that the existing four party NCMA shall terminate at the Transfer Time (as identified in 2.2 below).
- 2.2 Following signature, these agreements give effect to the new clearing arrangements at 00.05am on the Go-Live Date (the “Transfer Time”) at which point there is a novation of the CCP from LCH to LIFFE.
- 2.3 Under the NYSE Liffe Clearing arrangements, LIFFE will be CCP to all Registered Exchange Contracts executed on the London market of NYSE Liffe following the Go-Live Date. It is LIFFE’s Rules that will govern day-to-day central counterparty operations, e.g. marking to market, netting of positions and so on.
- 2.4 As part of these arrangements, LIFFE has appointed LCH as provider of certain clearing services, including the management of positions of any LIFFE Clearing Member that is declared a defaulter. These arrangements provide that, in the event of a Clearing Member default, each outstanding Registered Exchange Contract between the defaulting Clearing Member and LIFFE is automatically novated so as to substitute LCH as party in place of LIFFE (the Default Novation), thus enabling LCH to undertake its default management services. As a result of this, Clearing Members continue to benefit from Cover being calculated and collected on a net basis by LCH across all of the markets in respect of which it provides clearing services. LCH also collects and pays premiums, variation margin and other cash payments arising under Registered Exchange Contracts and manages the settlement and delivery obligations of contracts upon expiry, ensuring that Clearing Members continue to benefit from the same single set of Cover and tender accounts and netting of collateral and payment obligations at the LCH level as today. These arrangements have the additional benefit of making the transition from the *status quo* to the NYSE Liffe clearing arrangements as straightforward as possible.
- 2.5 To reflect the role of LCH, and in particular the netting of Clearing Member financial obligations across markets, the TCMA provides that LIFFE’s central counterparty financial obligations are satisfied on each trading day from the time that the Clearing Member’s overall financial position is made up on a net basis in the accounts of LCH following marking to market of open contracts on the LIFFE Market and other markets for which LCH provides services. Following this time, a Clearing Member’s financial rights and obligations to or against LIFFE as CCP in respect of individual LIFFE positions are, to the extent reflected in such Member’s updated accounts with LCH, discharged and replaced by financial rights and obligations on a net basis to or against LCH, as today. Similarly, the TCMA provides for delivery obligations following the expiry of an open contract on the market to be discharged and replaced by delivery obligations between the relevant Clearing Member and LCH.
- 2.6 As a result of the above, whilst LIFFE remains CCP, a Clearing Member’s counterparty insolvency risk in respect of variation margin, net liquidating value and the performance of outstanding delivery obligations under LIFFE contracts remains that of LCH, which continues to collect and manage Cover as principal and maintains its current default resources. The NYSE Liffe Clearing arrangements provide some further protections to Clearing Members in the unlikely situation that LCH’s resources should prove insufficient, resulting in it being unable to meet its obligations. In this situation, LIFFE’s role as CCP would enable it to bring certainty to the market in relation to open contracts, and its activity in this respect would be underpinned by its own capital. Members should note that, in such circumstances, the LIFFE Board would take emergency action to suspend the LIFFE Market and close out all positions by invoicing back under existing LIFFE Rule 4.16. Following this process, as today, Clearing Members would have a claim against LCH (and not against LIFFE) in respect of any variation

margin, net liquidating value and outstanding delivery obligations under LIFFE contracts, to the extent reflected in such Member's accounts with LCH. Subject to any overriding fiduciary duties or the instructions of a regulatory body, the LIFFE Board's discretion would be exercised to select such last price as was used to mark to market open positions as the price for invoicing back such positions; any new positions that resulted from trading on the relevant day would be invoiced back at their trade price. The TCMA also provides for the initial novation of Clearing Member contracts from LCH to LIFFE as CCP at the Transfer Time:

- 2.7 In conjunction with the publication of this Notice, copies of the TCMA and relevant NCMA's have been sent to each Clearing Member for review and signature. Members are asked to return completed documents to LIFFE by **Friday 17 July 2009**.

### **3. Rules (including Contract Specifications)**

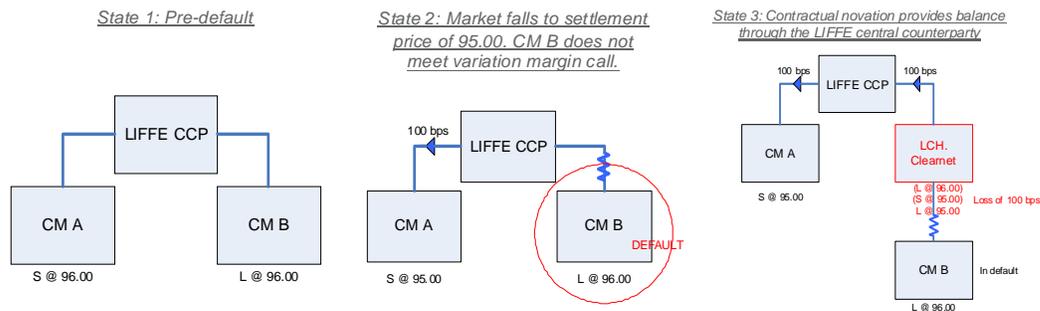
- 3.1 As outlined above, the new clearing arrangements require both LIFFE and LCH to make amendments to their Rules and Regulations. The proposed amendments to LIFFE Rule Book II, the substance of which have been reviewed and approved by the Membership, Rules and Trading Committee and the Board, form the Attachment to this Notice. In summary, the main changes are as follows:

- (a) modification of the Default Rules (Section 9) to reflect the revised mechanism pursuant to which LCH will be responsible for managing any default of a LIFFE Clearing Member. In the event that LIFFE, or LCH as its Clearing Services Provider ("CSP"), declares a default of a LIFFE Clearing Member, the market contracts to which that Clearing Member is party with LIFFE will novate to LCH;
- (b) the replacement of end-of-day registration of contracts with real-time registration at the point of trade (LIFFE Rule 4.12);
- (c) a new Section 13 of the LIFFE Rules governing clearing functions to be performed by LIFFE as CCP or LCH as its Clearing Services Provider;
- (d) changes to the membership section of the Rules (Section 3) to allow LCH to become a Special Member of the LIFFE Market. This is necessary in order to facilitate the novation device in the event of a Clearing Member default (for the same reason, LIFFE will also become a special member of LCH);
- (e) changes to Rule 4.16 to clarify further the circumstances in which the LIFFE Board would exercise its emergency powers, and the price at which any invoicing back would take place (as outlined in 2.6 above)
- (f) revised Rules on arbitration (Section 6) which reflect LIFFE's role as CCP; and
- (g) consequential changes made to other parts of the Rulebook to maintain consistency in definitions.

- 3.2 The remainder of this Notice focuses on the substantive changes which have been made to the LIFFE Rules. Co-incidental changes to defined terms or "boilerplate" provisions will not be commented on, except to the extent that they materially change the effect of the LIFFE Rules. Members should note that LIFFE does not require Members to put in place new contractual arrangements with their non-Member customers in order to reflect the change in clearing arrangements.

## DEFAULT RULES

- 3.3 Amendments have been made to Sections 9.1 and 9.2 of the current Default Rules to reflect the fact that LCH will be responsible for managing any default of a LIFFE Clearing Member. The effect of the modifications is explained in the remainder of this section of the paper. In addition, the Default Rules have been further amended to incorporate two changes, including an expanded definition of “Market Contract”, arising from changes to Part VII of the Companies Act 1989.
- 3.4 Should a Clearing Member be declared a defaulter, the market contracts to which that Clearing Member is party with LIFFE will novate to LCH under LIFFE’s new Default Rules. Following a default novation, balancing contracts will be created between LIFFE and LCH.
- 3.5 The points and diagrams below set out the principles of the default novation process:
- On declaration of a Clearing Member default, LCH becomes intermediate counterparty to the Clearing Member and LIFFE.
  - The price at which novation takes place will leave no loss (or profit) for LIFFE.
  - LCH will manage the practical consequences of the Clearing Member default.
  - LIFFE Default Rules will apply to back-to-back Non-Clearing Member or client contracts (as at present).



## LIFFE AS CCP AND CONTRACT FORMATION

- 3.6 LIFFE will act as CCP to all trades effected on the LIFFE market or accepted by LIFFE within Bclear. The CSP will be a Special Member of LIFFE, subject only to those of its rules necessary to facilitate the novation device outlined above.
- 3.7 LIFFE Rule 4.12 has been amended to reflect the way that the contract formation process will work in future. Formation of contracts under the new arrangement differs from the way contracts are formed currently. LIFFE will introduce real time registration meaning that at the moment an Original Contract is made on the LIFFE market, it will be discharged and replaced by two “Registered Exchange Contracts”, one between the buying Clearing Member and LIFFE as CCP and the other between the selling Clearing Member and LIFFE as CCP. In respect of business done by non-clearing members and clients, there will be a chain of back-to-back contracts with each party in the contractual chain acting in the capacity of principal, as is the case today. In consequence, where a client has dealt through a non-clearing member, there will be the following chain of contracts:

- (a) between client and Non-Clearing Member;
  - (b) between Non-Clearing Member and Clearing Member (i.e. a Parallel Contract under LIFFE Rules); and
  - (c) between Clearing Member and LIFFE as CCP.
- 3.8 As a result, some nomenclature has changed. In addition, “Related Contracts” (as defined in the existing Rules) no longer exist in the new LIFFE Rules as a consequence of real-time registration, since back-to-back contracts between two Clearing Members will no longer need to be created prior to registration.
- 3.9 Consequential changes to the Link Rules have been made to give LIFFE the appropriate protections as CCP on the default of a Member party to a Linked LIFFE Contract.

#### MEMBERSHIP

- 3.10 The existing provisions in the Rules and LCH Rules relating to Clearing Membership have been largely retained. There will continue to be an obligation on Clearing Members to be a member of the CSP. The only material change to the LIFFE Rules concerning membership is the addition of “Special Member” as a new membership category. This is necessary in order for the CSP to be a member of the LIFFE market which, in turn, is required in order for the operation of the new default management arrangements.

#### CLEARING

- 3.11 A new Section 13 of the Rules has been created to explain how trades will be settled and cleared by LIFFE and to provide general provisions enabling LIFFE to perform clearing-related activities (such as setting up and holding accounts, calling and holding margin and registering contracts and delivery obligations), either itself or to outsource these activities to the CSP.
- 3.12 Rules on Settlement and Marking-to-Market have been incorporated into Section 13. These Rules explain that all Registered Exchange Contracts are marked-to-market daily (i.e. they are valued on a daily basis) and a sub-set of Registered Exchange Contracts<sup>1</sup> are settled-to-market (i.e. they are closed out on a daily basis with reference to the latest daily settlement price, giving rise to Daily Settlement Amounts which are credited to or debited from the relevant Clearing Members’ accounts, and are re-opened at the latest daily settlement price). Liquidating value in respect of those contracts not settled-to-market (e.g. premium up-front option contracts) shall be credited to or debited from the relevant Clearing Members’ accounts.

#### ARBITRATION

- 3.13 The key changes to the arbitration section of the LIFFE Rules are aimed at simplifying the handling of disputes between contractual counterparties in relation to any Contract in the Terms of an Exchange Contract and ensuring transparency. The main structural change is to encourage arbitrations to proceed between those parties ultimately interested in the outcome of the dispute, enabling intermediary counterparties to be passive in the ongoing process of the arbitration, albeit that any award granted by the arbitrators will be binding upon all those in the contractual chain with the intention that such award flows through the chain. The revised rules also place a greater emphasis on the independence of arbitrators and decision making, reflecting LIFFE's role as CCP.

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<sup>1</sup> i.e. futures contracts and those option contracts for which premium is paid upon exercise rather than up front.

## CONTRACT SPECIFICATIONS

3.14 It is LIFFE's intention in due course to issue updated Contract Specifications to reflect the new clearing arrangements. Until such time, from the Go-Live Date, any references to the "Clearing House" in any contract in the terms of a LIFFE exchange contract or its associated administrative procedures shall be read as being a reference to LIFFE, acting as central counterparty, save where LCH is carrying out obligations as CSP, as further set out in the TCMA and the Rules.

### 4. Consultation on the proposed amendments to the LIFFE Rules

4.1 There has already been substantive communication and discussion between the Exchange and Members on the broad operation of NYSE Liffe Clearing and in particular the replacement of LCH by LIFFE as the CCP. Members wishing to comment, or to obtain clarification, on the proposed amendment to the Rules are asked either to contact those Exchange staff listed below or, alternatively, to submit comments in writing, addressed to the Market Secretary, to reach the Exchange by **Friday 26 June 2009**.

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

|                 |                    |                                                            |
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**ISSUE DATE: 21 December 2007<sup>4</sup>**

**RULES  
OF  
THE LONDON INTERNATIONAL  
FINANCIAL FUTURES AND OPTIONS  
EXCHANGE**

**BOOK II – RULES SPECIFIC TO LIFFE<sup>2</sup>**

<sup>4</sup> Please refer to London Notice No.2983, issued on 21 December 2007, in respect of Changes to Financial Reporting Requirements.

<sup>2</sup> Book I is the Euronext Rule Book (Book I: Harmonised Rules), from time to time in force. It is available at [www.nyseeuronext.com](http://www.nyseeuronext.com). It should be noted that Chapters 4, 6, 7 and 9 of the Euronext Rule Book do not apply to the London market.

# THE LONDON INTERNATIONAL FINANCIAL FUTURES AND OPTIONS EXCHANGE

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## SECTION 1 - THE MARKET

### 1.1 Market title

1.1.1 The futures and options market administered by the *Exchange* shall be called “*The London International Financial Futures and Options Exchange*” or “*LIFFE*”.

1.1.2 For the avoidance of doubt, the defined term “*LIFFE*” shall be used in this Book II, and in any *Notice* issued or agreements made pursuant to this Book II, to refer to the ~~market~~Market administered by the *Exchange*, ~~notwithstanding the use of the defined term “Liffe” in Book I to refer to all of the Euronext Derivatives Markets or to any one of them.~~

1.1.3 The *Exchange* may from time to time appoint a CSP to provide clearing services to the *Exchange*.

### 1.2 Market officers

1.2.1 The chairman and any deputy chairman, executive director or director of the *Exchange* shall hold office with the same title in respect of the ~~market~~Market.

### 1.3 Object of the ~~market~~Market

1.3.1 The object of the ~~market~~Market shall be to provide trading, clearing and associated facilities for ~~members~~Members and for those who use the services offered by ~~members~~Members to enter into contracts for hedging and any other proper purpose in relation to possible changes in, inter alia, interest rates, foreign currency rates of exchange, the price of government bonds, the price of equity shares, the price of credit default swaps and the price of agricultural and soft commodities. It shall be the responsibility of each ~~member~~Member to ensure so far as practicable that the facilities are not used for any improper purpose. The *Board* shall have the power to regulate the ~~market~~Market so as to ensure, inter alia, that the facilities are not used for any improper purpose.

### 1.4 The ~~market~~Market - exclusion of liability

1.4.1 The *Exchange* is obliged under the Financial Services and Markets Act 2000 to ensure that business conducted by means of its facilities is conducted in an orderly manner and so as to afford proper protection to investors. To this end, the *Exchange* will at all times endeavour to maintain a fair and orderly market and to have effective arrangements to facilitate the efficient and timely finalisation of the transactions executed under its systems as is consistent with the *Exchange*'s legal obligations and the object of the ~~market~~Market.

1.4.2 The *Exchange* wishes to draw to the attention of ~~members~~Members and clients that, inter alia, business on the ~~market~~Market may from time to time be suspended or restricted or the ~~market~~Market may from time to time be closed for a temporary period or for such longer period as may be determined in accordance with the *LIFFE Rules* including, without limitation, as a result of a decision taken under *LIFFE Rule* 4.15 or 4.16 on the occurrence of one or more events which require such action to be taken in the interests of, inter alia, maintaining a fair and orderly market. Any such action may result in the inability of one or more ~~members~~Members and through such ~~members~~Members one or more clients to enter into ~~contracts~~, in accordance with the *LIFFE Rules* ~~on~~, *Contracts in the terms* ~~of~~ *Exchange Contracts* either by means of contracts entered into on the ~~market~~Market floor or

through an *ATS*. Furthermore, a ~~member~~Member and through the ~~member~~Member one or more clients may from time to time be prevented from or hindered in entering into ~~contracts~~Contracts in the ~~terms~~Terms of *Exchange Contracts*, or errors in orders or in ~~contracts~~Contracts in the ~~terms~~Terms of *Exchange Contracts* may arise, as a result of a failure or malfunction of communications, or equipment, or ~~market~~Market facilities, or the *ATS central processing systems*Central Processing Systems, or one or more *ATS workstations*Workstations supplied to the ~~member~~Member by the *Exchange* or otherwise used by the ~~member~~Member or software supplied to the ~~member~~Member by the *Exchange* or any other person.

1.4.3 The *Exchange* further wishes to draw the following exclusion of liability to the attention of ~~members~~Members and clients. Unless otherwise expressly provided in the LIFFE Rules or in any other agreement to which the *Exchange* is party, ~~the Exchange shall not be liable to any member or client~~ and without prejudice to the provisions of the provisions of Section 13 and Section 10 or to the provisions of a Clearing Member Link Agreement, neither the Exchange, nor any of its affiliates, nor its ultimate parent NYSE Euronext shall be liable to any Member or to any other person (including without limitation any client of a Member) in contract, tort (including, without limitation, negligence), trust, as a fiduciary or under any other cause of action in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by a Member or any other person, as the case may be, for loss (including any indirect or consequential loss including, without limitation, loss of profit), damage, injury, or delay, whether direct or indirect, arising from any of the circumstances or occurrences referred to in LIFFE Rule 1.4.2 or from any act or omission of the *Exchange*, ~~its or CSP, or either of their~~ officers, employees, agents or representatives under the LIFFE Rules or pursuant to the Exchange's obligations under statute or from any breach of contract by or any negligence howsoever arising of the Exchange, its or CSP, or either of their officers, employees, agents or representatives.

1.4.4 Nothing in the Rules shall be construed as an attempt by the Exchange to exclude any liability for any fraud or wilful default or negligently caused personal injury or death.

1.4.5 No person shall acquire any rights under these Rules by virtue of the Contracts (Rights of Third Parties) Act 1999, save as may be expressly set out herein.

1.4.6 No failure by the Exchange to exercise, nor any delay on its part in exercising, any of its rights (in whole or in part) under these LIFFE Rules shall operate as a waiver of the Exchange's rights or remedies upon that or any subsequent occasion, nor shall any single or partial exercise of any right or remedy prevent any further exercise thereof or any other right or remedy.

1.4.7 Nothing in the Rules shall be deemed to exclude any liability of the Exchange referred to in section 291(2) of the Financial Services and Markets Act 2000.

## 1.5 Authority of the Board

1.5.1 The *Board* is empowered by LIFFE Rule 1.3 to regulate the ~~market~~Market and to ensure, inter alia, that the facilities are not used for any improper purpose. The *Board* is entitled pursuant to various provisions in the LIFFE Rules:

- (a) to prescribe criteria, requirements or conditions, howsoever expressed, in relation to one or more ~~relevant persons~~Relevant Persons or one or more classes of ~~relevant person~~Relevant Person, howsoever such classes may be defined;
- (b) to make decisions in respect of, or give directions to, one or more ~~relevant persons~~Relevant Persons or one or more classes of ~~relevant person~~Relevant Person, howsoever such classes may be defined, concerning any matter relating directly or indirectly to such persons as may be specified in any such decision or direction.

1.5.2 Any matter which is prescribed by the *Board*, as contemplated by sub-paragraph (a) of LIFFE Rule 1.5.1, shall be published in the form of, or under cover of, a *Notice*. Any decision or direction of the *Board*, as contemplated by sub-paragraph (b) of LIFFE Rule 1.5.1, shall be notified in writing to that person who is, or those persons who are, specified in any such decision or direction and may, at the sole discretion of the *Board*, be published in whole or in part as the *Board* sees fit.

1.5.3 The *Board* is entitled to delegate various matters to committees of the *Board*. A committee of the *Board*, subject always to the exercise by the *Board* of powers vested in it, may undertake any of the functions of the *Board* contemplated in LIFFE Rule 1.5.1, in accordance with LIFFE Rule 1.5.2, when the *Board* has delegated responsibility for the discharge of such a function to such a committee of the *Board*.

1.5.4 Failure of a ~~relevant person~~Relevant Person to comply with any matter the subject of action taken by the *Board* pursuant to, inter alia, LIFFE Rule 1.5.1 and LIFFE Rule 1.5.2, or by a committee of the *Board* pursuant to LIFFE Rule 1.5.3, shall be treated as a failure by such ~~relevant person~~Relevant Person to comply with a ~~relevant obligation~~Relevant Obligation.

#### 1.6 Clearing

~~1.6.1 Pursuant to Euronext Rule 2501A/1, the Exchange shall clear contracts entered into under its Rules.~~

~~1.6.2 Contractual relationships arising pursuant to the effecting and clearing of contracts are set out in Rule [4.12] and [12.3].~~

# THE LONDON INTERNATIONAL FINANCIAL FUTURES AND OPTIONS EXCHANGE

## RULES – BOOK II SECTION 2 - GENERAL

### 2.1

#### Definitions

A term defined in the *Euronext Rules* shall have the same meaning in these *LIFFE Rules* unless otherwise expressly stated herein. All defined terms used in these LIFFE Rules are italicised for ease of reference. In these *LIFFE Rules*, unless otherwise expressly stated:

~~“Articles” means the Articles of Association for the time being of the Exchange;~~

~~“ATS” means, as the context requires, the automated trading systems administered by the Exchange or any of them;~~

~~“ATS central processing system” means that part of an ATS operated by or on behalf of the Exchange which performs the functions set out in documents from time to time published by the Exchange including controlling, monitoring and recording trading by members and concluding transactions between members;~~

~~“ATS notice” means a notice transmitted by the Exchange through the relevant ATS or displayed on a TRS screen, subject to LIFFE Rule 2.5.2;~~

~~“ATS workstation” means, in respect of a particular ATS, a computer workstation giving direct access to the relevant ATS central processing system for the purposes of trading on that ATS;~~

~~“the Board” means the Board of directors of the Exchange or the members thereof present at a duly convened meeting of the Board at which a quorum is present;~~

~~“Chief Executive” means any person appointed to perform the duties of the Chief Executive of the Exchange or his acting deputy;~~

~~“closing-out contract” means a market contract effected under the Rules, being a contract on the same terms as an unsettled market contract to which a defaulter is party save as to the price and save that where the defaulter is a seller under the terms of the unsettled market contract the defaulter shall be a buyer under the terms of the closing-out contract and vice versa and references to “closing-out” and “closed-out” shall be construed accordingly;~~

~~“Commodity Contract” means a Commodity Futures Contract or a Commodity Option Contract;~~

~~“commodity clearing member” means a clearing member so designated by the Board under LIFFE Rule 3.3.2(c);~~

~~“Commodity Futures Contract” means an Exchange Contract designated by the Board as a Commodity Futures Contract, contracts in the terms of which may be made in the pit by members who comply with the requirements of LIFFE Rule 4.7.3;~~

~~“Commodity Option Contract” means an Exchange Contract designated by the Board as a Commodity Option Contract, contracts in the terms of which may be made in the pit by members who comply with the requirements of LIFFE Rule 4.7.3;~~

~~“contract in the terms of a Linked LIFFE Contract” has the meaning attributed to it in LIFFE Rule 10.2;~~

~~“contract in the terms of an Exchange Contract” means:~~

~~(i) a contract containing the terms of an Exchange Contract only; or~~

~~(ii) a contract containing the terms of an Exchange Contract with any one or more of such additions or variations thereto set out below:~~

~~(a) as permitted by or pursuant to such terms, the Rules or the Regulations;~~

~~(b) if the Clearing House is not a party to such contract, to facilitate the performance of such contract, and the performance of any intermediate, matching or related contract or contract to which the Clearing House is party;~~

~~(c) to permit the settlement of such contract on the default of a party to such contract;~~

~~(d) to provide for the payment of commission or other fees;~~

~~(e) to make provision for terms which are not contained in the Exchange Contract, provided that such terms do not exclude or conflict with any of the terms of such Exchange Contract except where permitted under paragraphs (a) to (d) inclusive above;~~

~~and provided that the default rules shall form part of the terms of such contract and shall prevail, where such default rules apply, over any other terms which apply on the default of a party to such contract;~~

~~“contract made in the pit” means:~~

- (i) ~~in the case of a transaction entered into through an ATS, a contract in the terms of an Exchange Contract made in accordance with procedures from time to time implemented by the Board under LIFFE Rule 4.14.7; or~~
  - (ii) ~~any other contract in the terms of an Exchange Contract which is sanctioned by the Exchange or required or permitted by the Rules to be described as such;~~
- ~~“contract price” for the purposes of the default rules, means the price at which a market contract was made or, if a market contract has been settled to market, means the last price at which it is recorded as having been made;~~
- ~~“Correspondent” means a person admitted to the status of correspondent of the market in respect of Commodity Contracts;~~
- ~~“Counterparty” in relation to a defaulter, means a person party as principal to a market contract to which the defaulter is party;~~
- ~~“declared a defaulter” in relation to a member, means declared a defaulter under LIFFE Rule 9.2.1 or under LIFFE Rule 9.2.2;~~
- ~~“default rules” means the rules set out in Section 9 of the LIFFE Rules, as amended from time to time;~~
- ~~“defaulter” means a member who has been declared a defaulter;~~
- ~~“designated clearing house” has the meaning attributed to it in the rules and regulations, from time to time in force, of the Financial Services Authority;~~
- ~~“designated investment exchange” has the meaning attributed to it in the rules and regulations, from time to time in force, of the Financial Services Authority;~~
- ~~“Equity Option Contract” means an Exchange Contract designated as an Equity Option Contract by the Board, contracts in the terms of which may be made in the pit by members who comply with the requirements of LIFFE Rule 4.7.3, being an Exchange Contract the subject of which:~~
- (i) ~~is an option on:
    - (a) ~~an equity share; or~~
    - (b) ~~an index of equity share prices; or~~
    - (c) ~~a Financial Futures Contract the subject matter of which is an equity share or an index of equity share prices; or~~~~

~~(ii) is some subject matter other than that referred to in paragraph (i) provided that, other than where allowed for by sub-paragraph (i)(c) above, the subject matter is not an option on a Financial Futures Contract or a Commodity Futures Contract.~~

~~“Euronext Rules” means chapters 1, 2, 3, 5 and 8 of Book I of the Rules;~~

~~“event of default” has the meaning attributed to it in LIFFE Rule 9.3.1;~~

~~“the Exchange” means LIFFE Administration and Management, a self-clearing recognised investment exchange;~~

~~“Exchange Contract” means a class of contract permitted to be made by members in the pit, the terms of which are published by the Board from time to time;~~

~~“Exchange notice” means a notice published by the Exchange by such means as the Board may from time to time determine;~~

~~“exchange official” means any person appointed for the time being as an exchange official by the Board and different appointments may be made for particular purposes;~~

~~“Financial Futures Contract” means an Exchange Contract designated as a Financial Futures Contract by the Board, contracts in the terms of which may be made in the pit by members who comply with the requirements of LIFFE Rule 4.7.3;~~

~~“Financial Option Contract” means an Exchange Contract designated as a Financial Option Contract by the Board, the subject of which:~~

~~(i) is an option on a Financial Futures Contract; or~~

~~(ii) is some subject matter other than that referred to in paragraph (a) provided that such subject matter is not an option on an equity share, or an index of equity share prices;~~

~~contracts in the terms of which may be made in the pit by members who comply with the requirements of LIFFE Rule 4.7.3;~~

~~“general clearing member” means a clearing member so designated by the Board under LIFFE Rule 3.3.2(b);~~

~~“General Notice” means an Exchange notice which is marked as a “General Notice”;~~

~~“group of Exchange Contracts” means:~~

~~(i) all those Exchange Contracts designated as Financial Futures Contracts; or~~

- ~~(ii) all those Exchange Contracts designated as Financial Option Contracts; or~~
- ~~(iii) all those Exchange Contracts designated as Equity Option Contracts; or~~
- ~~(iv) all those Exchange Contracts designated as Commodity Contracts; or~~
- ~~(v) such other group of Exchange Contracts prescribed by the Board;~~
- ~~and references to "groups of Exchange Contracts" shall be construed as references to more than one of the groups described in paragraphs (i), (ii), (iii), (iv) and (v);~~
- ~~"individual clearing member" means a clearing member so designated by the Board under LIFFE Rule 3.3.2(a);~~
- ~~"individual member" means a natural person who, not being in partnership or any other form of association with any other person, is a member;~~
- ~~"Liffe" any market, including any Regulated Market, for Derivatives operated by any Euronext Market Undertaking;~~
- ~~"LIFFE clearing member" means a member designated as a clearing member by the Clearing House and the Board to clear, subject to the Rules and to the Regulations, contracts made in the pit and related contracts either:~~
- ~~(i) in the terms of any Exchange Contracts; or~~
- ~~(ii) in the terms of Exchange Contracts of a particular group or groups of Exchange Contracts;~~
- ~~"LIFFE non-clearing member" means a non-clearing member as defined in this LIFFE Rule 2.1;~~
- ~~"LIFFE Rules" means Book II of the Rules in respect of the market administered by the Exchange;~~
- ~~"Link" means trading and clearing arrangements established by the Exchange, the Clearing House and a Participating Exchange in respect of either or both of the following:~~
- ~~(i) one or more Linked LIFFE Contracts;~~
- ~~(ii) one or more Linked Participating Exchange Contracts;~~
- ~~"Link Clearing Agreement" has the meaning attributed to it in LIFFE Rule 10.2.1;~~
- ~~"Linked Participating Exchange Contract" means a Participating Exchange Contract which is specified as such in a General Notice published from time~~

to time pursuant to a Link and is linked to an Exchange Contract;

~~“Linked LIFFE Contract” means an Exchange Contract made available for trading on the market pursuant to a Link, which is specified as such in a General Notice published from time to time and is linked to a Participating Exchange Contract;~~

~~“lot” means a standard amount, quantity or other unit, specified from time to time by the Board, of currency, securities or other property the subject of an Exchange Contract, one or more lots being the subject of every contract made in the pit or of any other market contract;~~

~~“market” means the futures and options market administered by the Exchange;~~

~~“market contract” means:~~

~~(i) a contract made in the pit;~~

~~(ii) a contract arising as a result of one or more allocations of a contract made in the pit;~~

~~(iii) a parallel contract;~~

~~(iv) a related contract;~~

~~(v) subject to LIFFE Rule 9.6.5, a contract to which LIFFE Rule 4.13.1 applies;~~

~~(vi) a contract registered with the Clearing House under its Regulations, or to which the Clearing House is a party pursuant to its Regulations in connection with providing clearing services to the Exchange;~~

~~(vii) a futures or options contract made on an exchange, or a contract in the making of which a party to such contract was subject to the rules of an exchange, to whose undertaking the Exchange has succeeded whether by merger, amalgamation or otherwise;~~

~~(viii) a contract in the terms of an Exchange Contract arising under LIFFE Rule 10.5.2 or a contract arising under LIFFE Rule 10.5.3 (a) or (b) to which a member is party;~~

~~(ix) any other contract in the terms of an Exchange Contract required or permitted to be made under the Rules or under the terms of such Exchange Contract or otherwise sanctioned by the Exchange; or~~

- ~~(x) — a contract arising on the exercise of a contract in the terms of a Commodity Option Contract, an Equity Option Contract or a Financial Option Contract which is a market contract falling within any of paragraphs (i) to (viii) above;~~
- ~~— being in each case a contract to which a member is party. Where any “market contract” is for more than one lot there shall be deemed to be a separate contract in respect of each lot and the term “market contract” shall be construed accordingly;~~
- ~~“Market Secretary” — means any person appointed to perform the duties of the Market Secretary of the Exchange or his acting deputy;~~
- ~~“Market Supervision Department” — means the exchange officials designated as members of the department who shall comprise the Chief Executive, and other employees of the Exchange so designated by the Board;~~
- ~~“Member Link Agreement” — means a Link Clearing Agreement or a Trade Allocation Agreement, each as defined in LIFFE Rule 10.2;~~
- ~~“non-clearing member” — means a member who is not a clearing member in respect of a particular group or groups of Exchange Contracts;~~
- ~~“notice posted in the market” — means:~~
- ~~(i) — an ATS notice where the Board so determines from time to time;~~
  - ~~(ii) — in the case of a clearing agreement, a notice sent by the Exchange to the other parties to such clearing agreement and such other parties as the Board may from time to time determine; and~~
  - ~~(iii) — in all other cases, an Exchange notice published by such means as the Board may from time to time determine;~~
- ~~“original contract” — has the meaning attributed to it by LIFFE Rule 4.12.1;~~
- ~~“parallel contract” — has the meaning attributed to it by LIFFE Rule 4.12.1;~~
- ~~“Participating Exchange” — means an exchange which has a Link with the Exchange and the Clearing House and the term “Participating Exchange” shall include any clearing house which from time to time provides clearing services to such exchange;~~
- ~~“Participating Exchange Contract” — has the meaning attributed to it in LIFFE Rule 10.2.1;~~
- ~~“Participating Exchange Rules” — has the meaning attributed to it in LIFFE Rule 10.2.1;~~

|                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                      |
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| <del>“pit”</del>                            | <del>means, in respect of an Exchange Contract, that part of the relevant ATS central processing system handling bids and offers;</del>                                                                                                                                                                                                                                                                                              |
| <del>“reciprocal contract”</del>            | <del>means an Exchange Contract designated by the Board as a reciprocal contract, contracts in the terms of which may be made in the pit by members who comply with requirements determined by the Board from time to time;</del>                                                                                                                                                                                                    |
| <del>“recognised clearing house”</del>      | <del>has the meaning attributed to it in the Financial Services and Markets Act 2000;</del>                                                                                                                                                                                                                                                                                                                                          |
| <del>“recognised investment exchange”</del> | <del>has the meaning attributed to it in the Financial Services and Markets Act 2000;</del>                                                                                                                                                                                                                                                                                                                                          |
| <del>“Regulations”</del>                    | <del>means the General Regulations and Default Rules of the Clearing House from time to time in force;</del>                                                                                                                                                                                                                                                                                                                         |
| <del>“related contract”</del>               | <del>has the meaning attributed to it by LIFFE Rule 4.12.2;</del>                                                                                                                                                                                                                                                                                                                                                                    |
| <del>“relevant obligation”</del>            | <del>has the meaning attributed to it by LIFFE Rule 2.2.2;</del>                                                                                                                                                                                                                                                                                                                                                                     |
| <del>“relevant office holder”</del>         | <del>has the meaning attributed to it in section 189 of the Companies Act 1989;</del>                                                                                                                                                                                                                                                                                                                                                |
| <del>“relevant person”</del>                | <del>has the meaning attributed to it by LIFFE Rule 2.2.1;</del>                                                                                                                                                                                                                                                                                                                                                                     |
| <del>“Rules”</del>                          | <del>means:</del> <ul style="list-style-type: none"> <li><del>(i) the rules set forth in the Euronext Rules, which shall form Book I of the Rules; and</del></li> <li><del>(ii) this document, comprising the sections and headings listed in the Table of Contents included herein, which shall be adopted, and may be amended or revoked, in accordance with the Articles, which shall form Book II of the Rules;</del></li> </ul> |
| <del>“segregated client”</del>              | <del>means, in respect of a member, a person whose money in respect of contracts in the terms of an Exchange Contract is recorded in a client account of the member and is held separately from the member’s own monies pursuant to laws or regulations applicable to the member;</del>                                                                                                                                              |
| <del>“trading licence”</del>                | <del>means a trading licence granted under LIFFE Rule 3.8.1;</del>                                                                                                                                                                                                                                                                                                                                                                   |
| <del>“trading right”</del>                  | <del>has the meaning attributed to it in LIFFE Rule 3.7.1;</del>                                                                                                                                                                                                                                                                                                                                                                     |
| <del>“TRS”</del>                            | <del>means the Trade Registration System administered by the Exchange;</del>                                                                                                                                                                                                                                                                                                                                                         |
| <del>“United Kingdom”</del>                 | <del>means Great Britain and Northern Ireland;</del>                                                                                                                                                                                                                                                                                                                                                                                 |

~~“unsettled market contract” — for the purposes of the default rules, means a market contract in respect of which the rights and liabilities of the parties thereto have not been discharged whether by performance, compromise or otherwise.~~

|                                      |   |                                                                                                                                                                                                                                                                                         |
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| <u>Accepted Allocation</u>           | = | <u>means the successful Claim by a Member of an Allocation;</u>                                                                                                                                                                                                                         |
| <u>Allocation</u>                    | = | <u>means an action by a Member seeking to give up a Contract in the Terms of an Exchange Contract to which he is party to another Member, subject to such Member Claiming such Contract in the Terms of an Exchange Contract;</u>                                                       |
| <u>Articles</u>                      | = | <u>means the Articles of Association for the time being of the Exchange;</u>                                                                                                                                                                                                            |
| <u>ATS</u>                           | = | <u>means, as the context requires, the automated trading systems administered by the Exchange or any of them;</u>                                                                                                                                                                       |
| <u>ATS Central Processing System</u> | = | <u>means that part of an ATS operated by or on behalf of the Exchange which performs the functions set out in documents from time to time published by the Exchange including controlling, monitoring and recording trading by Members and concluding transactions between Members;</u> |
| <u>ATS Notice</u>                    | = | <u>means a notice transmitted by the Exchange through the relevant ATS or displayed on a TRS screen, subject to LIFEE Rule 2.5.2;</u>                                                                                                                                                   |
| <u>ATS Workstation</u>               | = | <u>means, in respect of a particular ATS, a computer workstation giving direct access to the relevant ATS Central Processing System for the purposes of trading on that ATS;</u>                                                                                                        |
| <u>The Board</u>                     | = | <u>means the board of directors of the Exchange or the members thereof present at a duly convened meeting of the Board at which a quorum is present;</u>                                                                                                                                |

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| <u><i>Business Day</i></u>           | = | <u>means a day on which the <i>Exchange</i> and the <i>CSP</i> are open for business;</u>                                                                                                                                                                                                                             |
| <u><i>Buyer</i></u>                  | = | <u>means a person who is a buyer under the terms of an <i>Exchange Contract</i>;</u>                                                                                                                                                                                                                                  |
| <u><i>CCP</i></u>                    | = | <u>means the central counterparty to <i>Clearing Members</i> in connection with the provision of clearing services, and the expression “acting as <i>CCP</i>” shall mean the <i>Exchange</i> acting as principal to such <i>Clearing Members</i> in respect of <i>Registered Exchange Contracts</i>;</u>              |
| <u><i>Chief Executive</i></u>        | = | <u>means any person appointed to perform the duties of the chief executive of the <i>Exchange</i> or his acting deputy;</u>                                                                                                                                                                                           |
| <u><i>Claim</i></u>                  | = | <u>means an action by a <i>Member</i> seeking to accept an <i>Allocation</i>;</u>                                                                                                                                                                                                                                     |
| <u><i>Clearing Agreement</i></u>     | = | <u>means the agreement required by the <i>Rules</i> between a <i>Non-Clearing Member</i>, a <i>Clearing Member</i> and the <i>Exchange</i> providing for the <i>Clearing Member</i> to register <i>Contracts in the Terms of Exchange Contracts</i> with the <i>Exchange</i> (acting as <i>CCP</i>) for clearing;</u> |
| <u><i>Clearing Authorisation</i></u> | = | <u>means an authorisation given to a <i>Member</i> by the <i>Board</i> under LIFFE Rule 3.1.3;</u>                                                                                                                                                                                                                    |
| <u><i>Clearing Member</i></u>        | = | <u>means a <i>General Clearing Member</i> or an <i>Individual Clearing Member</i> and “<i>LIFFE Clearing Member</i>” shall have the same meaning;</u>                                                                                                                                                                 |

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| <u>Clearing Membership Agreement</u> | = | <u>means the agreement so designated under which, inter alia, the Exchange (acting as CCP) and the CSP agree to make available to each Clearing Member clearing services in respect of Registered Exchange Contracts; and in these LIFFE Rules and the LIFFE procedures the expressions "Clearing Member Agreement" and "Member Agreement" shall have the same meaning;</u>                                                                                |
| <u>Client Account</u>                | = | <u>means an account with the Exchange opened in the name of a Clearing Member in which Registered Exchange Contracts relating to contracts/arrangements made by the Clearing Member with one or more Segregated Clients are recorded;</u>                                                                                                                                                                                                                  |
| <u>Closing-Out Contract</u>          | = | <u>means a Market Contract effected under the Rules, being a contract on the same terms as an Unsettled Market Contract to which a Defaulter is party, save as to the Price, and save that where the Defaulter is a Seller under the terms of the Unsettled Market Contract the Defaulter shall be a Buyer under the terms of the Closing-Out Contract and vice versa and references to "closing-out" and "closed-out" shall be construed accordingly;</u> |
| <u>Commodity Contract</u>            | = | <u>means a Commodity Futures Contract or a Commodity Option Contract;</u>                                                                                                                                                                                                                                                                                                                                                                                  |
| <u>Commodity Clearing Member</u>     | = | <u>means a Clearing Member so designated by the Board under LIFFE Rule 3.3.2(c);</u>                                                                                                                                                                                                                                                                                                                                                                       |
| <u>Commodity Futures Contract</u>    | = | <u>means an Exchange Contract designated by the Board as a Commodity Futures Contract, contracts in the terms of which may be made in the Pit by Members who comply with the requirements of LIFFE Rule 4.7.3;</u>                                                                                                                                                                                                                                         |
| <u>Commodity Option Contract</u>     | = | <u>means an Exchange Contract designated by the Board as a Commodity Option Contract, contracts in the terms of which may be made in the Pit by Members who</u>                                                                                                                                                                                                                                                                                            |

comply with the requirements of LIFFE Rule 4.7.3;

Contract for Differences = means a Contract in the Terms of an Exchange Contract which is to be performed by cash settlement only;

Contract in the terms of a Linked LIFFE Contract = has the meaning attributed to it in LIFFE Rule 10.2;

Contract in the Terms of an Exchange Contract = means:  
(i) a contract containing the terms of an Exchange Contract only; or

(ii) a contract containing the terms of an Exchange Contract with any one or more of such additions or variations thereto set out below;

(a) as permitted by or pursuant to such terms, the LIFFE Rules or the Regulations,

(b) if the Exchange (acting as CCP) is not a party to such contract, to facilitate the performance of such contract, and the performance of any intermediate, matching or related contract or contract to which the Exchange (acting as CCP) is party,

(c) to permit the settlement of such contract on the default of a party to such contract,

(d) to provide for the payment of commission or other fees,

(e) to make provision for terms which are not contained in the terms of an Exchange Contract, provided that such terms do not exclude or conflict with any of the terms of such Exchange Contract except where permitted under paragraphs (a) to (d)

inclusive above,

and provided that the *Default Rules* shall form part of the terms of such contract and shall prevail, where such *Default Rules* apply, over any other terms which apply on the default of a party to such contract;

*Contract Made in the Pit* =

means:

(i) in the case of a transaction entered into through an *ATS*, a *Contract in the Terms of an Exchange Contract* made in accordance with procedures from time to time implemented by the *Board* under *LIFFE Rule 4.14.7*; or

(ii) any other *Contract in the Terms of an Exchange Contract*, which is sanctioned by the *Exchange* or required or permitted by the *LIFFE Rules* to be described as such including any *Contract in the Terms of an Exchange Contract* made pursuant to the *Default Rules* of the *Exchange* or the default rules of the *CSP*;

*Contract Price* =

means for the purposes of the *Default Rules*, the price at which a *Market Contract* was made or, if a *Market Contract* has been settled-to-market, means the last price at which it is recorded as having been made;

*Contract Terms and Administrative Procedures* =

means the *Contract Terms and Administrative Procedures* published pursuant to the *Rules* from time to time in respect of an *Exchange Contract*;

*Counterparty* =

means in relation to a *Defaulter*, the other person party as principal to a *Market Contract* to which the *Defaulter* is party;

*Cover* =

means, in respect of *Initial Margin* or for such other purposes as required or permitted by the *Rules*, cash or, with the

|                                       |   |                                                                                                                                                                                                                                                              |
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|                                       |   | <u>approval of the <i>CSP</i>, securities in a currency and a form acceptable to the <i>CSP</i> as prescribed by the <i>Procedures of the CSP</i> and/or set out in the relevant <i>Clearing Membership Agreement</i> or as prescribed by <i>Notice</i>;</u> |
| <u><i>CPS</i></u>                     | = | <u>means the clearing processing system administered by the <i>Exchange</i> from time to time;</u>                                                                                                                                                           |
| <u><i>CSP</i></u>                     | = | <u>means a clearing services provider appointed pursuant to LIFFE Rule 1.1.3 from time to time to provide certain clearing services to the <i>Exchange</i>;</u>                                                                                              |
| <u><i>Daily Settlement Amount</i></u> | = | <u>means amounts due to the <i>Exchange</i> from a <i>Clearing Member</i> or to a <i>Clearing Member</i> from the <i>Exchange</i>, as the case may be, arising out of <i>Settlement to Market</i> pursuant to LIFFE Rule 13.7.2;</u>                         |
| <u><i>Daily Settlement Prices</i></u> | = | <u>means in respect of <i>Contracts in the Terms of Exchange Contracts</i> those <i>Prices</i> established in accordance with the Liffe Trading Procedures;</u>                                                                                              |
| <u><i>Day Position Balances</i></u>   | = | <u>in respect of a <i>Linked LIFFE Contract</i>, has the meaning attributed to it in the relevant <i>Link Agreement</i>;</u>                                                                                                                                 |
| <u><i>Declared a Defaulter</i></u>    | = | <u>in relation to a <i>Member</i>, means declared a <i>Defaulter</i> under LIFFE Rule 9.2.1 or under LIFFE Rule 9.2.2;</u>                                                                                                                                   |
| <u><i>Default Rules</i></u>           | = | <u>means the rules set out in Section 9 of the <i>LIFFE Rules</i>, as amended from time to time;</u>                                                                                                                                                         |
| <u><i>Defaulter</i></u>               | = | <u>means a <i>Member</i> who has been <i>Declared a Defaulter</i>;</u>                                                                                                                                                                                       |
| <u><i>Delivery Month</i></u>          | = | <u>in respect of an <i>Exchange Contract</i>, has the meaning ascribed to it in the <i>Contract Terms and Administrative Procedures</i> governing such contract;</u>                                                                                         |

|                               |   |                                                                                                                                                                                                                                                                  |
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| <u>Equity Option Contract</u> | = | <u>means an Exchange Contract designated as an Equity Option Contract by the Board, contracts in the terms of which may be made in the Pit by Members who comply with the requirements of LIFFE Rule 4.7.3, being an Exchange Contract the subject of which:</u> |
|                               |   | <u>(i) is an option on:</u>                                                                                                                                                                                                                                      |
|                               |   | <u>(a) an equity share; or</u>                                                                                                                                                                                                                                   |
|                               |   | <u>(b) an index of equity share prices; or</u>                                                                                                                                                                                                                   |
|                               |   | <u>(c) a Financial Futures Contract the subject matter of which is an equity share or an index of equity share prices; or</u>                                                                                                                                    |
|                               |   | <u>(ii) is some subject matter other than that referred to in paragraph (i) provided that, other than where allowed for by sub-paragraph (i)(c) above, the subject matter is not an option on a Financial Futures Contract or a Commodity Futures Contract.</u>  |
| <u>Euronext Rules</u>         | = | <u>means chapters 1, 2, 3, 5 and 8 of Book I of the LIFFE Rules;</u>                                                                                                                                                                                             |
| <u>Event of Default</u>       | = | <u>has the meaning attributed to it in LIFFE Rule 9.3.1;</u>                                                                                                                                                                                                     |
| <u>The Exchange</u>           | = | <u>means LIFFE Administration and Management;</u>                                                                                                                                                                                                                |
| <u>Exchange Contract</u>      | = | <u>means a class of contract permitted to be made by Members in the Pit, for which Contract Terms and Administrative Procedures are published by the Board from time to time;</u>                                                                                |
| <u>Exchange Official</u>      | = | <u>means any person appointed for the time being as such by the Board, and different appointments may be made for particular purposes;</u>                                                                                                                       |

|                                    |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
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| <u>Exercise Price</u>              | = | <u>has the meaning given to it in the relevant contract terms and administrative procedures;</u>                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <u>Expiry Date or Month</u>        | = | <u>means a date or month prescribed by the Rules in respect of an Option Contract;</u>                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <u>Financial Futures Contract</u>  | = | <u>means an Exchange Contract designated as a Financial Futures Contract by the Board, contracts in the terms of which may be made in the Pit by Members who comply with the requirements of LIFFE Rule 4.7.3;</u>                                                                                                                                                                                                                                                                                                         |
| <u>Financial Option Contract</u>   | = | <u>means an Exchange Contract designated as a Financial Option Contract by the Board, the subject of which:</u><br><br><u>(i) is an option on a Financial Futures Contract; or</u><br><br><u>(ii) is some subject matter other than that referred to in paragraph (a) provided that such subject matter is not an option on an equity share, or an index of equity share prices,</u><br><br><u>contracts in the terms of which may be made in the Pit by Members who comply with the requirements of LIFFE Rule 4.7.3;</u> |
| <u>ESMA</u>                        | = | <u>means the Financial Services and Markets Act 2000;</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <u>General Clearing Member</u>     | = | <u>means a Member so designated as such by the Board under LIFFE Rule 3.3.2(b) and permitted to act as Clearing Member on behalf of itself and/or other Members in relation to all or some of the products offered by the Exchange, including for the avoidance of doubt a Special Member to the extent that such Special Member is party to Registered Exchange Contracts;</u>                                                                                                                                            |
| <u>Group of Exchange Contracts</u> | = | <u>means:</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

(i) all those Exchange Contracts designated as Financial Futures Contracts; or

(ii) all those Exchange Contracts designated as Financial Option Contracts; or

(iii) all those Exchange Contracts designated as Equity Option Contracts; or

(iv) all those Exchange Contracts designated as Commodity Contracts; or

(v) such other group of Exchange Contracts prescribed by the Board,

and references to “Groups of Exchange Contracts” shall be construed as references to more than one of the groups described in paragraphs (i), (ii), (iii), (iv) and (v);

Individual Clearing Member = means a Member so designated as such by the Board under LIFFE Rule 3.3.2(a), permitted to act as Clearing Member on its own behalf and not on behalf of Non-Clearing Members;

Individual Member = means a natural person who, not being in partnership or any other form of association with any other person, is a Member;

Initial Margin = means an amount determined and published from time to time by the Exchange (or the CSP acting on behalf of the Exchange) with regard to each category of Contract in the Terms of an Exchange Contract, in respect of which Clearing Members may be required to provide to the Exchange and/or the CSP Cover in accordance with these Rules and the Procedures of the CSP as a condition of the continuing registration of such Contract in the Terms of an Exchange Contract by the Exchange (acting as CCP). Initial Margin shall include any

|                                               |   |                                                                                                                                                                                                                                                                            |
|-----------------------------------------------|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                               |   | <u>other amounts collected from the Clearing Member by the Exchange and/or the CSP aimed at protecting the position of the Exchange or the CSP in the event that the Clearing Member as a party to the Contract in the Terms of an Exchange Contract fails to perform;</u> |
| <u>LIFFE Business</u>                         | = | <u>means business in respect of which a Relevant Person is subject to the LIFFE Rules or which is purportedly conducted subject to the LIFFE Rules or which should have been conducted subject to the LIFFE Rules;</u>                                                     |
| <u>LIFFE Rules</u>                            | = | <u>means this Book II of the Rules;</u>                                                                                                                                                                                                                                    |
| <u>Link</u>                                   | = | <u>means trading and clearing arrangements established by the Exchange and a Participating Exchange in respect of either or both of the following:</u>                                                                                                                     |
|                                               |   | <u>(i) one or more Linked LIFFE Contracts;</u>                                                                                                                                                                                                                             |
|                                               |   | <u>(ii) one or more Linked Participating Exchange Contracts;</u>                                                                                                                                                                                                           |
| <u>Link Clearing Agreement</u>                | = | <u>has the meaning attributed to it in LIFFE Rule 10.2.1;</u>                                                                                                                                                                                                              |
| <u>Linked LIFFE Contract</u>                  | = | <u>means an Exchange Contract made available for trading on the Market pursuant to a Link, which is specified as such in a Notice published from time to time and is linked to a Participating Exchange Contract;</u>                                                      |
| <u>Linked Participating Exchange Contract</u> | = | <u>means a Participating Exchange Contract which is specified as such in a Notice published from time to time pursuant to a Link and is linked to an Exchange Contract;</u>                                                                                                |
| <u>Link Rules</u>                             | = | <u>means Section 10 of these LIFFE Rules;</u>                                                                                                                                                                                                                              |
| <u>Lot</u>                                    | = | <u>means a standard amount, quantity or other unit, specified from time to time by</u>                                                                                                                                                                                     |

the Board, of currency, securities or other property the subject of an Exchange Contract, one or more lots being the subject of every contract made in the Pit or of any other Market Contract;

Margin = means Initial Margin and/or Variation Margin;

Market = means the futures and options market administered by the Exchange including trading, clearing and any other ancillary functions;

Market Contract = means:

(i) a Contract in the Terms of an Exchange Contract;

(ii) a contract arising as a result of one or more allocations of a contract made in the Pit;

(iii) a Parallel Contract;

[deleted]

(v) subject to LIFFE Rule 9.6.5, a contract to which Rule 4.13.1 applies;

(vi) a Registered Exchange Contract including any Registered Exchange Contract entered into by the Exchange acting as CSP and as Special Member;

(vii) a futures or option contract made on an exchange, or a contract in the making of which a party to such contract was subject to the rules of an exchange, to whose undertaking the Exchange has succeeded whether by merger, amalgamation or otherwise;

(viii) a Contract in the Terms of an Exchange Contract arising under LIFFE Rule 10.5.2 or a contract arising under LIFFE Rule 12.3.1 (a) or (b) to which a Member is party;

(ix) any other Contract in the Terms of an Exchange Contract required or permitted to be made under the LIFFE Rules or under the terms of such Exchange Contract or otherwise sanctioned by the Exchange; or

(x) a contract arising on the exercise of a contract in the terms of a Commodity Option Contract, an Equity Option Contract or a Financial Option Contract which is a Market Contract falling within any of paragraphs (i) to (viii) above,

(xi) any other contract covered by Part VII of the Companies Act 1989 as a "Market Contract"

being in each case a contract to which a Member is party. Where any "Market Contract" is for more than one Lot there shall be deemed to be a separate contract in respect of each Lot and the term "Market Contract" shall be construed accordingly;

Market Secretary = means any person appointed to perform the duties of the market secretary of the Exchange or his acting deputy;

Market Supervision Department = means the Exchange Officials designated as members of the department who shall comprise the Chief Executive, and other employees of the Exchange so designated by the Board;

Marking to Market = means the process by which the Exchange revalues a Registered Exchange Contract to reflect the Daily Settlement Price of such contract;

Member = means a member of the Exchange, whether a Clearing Member or Non-Clearing Member;

Member Link Agreement = means a Link Clearing Agreement or a Trade Allocation Agreement, each as defined in LIFFE Rule 10.2;

|                                        |   |                                                                                                                                                                                                       |
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| <u>Non-Clearing Member</u>             | = | <u>means a Member who is not a Clearing Member in respect of a particular Group of Exchange Contracts and LIFFE Non-Clearing Member shall have the same meaning;</u>                                  |
| <u>Notice</u>                          | = | <u>means a notice issued by the Exchange;</u>                                                                                                                                                         |
| <u>Option Contract</u>                 | = | <u>means a contract for an option on the terms of an Exchange Contract;</u>                                                                                                                           |
| <u>Original Contract</u>               | = | <u>has the meaning attributed to it by Rule 4.12.2;</u>                                                                                                                                               |
| <u>Parallel Contract</u>               | = | <u>has the meaning attributed to it by Rule 4.12.4;</u>                                                                                                                                               |
| <u>Participating Exchange</u>          | = | <u>means an exchange which has a Link with the Exchange and the term "Participating Exchange" shall include any clearing house who from time to time provides clearing services to such exchange;</u> |
| <u>Participating Exchange Contract</u> | = | <u>has the meaning attributed to it in LIFFE Rule 10.2.1;</u>                                                                                                                                         |
| <u>Participating Exchange Rules</u>    | = | <u>has the meaning attributed to it in LIFFE Rule 10.2.1;</u>                                                                                                                                         |
| <u>Pit</u>                             | = | <u>means, in respect of a Exchange Contract, that part of the relevant ATS Central Processing System handling bids and offers;</u>                                                                    |
| <u>Premium</u>                         | = | <u>means the consideration for the selling of an option payable by the Buyer in accordance with these LIFFE Rules and the Procedures of the CSP;</u>                                                  |

|                                        |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| <u>Price</u>                           | = | <u>means in the case of a Registered Exchange Contract which is (i) not a Contract For Differences, the consideration to be paid by the Buyer in cash in the currency prescribed by the terms of the Exchange Contract, and (ii) a Contract For Differences, the consideration under its terms;</u>                                                                                                                                                                                                                                   |
| <u>Procedures of the CSP</u>           | = | <u>means the procedures of the CSP applicable to LIFFE Business as amended from time to time;</u>                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <u>Recognized Clearing House</u>       | = | <u>has the meaning attributed to it in the Financial Services and Markets Act 2000;</u>                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <u>Recognized Investment Exchange</u>  | = | <u>has the meaning attributed to it in the Financial Services and Markets Act 2000;</u>                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <u>Registered Closing-Out Contract</u> | = | <u>means for the purposes of these LIFFE Rules, a Registered Exchange Contract effected by or on behalf of the Exchange and registered in a Clearing Member's name, being a Registered Exchange Contract on the same terms (except as to Price or Premium) as a Registered Exchange Contract in the Clearing Member's name, save that where the Exchange is a Buyer, under the terms of such Registered Exchange Contract the Exchange shall be a Seller, under the terms of such Registered Closing-Out Contract and vice-versa;</u> |
| <u>Registered Exchange Contract</u>    | = | <u>means a Contract in the Terms of an Exchange Contract entered into by the Exchange and a Clearing Member for the purposes of the provision of clearing services by the Exchange as CCP including, without limitation, a Registered Settlement Contract, or Registered Closing-Out Contract and any contract referred to in paragraphs (ix) or (x) of the definition of "Market Contract" to which the Exchange is party as CCP;</u>                                                                                                |

|                                       |   |                                                                                                                                                                                                                                                                                                                                                                                         |
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| <u>Registered Option Contract</u>     | = | <u>means an Option Contract which is a Registered Exchange Contract;</u>                                                                                                                                                                                                                                                                                                                |
| <u>Registered Settlement Contract</u> | = | <u>means a Market Contract between the Exchange (acting as CCP) or the CSP (as the case may be) and a Clearing Member arising pursuant to LIFFE Rule 13.7.3;</u>                                                                                                                                                                                                                        |
| <u>Regulated Market</u>               | = | <u>has the meaning attributed to it in the Financial Services and Markets Act 2000;</u>                                                                                                                                                                                                                                                                                                 |
| <u>Regulations</u>                    | = | <u>means the General Regulations and Default Rules of the CSP from time to time in force;</u>                                                                                                                                                                                                                                                                                           |
| <u>Relevant Obligation</u>            | = | <u>has the meaning attributed to it by LIFFE Rule 2.2.2;</u>                                                                                                                                                                                                                                                                                                                            |
| <u>Relevant Office-Holder</u>         | = | <u>has the meaning attributed to it in section 189 of the Companies Act 1989;</u>                                                                                                                                                                                                                                                                                                       |
| <u>Relevant Person</u>                | = | <u>has the meaning attributed to it by LIFFE Rule 2.2.1;</u>                                                                                                                                                                                                                                                                                                                            |
| <u>Rules</u>                          | = | <u>means:</u><br><br><u>(i) the rules set forth in the Euronext Rules, which shall form Book I of the LIFFE Rules; and</u><br><br><u>(ii) this document, comprising the sections and headings listed in the Table of Contents included herein, which shall be adopted, and may be amended or revoked, in accordance with the Articles, which shall form Book II of the LIFFE Rules;</u> |
| <u>Segregated Client</u>              | = | <u>means a person whose monies and assets are held by a Clearing Member separately from the Clearing Member's own monies and assets with whom the Clearing Member has agreed (or in respect of which pursuant to National Regulations the Clearing Member is required) not to use such person's</u>                                                                                     |

monies and assets for the Clearing Member's own account;

Seller = means a person who is a seller under the terms of an Exchange Contract;

Settlement to Market = means the process referred to in LIFFE Rule 13.7 whereby the Exchange (i) effects and registers a contract as a Registered Settlement Contract in respect of each eligible Registered Exchange Contract being a contract in the same terms (except as to Price or Premium), including the Exercise Price where applicable, as the Registered Exchange Contract, save that where the Clearing Member is a Buyer under the terms of the Registered Exchange Contract the Clearing Member shall be a Seller under the terms of the Registered Settlement Contract and vice versa, such Registered Settlement Contract being at the relevant Daily Settlement Price for that day, and (ii) where applicable, registers a new contract as a Registered Exchange Contract in such Member's name at the relevant Daily Settlement Price;

Settlement Price = means one or more prices determined in accordance with the Rules in respect of a Delivery Month;

Special Member = means an organisation which has the necessary licences, authorisations or approvals to act as a clearing house or otherwise provide clearing services which has concluded an agreement with the Exchange in such form as the parties may agree, pursuant to which such organisation clears specific types of Exchange Contract and agrees to be bound by these Rules as a Member, to the extent and subject to any variations agreed in such agreement;

Tender = means, in those Contracts in the Terms of Exchange Contracts where such notice is required, the notice in writing, given by or on behalf of a Seller (or Buyer where

the LIFFE Rules so require) pursuant to the contract terms of an intention to make (or take) delivery of a product;

|                                    |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
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| <u>Trade Correction Procedures</u> | = | <u>means the procedures established for the purposes of a Link to facilitate the correction of errors contemplated by such procedures;</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <u>Trading Licence</u>             | = | <u>means a trading licence granted under LIFFE Rule 3.8.1;</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <u>Trading Right</u>               | = | <u>has the meaning attributed to it in LIFFE Rule 3.7.1;</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <u>TRS</u>                         | = | <u>means the trade registration system administered by the Exchange from time to time;</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <u>United Kingdom</u>              | = | <u>means Great Britain and Northern Ireland;</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <u>Unsettled Market Contract</u>   | = | <u>for the purposes of the Default Rules, means a Market Contract in respect of which the rights and liabilities of the parties thereto have not been discharged whether by performance, compromise or otherwise; and</u>                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <u>Variation Margin</u>            | = | <u>means an amount determined by the Exchange (or the CSP on behalf of the Exchange) in accordance with the Procedures of the CSP in respect of Registered Exchange Contracts (as the case may be) by reference to the difference between the contract value of such contracts (as determined in accordance with the Procedures of the CSP) and the value of such contracts at Daily Settlement Prices or at such other prices as the Exchange (or the CSP acting on behalf of the Exchange) may determine pursuant to the Procedures of the CSP. The term "Variation Margin" shall include Daily Settlement Amounts save where the context otherwise requires.</u> |

Expressions referring to writing shall be construed as including references to printing, lithography, photography and other modes of representing or reproducing words or data in a visible form.

Any words importing the singular number only shall, where the context permits, include the plural number and vice versa. Any words importing the masculine gender shall include the feminine gender and shall, where the context permits or requires include a partnership or an incorporated company.

References in the LIFFE Rules to statutory provisions shall be construed as references to those provisions as modified or re-enacted from time to time and to any subordinate legislation made under such provisions and shall include references to any repealed statutory provisions which have been so re-enacted (whether with or without modification).

The headings in the LIFFE Rules are for convenience only and do not affect the construction of the LIFFE Rules.

In the event of inconsistency between the Regulations and the Procedures of the CSP or the contractual provisions of any other undertaking and the provisions of these LIFFE Rules and/or any documents issued hereunder, the provisions of these LIFFE Rules and/or any documents issued hereunder shall prevail, except to the extent that a Clearing Member has been Declared a Defaulter, where any Registered Exchange Contracts to which such Clearing Member is a party shall be exclusively subject to the Regulations and Procedures of the CSP which shall prevail over the LIFFE Rules.

If at any time any provision of these LIFFE Rules becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of these LIFFE Rules nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

## 2.2 Compliance with the LIFFE Rules and conduct

2.2.1 A ~~member~~Member and the ~~responsible persons~~Responsible Persons registered by him under the LIFFE Rules shall each be a "~~relevant person~~Relevant Person".

2.2.1A Such other persons as determined by the *Board* from time to time (and acknowledged by such persons in writing) shall each be a "~~relevant person~~Relevant Person" under the LIFFE Rules in respect of each such person's provision of facilities and/or services in relation to ~~contracts~~Contracts in the ~~terms~~Terms of an Exchange Contract.

2.2.2 Each of the *Euronext Rules*, each of the *LIFFE Rules* and each procedure, order and other requirement implemented by the *Board* under the LIFFE Rules, including each term and administrative procedure of a ~~contract made~~Contract Made in the ~~terms~~Terms of an Exchange Contract, shall be a "~~relevant obligation~~Relevant Obligation". For the purposes of this Rule 2.2.2, the ~~XXXX-Procedures of the Clearing Services Provider~~CSP shall be deemed to be procedures implemented by the *Board* under the LIFFE Rules.

2.2.3 A ~~relevant person~~Relevant Person shall not:

- (a) instigate the making of: or
- (b) make: or
- (c) purport to make, or purport to have made : or
- (d) be involved in the making of: or
- (e) provide facilities and/or services in relation to,

a ~~contract~~Contract in the ~~terms~~Terms of an Exchange Contract, otherwise than in accordance with all ~~relevant obligations~~Relevant Obligations, or in a manner such that a ~~relevant obligation~~Relevant Obligation requires the contract to be treated as invalid.

2.2.4 A ~~relevant person~~Relevant Person shall comply with each of the standards set out in this LIFFE Rule 2.2.4. In relation to any aspect of *LIFFE business*Business or in relation to any aspect of business connected with *LIFFE business*Business, the failure of a ~~relevant person~~Relevant Person to act or conduct himself in a manner which is consistent with any standard set out in this LIFFE Rule shall constitute a violation of this LIFFE Rule. Pursuant to Euronext Rule 8102, a ~~relevant person~~Relevant Person:

- (a) [deleted];
- (b) [deleted];
- (c) shall observe high standards of market conduct;
- (d) shall either avoid any conflict of interest arising or, where conflicts arise, shall ensure fair treatment to all his clients by disclosure, internal rules of confidentiality, declining to act, or otherwise. A ~~relevant person~~Relevant Person shall not unfairly place his interests above those of his clients and, where a properly informed client would reasonably expect him to place its interests above his own, he should live up to that expectation;

- (e) shall organise and control his affairs in a responsible manner, keeping proper records, maintaining appropriate compliance procedures and, where he employs others or is responsible for the conduct of business by others, shall have adequate arrangements to ensure that such other persons (who may or may not be relevant persons) are suitable, adequately trained and properly supervised;
- (f) in all dealings with the *Exchange*, its officers, employees, agents or representatives, shall be honest and truthful and shall not knowingly mislead or conceal any material matter;
- (g) shall deal with the *Exchange* in an open and co-operative manner and keep the *Exchange* promptly informed of anything concerning the ~~relevant person~~Relevant Person which might reasonably be expected to be disclosed to the *Exchange*. The ~~relevant person~~Relevant Person's duty of disclosure shall arise as soon as he becomes aware, or has reasonable grounds for believing, that a matter requiring disclosure has arisen or will arise;
- (h) shall, where he is a ~~member~~Member, disclose promptly to the *Exchange* any matter which may reasonably be regarded as being a matter of concern to the *Exchange* in the context of its relationship with a ~~relevant person~~Relevant Person registered (or who should have been registered) by him with the *Exchange*. This duty of disclosure shall arise as soon as he becomes aware, or has reasonable grounds for believing, that such a matter has arisen or will arise.

2.2.5 A ~~relevant person~~Relevant Person shall not commit any act or engage in any conduct which is likely to bring the *Exchange* or the ~~market~~Market into disrepute.

2.2.6 A ~~relevant person~~Relevant Person shall act or conduct himself in a manner which is consistent with each ~~relevant obligation~~Relevant Obligation. The failure of a ~~relevant person~~Relevant Person to act or conduct himself in a manner which is consistent with a ~~relevant obligation~~Relevant Obligation shall constitute a violation of this LIFFE Rule.

2.2.6A A ~~relevant person~~Relevant Person shall take all reasonable steps to ensure that:

- (a) the manner in which any aspect of LIFFE ~~business~~Business is conducted; and
- (b) the conduct of those involved with any aspect of LIFFE ~~business~~Business (who may or may not be ~~relevant persons~~Relevant Persons),

is consistent with each ~~relevant obligation~~Relevant Obligation. The failure of a ~~relevant person~~Relevant Person to take all such reasonable steps shall constitute a violation of this LIFFE Rule 2.2.6A.

2.2.7 A ~~relevant person~~Relevant Person shall be liable to investigation in accordance with the LIFFE Rules in respect of any act or conduct alleged of such a person and alleged to be in violation of one or more ~~relevant obligations~~Relevant Obligations.

2.2.8 A ~~relevant person~~Relevant Person shall be liable to the imposition of sanctions in accordance with the LIFFE Rules in respect of any act or conduct of such a person which is found to be in violation of one or more ~~relevant obligations~~Relevant Obligations.

2.2.9 A ~~member~~Member shall ensure that the *Responsible Persons* registered by him under the LIFFE Rules shall comply with all ~~relevant obligations~~Relevant Obligations.

2.2.10 Pursuant to Euronext Rule 5107, a ~~member~~Member shall be responsible for the acts and conduct of all *Responsible Persons* registered by him under the LIFFE Rules as if the acts and conduct of each of those persons were the acts and conduct of the ~~member~~Member. For the avoidance of doubt a ~~member~~Member shall be held responsible for a violation of a ~~relevant obligation~~Relevant Obligation committed by a *Responsible Person* registered by him under the LIFFE Rules and sanctions may be imposed on the ~~member~~Member under Section 5 of the LIFFE Rules. In the event that:

- (a) the ~~member~~Member establishes to the satisfaction of the tribunal that it had taken all reasonable steps to prevent such a violation; or
- (b) the tribunal finds that the violation constitutes an isolated instance of anti-social behaviour, as opposed to business misconduct, on the part of the responsible person concerned,

the ~~member~~Member shall be granted an absolute discharge.

~~2.2.11 For the purposes of this LIFFE Rule 2.2, "LIFFE business" shall mean business in respect of which a relevant person is subject to the Rules or which is purportedly conducted subject to the Rules or which should have been conducted subject to the Rules.~~

## 2.3 Committees of the Board

2.3.1 The *Board* shall appoint a Membership, Rules & Trading Committee, and a committee under LIFFE Rule 9.6.2, and may appoint such other committees as they think fit.—~~The membership and terms of reference of any such committee and any regulations imposed on it by the Board shall be notified by means of a General Notice.~~

## 2.4 Supervision of the ~~market~~Market

2.4.1 Responsibility for the supervision of the ~~market~~Market rests with the *Board*. The *Exchange* is subject to the regulatory oversight of the Financial Services Authority under the Financial Services and Markets Act 2000. The *Exchange* may enter into any arrangement the *Board* considers to be in furtherance of the object of the ~~market~~Market or the duties of the *Exchange* under applicable law or regulation with any person or body (including, without limitation, Her Majesty's Treasury, the Financial Services Authority, the Bank of England, ~~the CSP~~, any exchange, market, clearing house or *Participating Exchange*) or any group of such persons or bodies which, in the opinion of the *Board*, exercises a legal or regulatory function under any law or regulation or a function comprising or associated with the enforcement of such a function. In order to assist such persons or bodies in the exercise of such a function and having regard to the object of the ~~market~~Market and the duties of the *Exchange*, the *Exchange* may at any time disclose to any of them such information concerning or associated with a ~~member~~Member or a person connected to a ~~member~~Member as the *Exchange* thinks fit (including, without limitation, information concerning any aspect of transactions made or cleared on the ~~market~~Market), whether or not a formal arrangement governing such disclosure exists or a request in respect of such information has been made. For the purposes of this LIFFE Rule 2.4.1, a "person connected to a ~~member~~Member" includes any person registered to that ~~member~~Member or any person employed by him, whether under a contract of service, a contract for services or otherwise.

## 2.5 Notices

2.5.1 ~~An Exchange notice~~A Notice shall have effect at the time it is published or at such other time as may be stated in the notice.

2.5.2 (a) An *ATS* ~~notice~~Notice shall have effect at the time of transmission or at such later time as may be stated in the notice. The validity and effect of an *ATS* ~~notice~~Notice shall not be diminished or delayed solely by virtue of it not being displayed, whether by reason of failure of equipment or communications or for any other reason, on one or more *ATS* ~~workstation~~Workstation screens or on one or more *TRS* screens as applicable;

(b) if the *Exchange* is entirely prevented for any reason from transmitting an *ATS* ~~notice~~Notice it shall give the *ATS* ~~notice~~Notice by such means as it shall determine from time to time, to which the provisions of LIFFE Rule 2.5.1 shall apply but which shall be treated for the purposes of these LIFFE Rules and any procedures implemented by the *Board* under these LIFFE Rules as an *ATS* ~~notice~~Notice and shall be clearly marked as such.

2.5.3 ~~A General Notice shall have effect at the time it is published by the Exchange or at such other time as may be stated in the notice. A copy of the General~~copy of the *Notice* shall, as

soon as reasonably practicable, be given to each ~~member~~Member (or each ~~member~~Member of one or more classes) ~~either~~ Subject to LIFFE Rule 2.5.4, except as otherwise expressly provided in these LIFFE Rules, any Notice may be given by the Exchange to any Member or other person:-

- (a) personally, or
- ~~(b) by sending it by post to him or to his registered address or (if he has no registered address within the United Kingdom) to the address, if any, within the United Kingdom supplied by him to the Exchange for the giving of notice to him, or~~
- ~~(c) by electronic means (including, for these purposes, facsimile transmission) to the electronic address supplied by him to the Exchange for the giving of notice to him.~~

~~2.5.4 Subject to LIFFE Rule 2.5.5, except as otherwise expressly provided in these Rules, any other notice may be given by the Exchange to any member or other person~~

- ~~(a) personally, or~~
- (b) by sending it by post to him or to his registered address or (if he has no registered address within the United Kingdom) to the address, if any, within the United Kingdom supplied by him to the *Exchange* for the giving of notice to him, or
- (c) by electronic means (including, for these purposes, facsimile transmission) to the electronic address supplied by him to the *Exchange* for the giving of notice to him.

In the case of:

- (i) a ~~notice~~Notice sent by post, service of the ~~notice~~Notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the ~~notice~~Notice, and to have been effected at the expiration of twenty-four hours after the letter containing the same is posted;
- (ii) a ~~notice~~Notice sent by electronic means shall be deemed to be effected by sending it to the electronic address last known to the *Exchange* as the addressee's electronic address, and to have been effected upon transmission by the *Exchange*.

~~2.5.5~~2.5.4 If any agreement to which the *Exchange* is party with a ~~member~~Member requires a notice to be given by the *Exchange* under such agreement, the terms (if any) of such agreement which relate to the giving of notices shall apply to determine the manner in which such notice shall be given and when such notice shall take effect, save that in the absence of any such term LIFFE Rule ~~2.5.4~~2.5.3 shall apply.

## 2.6 Fines

2.6.1 In the case of any breach of ~~the Rules or of procedures implemented by the Board under LIFFE Rule 4.14 or under LIFFE Rule 10.1.2~~any Relevant Obligation, the *Board* or any committee, panel or person authorised in writing by the *Board* or these LIFFE Rules may impose a fine not exceeding £250,000 (or, in the case of a committee, panel, or other person so authorised, such lesser limit as may be stipulated by the *Board*) on the offending ~~relevant person~~Relevant Person. The ~~relevant person~~Relevant Person on whom such a fine is imposed may within ten ~~business days~~Business Days of receiving notice of the fine give notice of appeal to such committee, panel or other person as may be specified for his

particular case or class of case by the *Board* or, if no such committee, panel or other person is so specified, may request the *Board* in writing to reconsider the decision at a hearing. At any such appeal, or any such hearing for reconsideration, the ~~relevant person~~ Relevant Person fined may make such representations and supply such information as he may consider appropriate.

2.6.2 The *Exchange* shall notify the ~~relevant person~~ Relevant Person in writing of the imposition of a fine pursuant to, inter alia, LIFFE Rule 2.6.1. The *Exchange* shall be entitled to specify a period of time, being not less than seven calendar days, in which payment of the fine must be effected. If all or any of the amount of a fine is outstanding at the end of the period specified by the *Exchange*, the *Exchange* may recover the outstanding amount as a debt due to it.

## 2.7 Governing law and jurisdiction

2.7.1 ~~These~~ Subject to Euronext Rule 1702, these LIFFE Rules and all non-contractual obligations arising out of or in connection with the LIFFE Rules are governed by and construed in accordance with English law.

2.7.2 ~~The English courts~~ Save where an alternative dispute resolution mechanism is set out elsewhere in the LIFFE Rules the Exchange and every Member hereby irrevocably agree for the benefit of the Exchange that the courts of England shall have exclusive jurisdiction to ~~determine~~ hear and settle any ~~dispute arising from or connected with these Rules where such a dispute arises between the Exchange and a relevant person~~ claim or matter arising out of or in connection with these LIFFE Rules (including a claim or matter relating to any non-contractual obligation arising out of or in connection with the LIFFE Rules), and each Member irrevocably submits to such jurisdiction and to waive any objection which it might otherwise have to such courts being a convenient and appropriate forum, save that (unless otherwise agreed by the Exchange in writing) this submission to the exclusive jurisdiction of the English courts shall not (and shall not be construed so as to) limit the right of the Exchange to take proceedings in any other court of competent jurisdiction, nor shall the taking of action in one or more jurisdictions preclude the taking of action in any other jurisdiction, whether concurrently or not.

~~2.7.3 A person who is not a relevant person under the Rules has no right under the Contract (Rights of Third Parties) Act 1999 (as amended from time to time) to enforce any provisions of the Rules.~~

2.7.3 Each Member irrevocably waives, with respect to itself and its revenues and assets, all immunity on the grounds of sovereignty or other similar grounds from suit, jurisdiction of any court, relief by way of injunction, order for specific performance or for recovery of property, attachment of its assets (whether before or after judgment) and execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction and irrevocably agrees that it will not claim any such immunity in any proceedings.

**THE LONDON INTERNATIONAL FINANCIAL FUTURES AND OPTIONS EXCHANGE**  
**RULES – BOOK II**

**SECTION 3 - MEMBERSHIP, MEMBERS AND TRADING RIGHTS**

**3.1 Membership criteria**

3.1.1 ~~In deciding~~ The Board may determine whether to admit an applicant to membership of the ~~market, the Board shall determine whether an~~ Market having satisfied itself that the applicant satisfies the following criteria:

- (a) those specified in Euronext Rule 2201/1; and;
- (b) ~~[deleted];~~
- ~~(c) [deleted];~~
- ~~(d) [deleted];~~ (e) any other criteria (including criteria as to financial resources ~~and, where applicable, holdings of shares in LIFFE (Holdings) plc~~) which the *Board* may for the time being prescribe with regard to membership; ~~and.~~

~~(f) in respect of applications for clearing member status, any criteria (including net capital requirements) which the Co-operating Clearing House~~ 3.1.2 The Board may determine whether to designate a Member as a Clearing Member following an application to the Board by such Member in accordance with LIFFE Rule 3.5, provided that he satisfies the criteria which the Board may for the time being prescribe, with regard to the kind of clearing membership in respect of which the Member applies. A Clearing Member must at all times be a member of the CSP and be party to and comply with such Member's Clearing Membership Agreement.

~~3.1.2 [deleted]~~

3.1.3 A ~~member~~ Member of the ~~market~~ Market shall comply, at all times while a ~~member~~ Member, with applicable criteria prescribed by the *Board* pursuant to LIFFE Rule 3.1.1 and Euronext Rule 2401. A ~~clearing member~~ Clearing Member of the ~~market~~ Market shall also comply at all times while a ~~clearing member~~ Clearing Member with the relevant ~~procedures~~ Regulations of the ~~Co-operating Clearing House~~ CSP.

3.1.4 In making the determination referred to in LIFFE Rule 3.1.1 ~~and LIFFE Rule 3.1.2~~ the *Board* shall, in the case of an applicant authorised by a competent authority of a State in the European Economic Area in accordance with the Markets in Financial Instruments Directive, have regard to that authorisation.

**3.2 Capacity of members**

3.2.1 The *Board* may prescribe criteria to be satisfied by a ~~member~~ Member who enters into transactions in respect of any *Exchange Contract* with parties who are not ~~members of the Exchange~~ Members.

~~3.2.2 The Board may direct that any member who does not satisfy the criteria (including criteria as to financial resources) which the Board may for the time being prescribe for this purpose may enter into transactions in respect of any Exchange Contract only with another member.~~

### 3.3 Clearing arrangements

~~3.3.1 A member may become a clearing member upon application to the Board, provided that he satisfies the criteria (including criteria as to financial resources and holdings of shares in LIFFE (Holdings) plc) which the Board and the Co-operating Clearing House may for the time being prescribe with regard to the kind of clearing membership in respect of which the member applies.~~

#### 3.3.1 [deleted]

3.3.2 A ~~clearing member~~Clearing Member shall be designated by the Board as:

- (a) an ~~individual clearing member~~Individual Clearing Member; and/or
- (b) a ~~general clearing member~~General Clearing Member; or
- (c) a ~~commodity clearing member~~Commodity Clearing Member, or
- (d) a ~~special clearing member~~Special Member.

in respect of a group or groups of *Exchange Contracts*.

3.3.3 The Board may for the time being prescribe criteria which a ~~member~~Member:

- (a) shall satisfy in order to be eligible to be ~~a general clearing member or a commodity clearing member or an individual clearing member or a special clearing member~~an Individual Clearing Member, General Clearing Member, Commodity Clearing Member or a Special Member; and
- (b) following designation as ~~a general clearing member, commodity clearing member, individual clearing member or special clearing member~~an Individual Clearing Member, General Clearing Member, Commodity Clearing Member or a Special Member under LIFFE Rule 3.3.2, shall satisfy at all times thereafter in order to maintain such status.

3.3.4 A ~~general clearing member~~General Clearing Member is a ~~clearing member~~Clearing Member who is authorised by the Board to clear *Financial Futures Contracts, Financial Option Contracts*, ~~and Equity Futures Contracts and Equity Option Contracts~~. A ~~general clearing member~~General Clearing Member may also be authorised to clear *Commodity Contracts* by the Board as a ~~general clearing member or as an individual clearing member~~. A ~~general clearing member~~General Clearing Member or as an Individual Clearing Member. A General Clearing Member, in respect of those contracts he is authorised to clear as a ~~general clearing member~~General Clearing Member, may clear for himself, for his clients and for ~~non-clearing members~~Non-Clearing Members under a ~~clearing agreement~~Clearing Agreement.

3.3.5 A ~~commodity clearing member~~Commodity Clearing Member is a ~~clearing member~~Clearing Member who is authorised by the Board to clear *Commodity Contracts*. A ~~commodity clearing member~~Commodity Clearing Member may also be an ~~individual clearing member~~Individual Clearing Member in respect of one or more other groups of *Exchange*

*Contracts.* A ~~commodity clearing member~~Commodity Clearing Member may clear *Commodity Contracts* for himself, his clients and, where so authorised by the *Board*, for ~~non-clearing members~~Non-Clearing Members under a ~~clearing agreement~~Clearing Agreement.

- 3.3.6 An ~~individual clearing member~~Individual Clearing Member is a ~~clearing member~~Clearing Member who is authorised by the *Board* to clear one or more groups of *Exchange Contracts*. A ~~member~~Member, in respect of those contracts he is authorised to clear as an ~~individual clearing member~~Individual Clearing Member, may clear for himself and his clients.
- 3.3.6A A ~~special clearing member~~Special Member is a ~~clearing member~~Clearing Member who is authorised by the *Board* to ~~XXX~~perform such functions as may be specified by the Board and who shall be subject to such rights and obligations under the LIEFE Rules as may be determined by the Board and agreed with such Special Member.
- 3.3.7 A ~~clearing member~~Clearing Member and a ~~non-clearing member~~Non-Clearing Member may, provided they satisfy any criteria which the *Board* may for the time being prescribe, enter into and maintain a ~~clearing agreement~~Clearing Agreement. Unless the *Board* otherwise directs, a ~~clearing member~~Clearing Member who is not a ~~general clearing member or a commodity clearing member~~General Clearing Member or a Commodity Clearing Member may not enter into a ~~clearing agreement~~Clearing Agreement with a ~~non-clearing member~~Non-Clearing Member.
- 3.3.8 A ~~non-clearing member~~Non-Clearing Member shall be party to a ~~clearing agreement~~Clearing Agreement in respect of each ~~group~~Group of *Exchange Contracts* he is entitled to trade on an *ATS*.
- 3.3.9 A ~~non-clearing member~~Non-Clearing Member may be a party to a maximum of two ~~clearing agreements~~Clearing Agreements. In respect of the groups of *Exchange Contracts* he is entitled to trade on an *ATS*, such a ~~non-clearing member~~Non-Clearing Member may either be party to:
- (a) one ~~clearing agreement~~Clearing Agreement for all those groups of *Exchange Contracts*; or
  - (b) one agreement in respect of *Commodity Contracts*, and one for other groups of *Exchange Contracts*.
- 3.3.10 A ~~clearing member~~Clearing Member shall be party to a ~~clearing agreement~~Clearing Agreement in respect of all those groups of *Exchange Contracts* which he is entitled to trade but which he is not authorised to clear.
- 3.3.11 A ~~general clearing member, a commodity clearing member or an individual clearing member~~General Clearing Member, a Commodity Clearing Member or an Individual Clearing Member, in respect of those groups of *Exchange Contracts* which he is not authorised to clear but is entitled to trade on an *ATS*, may be a party to a ~~clearing agreement~~Clearing Agreement with another ~~clearing member~~Clearing Member provided that both parties to the ~~clearing agreement~~Clearing Agreement satisfy any criteria which the *Board* may for the time being prescribe.

3.3.12 Unless the *Board* otherwise directs, a ~~clearing member~~Clearing Member who is not a ~~general clearing member or a commodity clearing member~~General Clearing Member or a Commodity Clearing Member (as appropriate) may not provide clearing services to another ~~clearing member~~Clearing Member under a ~~clearing agreement~~Clearing Agreement.

### 3.4 Nomenclature

3.4.1 A ~~member~~Member may describe himself as a “*Member of The London International Financial Futures and Options Exchange*”, as a “*Member of LIFFE*”, as a ~~Liffe~~LIFFE Member” or as a “*Euronext Derivatives Member*”.

3.4.2 A ~~member~~Member who is designated as a ~~general clearing member~~General Clearing Member may describe himself as a “*General Clearing Member of The London International Financial Futures and Options Exchange*” or as a “*General Clearing Member of LIFFE*” or as a “*Clearing Member of The London International Financial Futures and Options Exchange*” or as a “*Clearing Member of LIFFE*”.

3.4.3 A ~~member~~Member who is designated as a ~~commodity clearing member~~Commodity Clearing Member may describe himself as a “*Commodity Clearing Member of The London International Financial Futures and Options Exchange*” or as a “*Commodity Clearing Member of LIFFE*” or as a “*Clearing Member of The London International Financial Futures and Options Exchange*” or as a “*Clearing Member of LIFFE*”.

~~3.4.4 A member who is designated as an individual clearing member may describe himself as an “Individual Clearing Member of The London International Financial Futures and Options Exchange” or as an “Individual Clearing Member of LIFFE” or as a “Clearing Member of The London International Financial Futures and Options Exchange” or as a “Clearing Member of LIFFE”.~~

~~3.4.4A~~

~~3.4.4~~ A ~~member~~Member who is designated as a ~~special clearing member~~an Individual Clearing Member may describe himself as a ~~“Special~~an “Individual Clearing Member of The London International Financial Futures and Options Exchange” or as a “Special Clearing Member of LIFFE”. an “Individual Clearing Member of LIFFE” or as a “Clearing Member of The London International Financial Futures and Options Exchange” or as a “Clearing Member of LIFFE”.

3.4.5 A ~~member~~Member shall not use a description of his membership other than that which he is authorised to use by virtue of LIFFE Rules 3.4.1 to 3.4.4 without approval in writing from the *Board*.

~~3.4.6 [deleted]~~

~~3.4.7 A Correspondent is not a member of LIFFE and as such is not subject to the membership criteria of LIFFE. A Correspondent shall not describe himself as a Correspondent of The London International Financial Futures and Options Exchange, a Correspondent of LIFFE, or in any other manner which could be taken to imply an endorsement or vetting by the Board, in any publicity material or stationery of the Correspondent.~~

### 3.5 Applications for membership

3.5.1 Subject to any contrary provision in the LIFFE Rules, an application for membership shall be made in the form prescribed from time to time by the *Board*, obtainable upon application to the *Market Secretary*.

3.5.2 Where an applicant proposes to become a ~~clearing member~~Clearing Member, the application shall be accompanied by written confirmation from the ~~Co-operating Clearing House~~CSP that the applicant ~~will be designated as a clearing member~~is, or immediately upon his admission to membership will be, designated as a member of the CSP.

### 3.6 Admission to membership

3.6.1 The *Board* may before considering an application for membership publish the name and address of the applicant, and any other information the *Board* considers relevant, in ~~an Exchange notice~~a Notice.

3.6.2 The *Board* may require from the applicant such information, and may institute such investigation to verify information submitted by the applicant, as it deems necessary. The *Board* may require the applicant, or one or more representatives of the applicant, to attend for interview by the *Board* or by a committee of the *Board*.

3.6.3 Pursuant to Euronext Rule 2303/1, if the *Board* decides to admit an applicant to membership it shall promptly notify the applicant in writing and shall stipulate the date on which the admission to membership shall become effective. The *Board* shall publish from time to time the names of successful applicants for membership by means of ~~an Exchange notice~~a Notice or such other means as the *Board* may determine.

~~3.6.4 [deleted]~~

### 3.7 Trading rights

3.7.1 In order to trade on the facilities provided by the *Exchange* a ~~member~~Member must be granted a ~~trading licence~~Trading Licence pursuant to LIFFE Rule 3.8. The *Board* may stipulate from time to time the trading rights which a ~~member~~Member may obtain by virtue of being granted such ~~trading licence~~Trading Licence.

### 3.8 Trading ~~licences~~Licences

3.8.1 The *Exchange* may grant a ~~trading licence~~Trading Licence, on such terms and for such purposes as the *Board* may from time to time prescribe, to a ~~member~~Member who applies for the grant of such licence.

### 3.9 Rights conferred by ~~trading licences~~Trading Licences

3.9.1 A ~~member~~Member who has been granted a ~~trading licence~~Trading Licence shall be entitled:

- (a) to enter into ~~contracts~~Contracts in the ~~terms~~Terms of ~~any~~—*Exchange Contract*Contracts in relation to which the ~~trading licence~~Trading Licence confers an entitlement to trade in accordance with the LIFFE Rules; and
- (b) to enter into contracts in the terms of any combination of ~~contracts~~different Contracts in the ~~terms~~Terms of ~~different~~—*Exchange Contracts* permitted from time to

time by the *Board* in accordance with procedures implemented by the *Board* for this purpose,

on an *ATS* specified by the *Board*.

### **3.10 Requirements of ~~trading licence~~Trading Licence applicants**

3.10.1 An applicant for a ~~trading licence~~Trading Licence must:

- (a) have been admitted to membership; and
- (b) satisfy such other conditions as the *Board* may from time to time prescribe.

### **3.11 Application for a ~~trading licence~~Trading Licence**

3.11.1 An application for a ~~trading licence~~Trading Licence shall be made in a form prescribed for the time being by the *Board*, obtainable upon application to the *Market Secretary*. Different forms may be prescribed for different kinds of ~~trading licence~~Trading Licence.

3.11.2 No person shall be issued with a ~~trading licence~~Trading Licence unless he shall have deposited with the *Exchange* any fees, levies and charges which may be due and payable by him upon such issue. Such monies shall be repaid in full to the applicant if his application for a ~~trading licence~~Trading Licence is refused.

3.11.3 The *Board* may before considering an application for a ~~trading licence~~Trading Licence publish the name and address of the applicant in ~~an Exchange notice~~a Notice.

### **3.12 Failure to satisfy requirements**

3.12.1 Where a ~~member~~Member holding a ~~trading licence~~Trading Licence ceases to satisfy all of the requirements of LIFFE Rule 3.10 which entitle the ~~member~~Member to enter into one or more contracts falling within the class of contract to which the ~~trading licence~~Trading Licence relates, the ~~trading licence~~Trading Licence shall cease to have effect until such time as such requirements are satisfied.

### **3.13 Nomination and registration of Responsible Persons**

3.13.1 An individual may be nominated as a ~~responsible person~~Responsible Person by a ~~member~~Member subject to any limitation on the number of such ~~responsible persons~~Responsible Persons which may be imposed by the Membership, Rules & Trading Committee. An individual may not be registered as a ~~responsible person~~Responsible Person in the name of more than one ~~member~~Member at any one time.

3.13.2 The nomination of ~~responsible persons~~Responsible Persons shall be subject to the approval of the Membership, Rules & Trading Committee and registration under LIFFE Rule 3.13.3 and such approval and registration may be suspended or revoked. The *Board* may from time to time prescribe the form in which a ~~member~~Member shall nominate such persons, the criteria and procedures for considering and deciding upon such nomination, and the criteria and procedures for suspending or revoking such approval and registration, and shall give notice of any amendments thereto by means of a ~~General~~ *Notice*.

- 3.13.3 The *Exchange* shall maintain a register showing in respect of each ~~member~~Member the persons whose nomination is for the time being approved by the Membership, Rules & Trading Committee under LIFFE Rule 3.13.2.
- 3.13.4 The *Board* may institute such examinations in such form as it sees fit and may require that the passing of such examinations shall be a pre-condition to the registration or continued registration of a ~~responsible person~~Responsible Person.
- 3.13.5 If the Membership, Rules & Trading Committee decides to refuse approval of a nomination under LIFFE Rule 3.13.2, or suspends such approval for more than seven days or revokes such approval, it shall promptly notify the nominating ~~member~~Member in writing. If the ~~member~~Member is dissatisfied with the said Committee's decision he may, within four ~~business days~~Business Days of receiving notice of such decision and of the grounds therefor, appeal in writing to the *Board* against the decision and may make such written representations and supply such written information as he may consider relevant. The *Board* shall within twenty-eight days of receiving notice of the appeal either confirm or amend the decision and shall notify the appellant in writing accordingly. The decision of the *Board* on such an appeal shall be final.
- 3.13.6 A ~~responsible person~~Responsible Person whose registration is suspended for any period shall remain subject to the LIFFE Rules and to the *Exchange's* jurisdiction throughout any such period.

**3.14 Exchange jurisdiction following revocation of registration of a Responsible Person**

- 3.14.1 A ~~responsible person~~Responsible Person (referred to in this LIFFE Rule 3.14 as an "individual") shall remain subject to the LIFFE Rules and to the jurisdiction of the *Exchange* in respect of acts and omissions of the individual while he was registered as a ~~responsible person~~Responsible Person, and in respect of any investigation or disciplinary proceedings relating thereto (including the payment of any fine or application of any other sanction imposed) as if he were still registered, for the longer of:
- (a) the period of twelve months from the date on which his registration was revoked; or
  - (b) the period during which disciplinary proceedings continue against him, being proceedings started by the *Exchange* no later than twelve months after the date on which his registration was revoked, subject to any extension of the period under LIFFE Rule 3.14.3.
- 3.14.2 Disciplinary proceedings commenced following the revocation of an *individual's* registration may be started by giving notice of an investigation to that individual no later than twelve months after the date on which his registration was revoked.
- 3.14.3 In the event that a disciplinary tribunal concludes that there are, or may be, additional matters which should be investigated and in respect of which disciplinary proceedings may be taken, the period referred to in LIFFE Rule 3.14.1 shall be extended until such time as such additional disciplinary proceedings are completed (including the payment of any fine or application of any other sanction imposed).

**3.15 Exchange jurisdiction following de-registration of a Responsible Person**

- 3.15.1 A ~~member~~Member may terminate the registration of a ~~responsible person~~Responsible Person (referred to in this LIFFE Rule 3.15 as an “*individual*”), or an *individual* may terminate his own registration, by giving to the *Exchange* ~~notice~~Notice in writing of intention to de-register the *individual* (a “*de-registration notice*”) with effect from a date specified in the notice.
- 3.15.2 A ~~member~~Member or an *individual* who gives the *Exchange* a *de-registration notice* must provide the *Exchange* with such information concerning the circumstances of the intended de-registration as, in the opinion of the Membership, Rules & Trading Committee, is necessary for that Committee to determine whether:
- (a) to accept the de-registration;
  - (b) to postpone the effective date of the de-registration;
  - (c) without prejudice to the courses of action available to the Membership, Rules & Trading Committee under sub-paragraphs (a) and (b) above, any other measures should be taken by the *Exchange* before or after the de-registration takes effect.
- 3.15.3 The Membership, Rules & Trading Committee may, in its absolute discretion, refuse to accept a *de-registration notice* given by a ~~member~~Member or by an *individual* or may postpone its effective date if it considers it necessary for the protection of ~~members~~Members or their clients.
- 3.15.4 An *individual* who is de-registered shall remain subject to the LIFFE Rules and to the jurisdiction of the *Exchange* in respect of acts and omissions of the *individual* while he was registered as a ~~responsible person~~Responsible Person, and in respect of any investigation or disciplinary proceedings relating thereto (including the payment of any fine or application of any other sanction imposed) as if he were still registered, for the longer of:
- (a) the period of twelve months from the date on which the de-registration became effective; or
  - (b) the period during which disciplinary proceedings continue against the individual, being proceedings started by the *Exchange* no later than twelve months after the date on which the de-registration became effective, subject to any extension of the period under ~~LIFFE~~ Rule 3.15.6.
- 3.15.5 Disciplinary proceedings commenced following an *individual's* de-registration may be started by giving notice of an investigation to him no later than twelve months after the date on which the de-registration became effective.
- 3.15.6 In the event that a disciplinary tribunal concludes that there are, or may be, additional matters which should be investigated and in respect of which disciplinary proceedings may be taken, the period referred to in LIFFE Rule 3.15.4 shall be extended until such time as such additional disciplinary proceedings are completed (including the payment of any fine or application of any other sanction imposed).

### 3.16 Changes in ownership of a ~~member~~Member

3.16.1 A ~~member~~Member which is a partnership shall notify the *Exchange* in writing of any intended addition to or withdrawal from the partnership not less than fourteen days before the intended date thereof.

3.16.2 A ~~member~~Member which is a company having a share capital shall notify the *Exchange* in writing of the name of any person for the time being holding, or having a beneficial interest in, 20% or more of any class of the equity share capital of the ~~member~~Member, or 20% or more of any class of the equity share capital of a company which directly or indirectly holds, or has a beneficial interest in, 20% or more of any class of the equity share capital of the ~~member~~Member, and of any change in such a holding or interest, within seven days of the holding or interest, or a change therein, coming to the ~~member~~Member's notice.

3.16.3 Upon receipt by the *Exchange* of any notice from a ~~member~~Member under LIFFE Rule 3.16.1 or 3.16.2 the *Board* shall review the suitability of the ~~member~~Member for membership of the ~~market~~Market. The *Board* may require the ~~member~~Member to furnish such additional information as the *Board* may from time to time consider material in the course of such review. If upon completion of the review the *Board* is not satisfied that the ~~member~~Member continues to satisfy the applicable criteria for membership mentioned in LIFFE Rule 3.1 it shall consider whether to:

- (a) suspend the rights conferred by any ~~trading licence~~Trading Licence of the ~~member~~Member for a period not exceeding seven days (and may thereafter consider whether to suspend such rights for one or more further such periods); or
- (b) suspend the rights of the ~~member~~Member under LIFFE Rule 7.1.1.

### 3.17 [deleted]

### 3.18 Fees, levies and charges

3.18.1 The *Board* may from time to time impose fees, levies and charges to be paid by ~~members~~Members in such respects and on such terms as the *Board* may prescribe. The *Board* shall give notice of such fees, levies and charges by means of a ~~General Notice~~.

3.18.2 A ~~member~~Member who fails to pay any fee, levy or charge within thirty days of it becoming payable shall be notified in writing by the *Exchange* of such arrears. Without prejudice to the ~~default rules~~Default Rules, if the arrears are not paid in by the ~~member~~Member within ten days of the date of despatch of such notice, the *Board* may (subject to LIFFE Rule 7.1.1) suspend his rights until all monies for the time being owed by him to the *Exchange*, together with any other sums that shall accrue due and payable by him and remain unpaid during the period of suspension, shall have been paid.

### 3.19 Cessation of membership and / or clearing status

3.19.1 Pursuant A Member may:

(a) cease to be a Member (pursuant to Euronext Rule 2801/4, a member may cease to be a member) by virtue of giving the *Exchange* written notice of his wish to resign from membership ~~(a “resignation notice”). A clearing member, or~~

(b) if a Clearing Member, may cease its ~~membership or its clearing member~~ status as a Clearing Member by giving the *Exchange* and the ~~Co-operating Clearing House~~CSP notice of not less than three months ahead of its cessation date,

each a “resignation notice”. By the close of business on the cessation date the ~~clearing member~~Clearing Member shall ensure that all ~~registered contracts~~Registered Exchange Contracts in its name have been closed-out or transferred so that there are no ~~open registered contracts~~Registered Exchange Contracts to which they are a party.

3.19.2 A ~~member~~Member who ceases to be a ~~member~~Member or a Clearing Member who ceases to be a Clearing Member by virtue of LIFFE Rule 3.19.1 (a “former member”) shall remain subject to the LIFFE Rules and to the jurisdiction of the *Exchange* in respect of acts and omissions while he was a ~~member~~Member or Clearing Member (as applicable) and in respect of any investigation or disciplinary proceedings relating thereto (including the payment of any fine or application of any other sanction imposed) as if he were a ~~member~~Member or Clearing Member (as applicable), for the longer of:

(a) the period of twelve months from the date on which he ceased to be a ~~member~~Member or Clearing Member (as applicable); or

(b) the period during which any disciplinary proceedings continue against him, being proceedings started by the *Exchange* no later than twelve months after the date on which he ceased to be a ~~member~~Member or Clearing Member (as applicable), subject to any extension of the period under LIFFE Rule 3.19.6.

3.19.3 Pursuant to Euronext Rule 2801/1, a ~~member~~Member who gives the *Exchange* a *resignation notice* must provide the *Exchange* with such information concerning the circumstances of the resignation as, in the opinion of the *Board*, is necessary for the *Board* to determine whether:

(a) to accept the resignation of status-change;

(b) to postpone the effective date of the resignation; or status-change; and/or

(c) without prejudice to the courses of action available to the *Board* under subparagraphs (a) and (b) above, any other measures should be taken by the *Exchange* before or after the resignation or status-change takes effect.

3.19.4 Pursuant to Euronext Rule 2801/2, the *Board* may, in its absolute discretion, refuse to accept a *resignation notice* given by a ~~member~~Member or may postpone the effective date if it considers it necessary for the protection of clients, or otherwise in the interests of the ~~market~~Market. If the *Board* does so, the *Board* may waive the ~~member~~Member's liability for some or all *Exchange* fees and charges arising in respect of the period following the date on which his *resignation notice* would otherwise have taken effect.

3.19.5 Disciplinary proceedings commenced following a ~~member~~Member's resignation may be started by giving notice to the former ~~member~~Member of an investigation no later than twelve months after the date on which he ceased to be a ~~member~~Member.

3.19.6 In the event that a disciplinary tribunal concludes that there are, or may be, additional matters which should be investigated and in respect of which disciplinary proceedings may be taken, the period referred to in LIFFE ~~Rule~~ 3.19.2 shall be extended until such time as such additional disciplinary proceedings are completed (including the payment of any fine or application of any other sanction imposed).

**3.20 Financial requirements for ~~members~~Members**

3.20.1 A ~~member~~Member shall at all times maintain his financial resources at or in excess of the amount prescribed by the *Board* in respect of the ~~member~~Member's capacity on the ~~market~~Market. The current requirements for financial resources shall be notified by means of a ~~General Notice~~ and the *Board* shall give reasonable notice of any change in these requirements.

3.20.2 ~~Notwithstanding~~Notwithstanding LIFFE Rule 3.20.1, a ~~clearing member~~Clearing Member shall at all times meet the financial resources requirements of the ~~Co-operating Clearing House~~CSP. Additional resources will be required when in the ~~Co-operating Clearing House~~CSP's opinion, a ~~clearing member~~Clearing Member's net capital is not commensurate with its level of business.

3.21 ~~Shareholding requirements for clearing members~~[deleted]

~~3.21.1 A clearing member shall at all times meet or exceed the requirements for holdings of shares in LIFFE (Holdings) plc prescribed by the Board from time to time in respect of the member's clearing status. The current requirements for shareholding shall be notified by means of a General Notice and the Board shall give reasonable notice of any change in these requirements.~~

**3.22 Requirement for ~~members~~Members to maintain suitable accounting and other records**

3.22.1 A ~~member~~Member shall maintain accounting and other records sufficient to show and explain, inter alia, all of his contracts made on the ~~market~~Market or otherwise pursuant to the LIFFE Rules. The records shall, without prejudice to the generality of the foregoing, be such as:

- (a) to disclose the open trading positions at all times of the ~~member~~Member and of each of his clients; and
- (b) to show the ~~margin~~Margin required to be deposited from time to time by the ~~member~~Member with the *Exchange* or ~~the CSP or~~ with the ~~clearing member~~Clearing Member with whom he is party to a ~~clearing agreement~~Clearing Agreement, as the case may be, and the ~~margin~~Margin required to be deposited from time to time with the ~~member~~Member by each of his clients; and
- (c) to record all payments and other collateral received by the ~~member~~Member to satisfy such ~~margin~~Margin requirements; and
- (d) [deleted]
- (e) to evidence the existence, implementation and continuing utilisation of all appropriate procedures and controls for the purpose of conducting business on the

~~market~~Market, including, without limitation, all appropriate procedures and controls to ensure the creation and maintenance of audit trails in respect of business conducted on the ~~market~~Market or otherwise in relation to contracts made on the ~~market~~Market;

- (f) to demonstrate that all requirements imposed by or pursuant to the LIFFE Rules or a *Member Link Agreement* to which a ~~member~~Member is party have been and continue to be complied with by the ~~member~~Member; and
- (g) to demonstrate that all requirements imposed by or pursuant to the LIFFE Rules in respect of pre-negotiation of contracts in the terms of specified *Exchange Contracts* or groups of *Exchange Contracts* made, or intended to be made, on the ~~market~~Market have been and continue to be complied with by the ~~member~~Member.

3.22.2 A ~~member~~Member shall maintain accounting and other records sufficient to show and explain, inter alia, all of his contracts made on the market or otherwise pursuant to the LIFFE Rules in the course of:

- (a) undertaking a role in relation to which the *Board* has implemented procedures pursuant to LIFFE Rule 4.14.8(b); or
- (b) undertaking a role, falling outside the scope of paragraph (a), which brings the ~~member~~Member within the scope of the supervision carried out by the *Exchange* pursuant to LIFFE Rule 2.4.1 and pursuant to procedures implemented by the *Board* under LIFFE Rule 4.14.8(e).

3.22.3 A ~~member~~Member shall maintain accounting and other records sufficient to show and explain contracts made by the ~~member~~Member for the purchase or sale of equity shares in relation to, or purportedly in relation to, contracts made by him on the ~~market~~Market in the terms of an *Equity Option Contract* in the course of undertaking a role falling within the scope of paragraph (a) or (b) of LIFFE Rule 3.22.2.

3.22.4 [deleted]

3.22.5 The *Exchange* may require conversations in respect of contracts made, or intended to be made, on the ~~market~~Market which are conducted on telecommunications equipment of any kind located in a ~~member~~Member's premises to be recorded by or on behalf of the ~~member~~Member. Any such recordings shall be retained by the ~~member~~Member on such terms and conditions and for such periods of time as the *Board* may prescribe from time to time.

### 3.23 **Right of Market Supervision Department and other ~~exchange officials~~Exchange Officials to carry out inspections**

3.23.1 Officials of the *Market Supervision Department* who are responsible for monitoring the compliance of ~~members~~Members with the LIFFE Rules may, subject to LIFFE Rule 3.23.2 and without prejudice to LIFFE Rule 3.23.3, from time to time inspect the records maintained pursuant to LIFFE Rule 3.22 to determine whether the LIFFE Rules and the terms of any *Member Link Agreement* to which a ~~member~~Member is party are being observed by the ~~member~~Member. Such officials shall have the right of access at any time, without requirement for prior notice, to any such records which are maintained by the *Exchange* and the right of access during normal business hours, without requirement for

prior notice, to any such records which are not maintained by the *Exchange*, whether held by the ~~member~~Member or a third party. The *Exchange* shall be entitled to arrange, at the cost of the *Exchange*, for a person eligible for appointment as a company auditor under ~~section~~Section 25 of the Companies Act 1989 (as for the time being amended) or, in the case of records kept outside Great Britain, a person or firm having similar qualifications, to assist with such inspection.

3.23.2 A ~~member~~Member may require by notice in writing to the *Market Supervision Department* that inspections of his records to be made after the date of such notice under LIFFE Rule 3.23.1, except for inspections of records maintained by the *Exchange*, be conducted at the ~~member~~Member's cost by a specified person eligible for appointment as a company auditor under the said ~~section~~Section 25 or, in the case of records kept outside Great Britain, a specified person or firm having in the *Exchange*'s opinion similar qualifications, provided in either case that:

- (a) the specified firm or person shall before the date of such notice have accepted appointment as external auditors or auditor of the ~~member~~Member's books of account;
- (b) the specified firm or person shall have agreed in writing to carry out any such inspection promptly and in accordance with any instructions issued or to be issued by *Market Supervision Department* in respect of the inspection and to report without unreasonable delay to the *Market Supervision Department* the results of the inspection, save that such report shall not be required to state the name of any client of the ~~member~~Member, and the ~~member~~Member shall have agreed that such inspections and reports may be made; and
- (c) officials of the *Market Supervision Department* shall continue to have access to the ~~member~~Member's records under LIFFE Rule 3.23.1 in order to ascertain his positions from time to time for the purposes of LIFFE Rules 2.4 and 4.15 and for the purposes of procedures implemented by the *Board* under LIFFE Rule 4.14.7.

3.23.3 *Exchange* ~~officials~~Officials may from time to time inspect systems and equipment of any kind (including, but not limited to, *ATS* workstations) operated by the ~~member~~Member in connection with ~~LIFFE~~ ~~business~~Business, wheresoever located, to determine whether the LIFFE ~~Rules~~, any procedures implemented by the *Board* under LIFFE Rule 4.14 or any other *Exchange* procedures or agreement between the *Exchange* and the ~~member~~Member are being, will be or have been complied with. Such officials shall have the right of access to such systems and equipment, to the premises on which such systems and equipment are located and to any data stored in any such systems or equipment during normal business hours and during the hours trading may take place on the ~~market~~Market under LIFFE Rule 4.2, without prior notice to the ~~member~~Member. Such ~~exchange~~ ~~officials~~Exchange Officials shall have the right to remove, copy or reproduce any data to which they have access under this LIFFE Rule.

### 3.24 Reports on financial condition

3.24.1 To demonstrate a continuing compliance with the financial requirements for ~~members~~Members a ~~member~~Member shall submit to the *Market Supervision Department* such information as the *Board* may prescribe and at such times as the *Board* may prescribe.

The *Board* may determine that the requirements shall not be the same for all ~~members~~Members. The current requirement for reporting financial condition shall be notified by means of a ~~General-Notice~~ and the *Board* shall give reasonable notice of any change in these requirements.

3.24.2 Without prejudice to the reporting requirement specified in LIFFE Rule 3.24.1 a ~~member~~Member shall notify the *Market Supervision Department* immediately if he has reason to believe that he no longer complies, or may not comply, with the financial requirements for ~~members~~Members or if he has suspended payment, called a meeting of his creditors, (in the case of an individual member or a partnership) if a receiving order or a bankruptcy order is made against him or all the partners, or (in the case of corporate ~~member~~Member) a receiver, an administrative receiver or an administrator is appointed or a petition for its winding-up is presented or a resolution is passed for its winding-up or proceedings have otherwise commenced for its dissolution or (in any case) an event of insolvency otherwise occurs in respect of the ~~member~~Member.

3.24.3 In the case of a ~~clearing-member~~Clearing Member, the *Market Supervision Department* shall have the right to give to the ~~Co-operating-Clearing-House~~CSP a copy of any information supplied pursuant to the reporting requirements referred to in LIFFE Rule 3.24.1 and a copy of any notification received by the *Market Supervision Department* pursuant to LIFFE Rule 3.24.2.

3.24.4 The *Market Supervision Department* may require ~~members~~Members, or any of them, to furnish such information as the Department may specify in respect of ~~market contracts~~Market Contracts to which they are party and in respect of their open trading position. Such information may be required to be furnished periodically or on particular occasions.

~~3.24.5~~24.5 [deleted]

### 3.25 Confidentiality of ~~members~~Members' financial and other information

3.25.1 All information concerning a ~~member~~Member's affairs obtained or received by officials of the *Market Supervision Department* as a result of inspections of accounting and other records and from quarterly balance sheets, declarations or reports on financial condition shall be confidential to the officials of that department and all information and data obtained or received by ~~exchange-officials~~Exchange Officials under ~~LIFFE~~ Rule 3.23.3 shall be confidential to such officials provided that:

- (a) this LIFFE Rule shall be without prejudice to LIFFE Rules 2.4.1, 3.24.3 and 9.9.1;
- (b) ~~exchange-officials~~Exchange Officials obtaining or receiving information or data under LIFFE Rule 3.23.3 shall be entitled to disclose it to officials of the *Market Supervision Department*;
- (c) if, in the opinion of the *Chief Executive*, it is necessary for the *Board*, or a committee of the *Board*, to determine whether a LIFFE Rule has been violated, such information as is, in the opinion of the *Chief Executive*, necessary for that purpose may be disclosed to the *Board* or to the committee; and
- (d) any such official shall be entitled at any time to disclose any such information or data which it has obtained or received to the committee appointed under LIFFE Rule

**3.26 Deleted ~~[deleted]~~****3.27 Margin liability of clients**

3.27.1 Not less often than once each ~~business-day~~Business Day a ~~member~~Member shall calculate or recalculate the liability for ~~margin~~Margin of each of his clients, including clients who are ~~members~~Members, in respect of open positions in his books. The amount of such liability shall on each occasion be calculated to be no less than the amount of a ~~clearing member~~Clearing Member's liability to the *Exchange* or the CSP for ~~margin~~Cover for Margin in respect of the same open positions if they, and no other positions, were at that time registered with the *Exchange* in his name.

3.27.2 Subject to LIFFE Rule 3.27.4, ~~margin~~Cover for Margin shall be promptly collected in full from a client whenever the calculation made under LIFFE Rule 3.27.1 shows that a new or increased liability for ~~margin~~Margin has arisen on the part of the client. Subject further to LIFFE Rule 9.2.5, a ~~member~~Member shall take all steps reasonably necessary and available to ensure such collection or, in the event of the client's default, such steps as are open to him to reduce the client's liability.

3.27.3 Without prejudice to the ~~member~~Member's obligations under LIFFE Rules 3.27.1 and 3.27.2, where the client of a ~~member~~Member is a subsidiary, a fellow subsidiary or a holding company of the ~~member~~Member, or is in the opinion of the *Board* otherwise closely connected with the ~~member~~Member (such opinion being communicated to the ~~member~~Member in writing with express reference to this LIFFE Rule), the ~~member~~Member shall procure that the client in turn complies with those LIFFE Rules as if the client were a ~~member~~Member.

3.27.4 A ~~member~~Member shall not be obliged to collect ~~margin~~Cover for Margin arising from open positions in full promptly from a client pursuant to LIFFE Rule 3.27.2 provided that such ~~member~~Member's decision not to collect ~~margin~~Cover for Margin in full promptly is made pursuant to prudent management policies and procedures which satisfy any criteria which may be specified by the *Board* from time to time.

3.27.5 Where the *Board* considers that a ~~member~~Member does not comply with LIFFE Rule 3.27.4 above it may give directions to such ~~member~~Member as it thinks fit.

**3.28 Opening of client accounts**

3.28.1 A ~~member~~Member may not make a ~~contract with a client~~Contract in the ~~terms~~Terms of an *Exchange Contract* with a client, or accept an order from a client for the execution of contracts on the ~~market~~Market, unless:

- (a) the client is a ~~member~~Member; or
- (b) the client (and where the client is the manager or trustee of a discretionary fund, each person known to the ~~member~~Member to have an interest in the fund) has received from the ~~member~~Member a notice in writing containing, inter alia, information specified for the purpose of this LIFFE Rule by the *Board* by ~~General~~Notice and, except in such circumstances as the *Board* may from time to time specify by ~~General~~

*Notice*, the client (and each such person aforesaid) has assented in writing to the terms of such notice; and

- (c) where such requirements apply, the ~~member~~Member has complied with the requirements prescribed by the *Board* under LIFFE Rule 3.28.3;

provided that no such notice as is mentioned in paragraph (b) hereof need be given to a person having an interest in a discretionary fund where the terms governing the fund prevent the client from taking instructions from such person as to the management of the fund.

- 3.28.2
  - (a) Subject to paragraph (b) of this LIFFE Rule 3.28.2, a ~~member~~Member may, in such circumstances and with respect to such *Exchange Contracts* as may from time to time be prescribed by the *Board* by ~~General~~ *Notice*, agree in writing with a client that any dispute, claim or matter arising from or in relation to any ~~contract between them~~Contract in the ~~terms~~Terms of an *Exchange Contract* ~~between them~~ shall not be referred to arbitration under the LIFFE Rules and that the Courts of England shall have exclusive jurisdiction to hear and determine any such dispute, claim or matter arising from or in relation to such contract.
  - (b) Any dispute, claim or matter arising from or in relation to a ~~contract~~Contract in the ~~terms~~Terms of a *Linked LIFFE Contract* between a ~~clearing member~~Clearing Member and a client, who are party to a *Member Link Agreement* which covers such contract, shall be dealt with in accordance with the terms of such *Member Link Agreement*.

- 3.28.3 Where the *Exchange* has entered into an arrangement in accordance with LIFFE Rule 2.4.1, the *Board* may from time to time:
  - (a) specify the characteristics of a person or an entity which, in the context of such arrangement, a ~~member~~Member is not entitled to treat as a client with reference to particular *Exchange Contracts* specified by the *Board*;
  - (b) specify the characteristics of a person or an entity which, in the context of such arrangement, a ~~member~~Member is entitled to treat as a client with reference to particular *Exchange Contracts* specified by the *Board*;
  - (c) specify the documentation which a ~~member~~Member with a client of a kind falling within paragraph (b) hereof shall provide to the client and the documentation which the ~~member~~Member must obtain from the client containing such representations made by the client to the ~~member~~Member as may be required by the *Board* from time to time.

**LONDON INTERNATIONAL FINANCIAL FUTURES AND OPTIONS EXCHANGE  
RULES — BOOK II**

## SECTION 4 - TRADING RULES

### 4.1 ~~Interpretation~~[deleted]

~~4.1.1 In LIFFE Rule 4.4.1 and in LIFFE Rules 4.8.1 to 4.12.8 inclusive, "allocation" of a contract signifies a transaction to the intent that, under the Rules relating to clearing and registration, the clearing member in whose name a related contract is to be registered by the Exchange shall not be the member making the contract in the pit or the clearing member, if any, with whom he is party to a clearing agreement which is applicable to the contract, but shall be the member to whom the contract is allocated or the clearing member, if any, with whom he is party to a clearing agreement which is applicable to the contract.~~

### 4.2 ~~Business days~~Days and trading hours

4.2.1 The ~~market~~Market shall normally be open from Monday to Friday in each week and shall normally be closed on Saturdays, Sundays, Public Holidays in England and on any day on which trading is suspended under the Banking and Financial Dealings Act 1971. Notwithstanding the generality of the foregoing, the *Board* may determine from time to time that the ~~market~~Market shall be open or closed on any day and that any *Exchange Contract* shall, or shall not, be made available for trading on any day. Any such day shall be notified by means of a ~~General~~ Notice.

### 4.3 ~~Prohibited practices~~

- 4.3.1
- (a) In relation to any aspect of *LIFFE business* ~~business~~Business or in relation to any aspect of business connected with *LIFFE business*, ~~a relevant person~~Business, a Relevant Person shall not engage in practices which might reasonably be expected to have an adverse effect on the operations of the ~~market~~Market or result in unfairness to his client(s) or other ~~market~~Market participants.
  - (b) Notwithstanding the generality of, and without prejudice to, the remainder of this LIFFE Rule 4.3.1, a relevant person shall not engage in the following practices or behaviour:
    - (i) price manipulation or cornering of the ~~market~~Market;
    - (ii) where a ~~relevant person~~Relevant Person creates a misleading impression of activity occurring in the ~~market~~Market and/or causes the *Exchange* to report a misleading price level ("a *wash transaction*");
    - (iii) where a ~~relevant person~~Relevant Person knowingly, or having reason to know, enters into a contract or contracts in an attempt to conceal a potential or actual trading abuse by himself or some other party ("an *accommodation transaction*");
    - (iv) where a ~~relevant person~~Relevant Person deliberately trades, or places orders to trade, in the same direction (purchase or sale) as a client order with a view to realising a profit pursuant to any price movement brought about by the client order ("*front-running*");

- (v) where a ~~relevant person~~ Relevant Person assigns trades rightfully due to a client to another account. For the avoidance of doubt, a ~~relevant person~~ Relevant Person may be deemed to be engaging in this practice if such trades are assigned to the other account in error for whatever reason where the situation is not subsequently remedied due to a failure to act on the part of the ~~relevant person~~ Relevant Person;
- (vi) withdrawing or withholding a client's order, in whole or in part, for the benefit of a ~~relevant person~~ Relevant Person or any other firm or individual;
- (vii) taking advantage of a client order for the benefit of a ~~relevant person~~ Relevant Person or any other firm or individual; and
- (viii) where one or more ~~relevant persons~~ Relevant Persons executes one or more trades the principal rationale of which is to effect a monetary transfer between accounts in a concealed manner without creating or eliminating open interest or for no legitimate purpose ("a *compensation trade*").

#### 4.4 Cross transactions

- 4.4.1 Pursuant to Euronext Rule 5501, in circumstances ~~(other than those mentioned in the second sentence of LIFFE Rule 4.10.1)~~ and subject to conditions to be specified by the *Board* by ~~General Notice~~ (or in the implementation of any procedures under LIFFE Rule 4.14.7) a ~~member~~ Member may be deemed to contract with himself in the ~~pit in a~~ Pit in a cross transaction and LIFFE Rule 4.12 shall apply to such Member in each of his capacities as Buyer and Seller under the Original Contract represented by such cross transaction. Further, where in order to give effect to ~~LIFFE Rule 4.12.2 or an allocation or further allocation a member~~ an Allocation a Member would be required to contract with himself, there shall be deemed to arise such a contract between a ~~member~~ Member and himself, such deemed contract being a cross transaction for the purposes of the LIFFE Rules.

#### 4.5 Disputes

- 4.5.1 If a contract made or alleged to be made in the ~~pit~~ Pit is the subject of a dispute and the matter cannot be resolved, one or more parties to the dispute shall, in accordance with procedures implemented from time to time by the *Board* under LIFFE Rule 4.14, notify the dispute to an ~~exchange official~~ Exchange Official, who may require one or both of such parties to take any step as may be specified by the ~~exchange official~~ Exchange Official to limit any loss, which may include a requirement to do so by immediately making an appropriate contract in the ~~pit~~. ~~If the contract under dispute has already been reported for clearing, the reported buyer and the reported seller shall, subject to the exchange official's approval, complete a document for the purposes of clearing to stipulate any amendment required and such document shall be delivered to the Exchange.~~ Pit.

#### 4.6 Trading by a director or employee of a ~~member~~ Member

- 4.6.1 A director or an employee of, or a partner in, a ~~member~~ Member may be a client of the ~~member~~ Member for his own account or for an account in which he has a beneficial interest, provided that any transactions for such account are separately recorded and identified in the accounting records of the ~~member~~ Member, but are otherwise dealt with in the same manner as transactions of other clients of the ~~member~~ Member, and are margined in a manner

consistent with that adopted for other clients of the ~~member~~Member. Transactions of a director or an employee or partner shall be reported to and monitored by senior management of the ~~member~~Member who are independent of the director, employee or partner concerned and who shall maintain procedures to ensure that the trading and conduct of the director, employee or partner are not prejudicial to the interests of the ~~member~~Member's other clients.

4.6.2 A director or an employee of, or a partner in, a ~~member~~Member shall not be a client of any other ~~member~~Member in respect of a ~~contract~~Contract in the ~~terms~~Terms of an Exchange Contract, save as may be otherwise specified by the Board from time to time.

#### **4.7 Eligibility to make contracts on the ~~market~~Market**

4.7.1 Every ~~contract-made~~Contract Made in the ~~pit~~Pit shall be in the terms of an Exchange Contract. No ~~contract~~Contract in the ~~terms~~Terms of an Exchange Contract shall be made by a ~~member~~Member with any other ~~member~~Member, whether or not the contract is made in the ~~pit~~Pit, unless each ~~member~~Member is designated as a ~~clearing-member~~Clearing Member in respect of the ~~group~~Group of Exchange Contracts which includes the Exchange Contract concerned or is party to a subsisting and applicable ~~clearing-agreement~~Clearing Agreement (or is for the time being dispensed by order of an ~~exchange-official~~Exchange Official from such requirement).

4.7.2 [deleted]

4.7.3 Subject to LIFFE Rule 4.7.4, where applicable, a contract shall not be made in the ~~pit~~Pit by a ~~member~~Member unless the ~~member~~Member has been granted the appropriate ~~trading licence~~Trading Licence.

4.7.4 No Financial Futures Contract or Financial Option Contract which is also a Linked LIFFE Contract may be made in the ~~pit~~Pit by a ~~member~~Member unless the ~~member~~Member is in compliance with the applicable provisions of LIFFE Rule 10.3.

4.8 [deleted]

#### **4.9 Trading in the ~~pit~~Pit**

4.9.1 Contracts may be executed through an ATS only through ~~Individual-Trading Mnemonics~~individual trading mnemonics associated with ~~responsible persons~~Responsible Persons.

4.9.2 Every ~~contract-made~~Contract Made in the ~~pit~~Pit shall be executed in accordance with procedures from time to time implemented by the Board under LIFFE Rule 4.14.7. Transactions in the ~~pit~~Pit in respect of an Exchange Contract may take place only during the hours specified for that purpose under Euronext Rule 5102/2.

~~4.9.3 [deleted]~~

~~4.9.4 [deleted]~~

#### ~~4.10 Contractual relationships~~

#### 4.10 Acting as principal to Market Contracts

4.10.1 [deleted]

~~4.10.2 [deleted]~~  
~~4.10.3 In all contracts made with one another in the pit and in all parallel and related contracts made or deemed to be made with one another under LIFFE Rules 4.12.1 to 4.12.3 inclusive, members shall~~  
Members shall be deemed to be acting as principal in respect of all Market Contracts (whether or not they may for purposes other than those of the LIFFE Rules be agents for others) ~~be deemed to act as principals~~ and shall accordingly be personally bound by and entitled under such contracts. ~~No course of dealing or agreement between any persons shall lead to any contrary presumption~~  
The Exchange as CCP contracts as principal in respect of Market Contracts to Clearing Members.

#### ~~4.11~~ **Guarantee by clearing member**

~~4.11.1 Where there subsists a clearing agreement between a clearing member and a non-clearing member, the clearing member shall guarantee to other members the performance of and shall indemnify them in respect of all contracts made in the pit by the non-clearing member and to which that clearing agreement applies and the non-clearing member's obligations in respect of all contracts made in the pit and allocated to him and to which that clearing agreement applies, subject only to the provisions of the Rules.~~

~~4.11.2 The liability of a clearing member under such guarantee and indemnity shall arise on demand of a member following a default by the non-clearing member in the performance of any obligation under a contract made by him in the pit and to which such guarantee and indemnity apply or in respect of a contract made in the pit and allocated to him and to which such guarantee and indemnity apply, being a contract made with the member making demand. A clearing member shall accept as conclusive in determining such liability and the amount thereof the award of arbitrators appointed pursuant to section 6 of the Rules or of any court of competent jurisdiction.~~

~~4.11.3 The guarantee and indemnity given by the clearing member under LIFFE Rule 4.11.1 in respect of each contract made in the pit by the non-clearing member and to which such guarantee and indemnity apply, or of the non-clearing member's obligations in respect of a contract made in the pit and allocated to him and to which such guarantee and indemnity apply, shall cease and determine on the discharge of each such contract by novation under LIFFE Rule 4.12.4.~~

~~4.11.4 The Clearing House and members or any of them may from time to time, without the further consent of a clearing member and without affecting any liability of his under the guarantee and indemnity contained in LIFFE Rule 4.11.1, take or renew or give up in whole or in part any guarantee or other security from any person, or extend the time for performance of any obligation by any person, or give any other indulgence as regards the time or mode of performance of any obligation by a non-clearing member with whom the clearing member has made a clearing agreement which is applicable to the obligation of the non-clearing member, or vary or determine any contract to which that clearing agreement applies or do any or all of such things, as the Clearing House or members or any of them may see fit.~~

~~4.11.5 A clearing member shall not be entitled, as against any member claiming against him under the guarantee or indemnity contained in LIFFE Rule 4.11.1, to any right of proof in the bankruptcy or other insolvency of the non-clearing member whose contract is the subject of such claim or any other right of a surety discharging the liability of such principal unless and until the whole of all liabilities of the clearing member under the guarantee and indemnity in respect of such non-clearing member have been completely discharged and satisfied.~~

~~4.11.6 Any person receiving, recovering or obtaining the release of monies under the guarantee or indemnity contained in LIFFE Rule 4.11.1 shall be entitled to credit any such monies to a~~

~~separate or suspense account at any time and at any place and for such time as such person may think prudent without any intermediate obligation on the part of such person to apply the same or any part thereof in or towards the discharge of any liability mentioned in LIFFE Rule 4.11.2 or any intermediate right on the part of the clearing member whose liability it is to take proceedings against the non-clearing member in respect of whose default the liability has arisen or to prove against his estate in competition with or so as to diminish any dividend or other advantage that would or might come to such person or to treat the default of such non-clearing member as diminished.~~

~~4.11.7 Each member shall so long as any monies remain owing to him (whether contingently or otherwise) under the guarantee or indemnity contained in LIFFE Rule 4.11.1 have a right of set-off therefor against all monies standing to the credit of the clearing member so indebted to him whether on any current or other account.~~

~~4.11.8 Where the non-clearing member party to a clearing agreement is a partnership, the guarantee and indemnity given by the clearing member under LIFFE Rule 4.11.1 shall be a continuing guarantee and indemnity in respect of all defaults of the type covered thereby although by death, retirement or admission of partners or other causes the constitution of such non-clearing member may from time to time vary.~~

~~4.11.9 The guarantee and indemnity given by a clearing member under LIFFE Rule 4.11.1 shall be in addition to and not in substitution for any other guarantee or indemnity given by him in respect of the same non-clearing member, and shall remain effective notwithstanding any variation in the Rules or in the terms of any Exchange Contract or of his clearing agreement.~~

4.10.2 **The rights and obligations of parties to Market Contracts, including the Exchange acting as CCP, are set out in the Rules, Notices published pursuant to the Rules and the relevant Contract Terms and Administrative Procedures.**

~~4.11.10 After the determination of a clearing agreement the clearing member shall (subject to LIFFE Rule 4.11.3) continue bound by the guarantee and indemnity contained in LIFFE Rule 4.11.1 in respect of all contracts made in the pit by the non-clearing member and to which such clearing agreement applied and all contracts made in the pit and allocated to the non-clearing member before such determination and to which such clearing agreement applied, but shall not be bound in respect of any contract made by or made and allocated to the non-clearing member thereafter. It shall be for the clearing member to show that a contract made after determination of the clearing agreement was so made.~~

4.10.3 **Save as otherwise specifically permitted by these LIFFE Rules, rights under a Market Contract shall not be capable of assignment or otherwise being transferred by a Member. Any such purported assignment or transfer by a Member, or any purported transfer that is not in compliance with this LIFFE Rule, shall be void.**

~~4.11.11 The Exchange shall have authority, when a question arises whether a contract made by a non-clearing member was made before or after the determination of a clearing agreement, to disclose to the clearing member mentioned in LIFFE Rule 4.11.10 such information as it possesses regarding the time when such contract was made.~~

4.11 **[Deleted]**

## **4.12 Clearing and registration of contracts**

~~4.12.1 Each clearing agreement shall provide that, where any contract to which that clearing agreement applies made in the pit ("the original contract") is made:~~

4.12.1 **Pursuant to Euronext Rule 2501A/1, the Exchange shall clear Registered Exchange Contracts. Contractual relationships arising pursuant to the effecting and clearing of contracts are set out in this LIFFE Rule 4.12.**

~~(a) — by the non-clearing member, otherwise than for allocation to another member,~~

4.12.2 An *Original Contract* arises where (i) two *Members* agree a *Contract Made in the Pit* or (ii) where a *Member* is deemed to contract with himself in the *Pit* in a *Cross Transaction* under LIFFE Rule 4.4.1 or (iii) the *Exchange* or the *CSP* requires an *Original Contract* to come into existence under the *Default Rules* or the default rules of the *CSP* respectively (and in such circumstances the *Defaulter* shall be deemed for the purposes of this LIFFE Rule 4.12 to be a *Non-Clearing Member*, with the *CSP* (as *Special Member*) acting as its clearing member).

~~(b) — by the non-clearing member for allocation to another member, where such other member rejects the allocation and no alternative allocation is made, or~~

4.12.3 Where a *Clearing Member* is party to an *Original Contract*, a *Registered Exchange Contract* shall immediately arise between the *Clearing Member* and the *Exchange* acting as *CCP*. In addition a *Registered Exchange Contract* shall arise in such other circumstances as may be specified elsewhere in or pursuant to these *LIFFE Rules*.

~~(c) — by another member for allocation to the non-clearing member,~~

~~then, upon receipt by the Clearing House of acknowledgement of the original contract by two clearing members in conformity with this Rule (including acknowledgement by the clearing member on behalf of the non-clearing member), there shall arise between the non-clearing member and the clearing member a parallel~~4.12.4 Where a *Non-Clearing Member* is party to an *Original Contract*, a *Parallel Contract* shall arise simultaneously between the *Non-Clearing Member* and its appointed *Clearing Member* in respect of such contract. The terms of such ~~parallel contract~~ *Parallel Contract* shall be identical to those of the ~~original contract~~ *Original Contract*, save that: (i) ~~the clearing member~~ *the Clearing Member* shall be in the place of the opposite party thereto, (ii) ~~the non-clearing member shall, if sub-paragraph (c) above applies, be in the place of the other member there referred to, and~~ Simultaneously with the arising of the said *Parallel Contract*, there shall by virtue of this LIFFE Rule arise a *Registered Exchange Contract* between the *Clearing Member* and the *Exchange* as *CCP*.

4.12.5 The terms of the *Registered Exchange Contracts* referred to in LIFFE Rules 4.12.3 and 4.12.4 shall be identical to those of the relevant *Original Contract*, save that the parties thereto shall be the *Clearing Member* and the *Exchange* as *CCP*. Every *Registered Exchange Contract* shall be registered in the name of the *Clearing Member*.

4.12.6 Simultaneously with the creation under LIFFE Rules 4.12.3 to 4.12.5 of *Parallel Contracts*, if any, and *Registered Exchange Contracts*, the *Original Contract* to which they relate shall be discharged by novation by such *Parallel Contracts*, if any, and *Registered Exchange Contracts*.

4.12.7 Following the arising of the said *Parallel Contracts* and *Registered Exchange Contracts*, the relevant *Members* shall effect *Allocations* and *Claims*, if any, in respect of such business.

4.12.8 In the event of an *Accepted Allocation*, there shall arise:

(a) in the case of a *Claim* by a *Non-Clearing Member*, a *Parallel Contract* between such *Non-Clearing Member* and the *Clearing Member* with whom he has a relevant subsisting *Clearing Agreement* and a *Registered Exchange Contract* between such *Clearing Member* and the *Exchange* acting as *CCP*; and

- (iii**b**) ~~the clearing member shall be entitled to remuneration (that is, a turn) not provided for in the original contract (the amount thereof being governed by an agreement, collateral to the clearing agreement, made or to be made between the clearing member and the non-clearing member).~~ in the case of a Claim by a Clearing Member, a Registered Exchange Contract between such Clearing Member and the Exchange acting as CCP.

~~A clearing member shall be taken to acknowledge the original contract in conformity with this Rule where he is a party thereto, a member to whom the original contract is allocated or a clearing member with whom a party to the original contract or a member to whom it is allocated has a subsisting and applicable clearing agreement and, in any such case, he acknowledges to the Clearing House particulars of the original contract in the form of a confirmed trading statement (or in such form, including telex, facsimile transmission, computer-linked visual display or printer, computer input and any electronic or visual means of communication, as the Clearing House may from time to time prescribe or accept) on his own behalf, or, as the case may be, on behalf of the member with whom he is party to a subsisting and applicable clearing agreement.~~

~~4.12.2 Simultaneously with the arising of the said parallel contract, there shall by virtue of this Rule arise a related contract between the clearing member and:~~

- (a) ~~the opposite party to the original contract, if he is a clearing member and has not allocated that contract to another member,~~
- (b) ~~the clearing member with whom that opposite party had at the time of the original contract a subsisting and applicable clearing agreement if that opposite party is a non-clearing member and has not allocated that contract to another member,~~
- (c) ~~where the opposite party to the original contract has allocated that contract (or it has been further allocated) to a member who is a clearing member, that clearing member, or~~
- (d) ~~where the opposite party to the original contract has allocated that contract (or it has been further allocated) to a non-clearing member, the clearing member with whom such non-clearing member had at the time of allocation a subsisting and applicable clearing agreement.~~

~~(The clearing member referred to at (b), (c) or (d) above is in LIFFE Rule 4.12.3 called "the opposite clearing member".)~~ 4.12.3 ~~The terms of such related contract~~ contracts shall be identical to those of the ~~original contract, save that~~ Parallel Contracts, if any, and Registered Exchange Contracts referred to in LIFFE Rules 4.12.1 to 4.12.5, save as to the parties thereto.

- (a) ~~the clearing member shall be in the place of, if sub-paragraph (a) or (b) of LIFFE Rule 4.12.1 applies, the non-clearing member or, if sub-paragraph (c) of that Rule applies, the other member there referred to; and~~
- (b) ~~in the event that sub-paragraph (b), (c) or (d) of LIFFE Rule 4.12.2 applies, the opposite clearing member shall be in the place of the opposite party there referred to.~~

~~4.12.4 Upon the arising, under LIFFE Rules 4.12.1 to 4.12.3, of a parallel contract and a related contract, the original contract to which they relate, and any contract by or pursuant to which~~

~~the original contract has been allocated,~~4.12.9 Upon the arising of the contracts referred to in LIFFE Rule 4.12.8, the *Parallel Contracts*, if any, and *Registered Exchange Contracts* referred to in LIFFE Rules 4.12.3 to 4.12.5 shall be discharged by novation by the ~~parallel and related contracts,~~ said contracts referred to in LIFFE Rule 4.12.8.

~~4.12.5~~ The non-clearing member shall notify the clearing member with whom he has a subsisting clearing agreement of all his original contracts to which such clearing agreement applies, and all contracts made in the pit for allocation to him and to which such clearing agreement applies, within such time and by such means as may be agreed with the clearing member.

~~4.12.6~~ Every clearing member shall use his best endeavours to procure the registration by the Clearing House of:

~~(a)~~ every contract made in the pit to which he is party, and

4.12.10 Any subsequent *Accepted Allocations* shall have the effect of creating new contracts and discharging existing ones by novation, based on the principles of the approach described in LIFFE Rules 4.12.8 and 4.12.9.

~~(b)~~ every related contract to which he is a party by virtue of LIFFE Rules 4.12.2 and 4.12.3.

4.12.11 Where an *Allocation* is not the subject of a successful *Claim*, the existing *Parallel Contracts*, if any, and *Registered Exchange Contracts* shall remain in force.

~~4.12.7~~ Every contract so registered shall be registered in the name of the clearing member or of another clearing member being the former's client.

4.12.12 Should any *Original Contract* be invalidated by the *Exchange* under any provision of the *Rules* or procedures made thereunder, any *Contract in the Terms of an Exchange Contract* (including, for the avoidance of doubt, any relevant *Parallel Contract* or *Registered Exchange Contract*) created in connection with such *Original Contract* by novation (including as a result of any *Allocation* ) shall similarly be treated as having been invalidated.

~~4.12.8~~ Particulars of a contract (including a related contract) shall be presented to the Clearing House by or on behalf of the clearing member in whose name it is to be registered in such manner and form and within such time as may from time to time be stipulated by the Clearing House in the Regulations or procedures made under the Regulations or other procedural notes or by procedures implemented by the Board under LIFFE Rule 4.14.5.

#### 4.13 Business with clients

4.13.1 Subject to LIFFE Rule 4.13.3 and ~~LIFFE~~ Rule 10.5.3, a ~~member~~Member shall not make any ~~contract~~Contract in the ~~terms~~Terms of an *Exchange Contract* with a client unless he has made a matching contract in the terms of the same *Exchange Contract* (except as to price and except that the ~~member~~Member if selling to his client shall buy under the matching contract and vice versa). Such matching contract may be made in the ~~pit~~Pit, or otherwise as sanctioned by the *Exchange*, or may be a contract under the terms of which another ~~member~~Member makes a matching contract in the ~~pit~~Pit, or otherwise as sanctioned by the *Exchange*.

4.13.1A In the interests of ~~members~~Members and their clients the *Exchange* may sanction the making of contracts by a ~~member~~Member outside the ~~pit~~Pit, pursuant to LIFFE Rule 4.13.1, in order to correct an error made in the execution of the ~~member~~Member's client order in the ~~pit~~Pit. Except where the *Exchange* otherwise specifies, such contracts shall only be

sanctioned where the ~~member~~Member has satisfied the *Exchange* that any better price (i.e. an improvement) has been offered in full to the client.

4.13.2 The ~~member~~Member shall give a written note to his client of every contract made with him in the terms of an *Exchange Contract* and, subject to such procedures, requirements and exemptions as may be prescribed by the *Board* from time to time, such note shall state the price at which the matching contract has been made.

4.13.3 LIFFE Rule 4.13.1 shall not apply to a contract made under the ~~default rules~~Default Rules.

#### **4.14 General**

4.14.1 The *Board* may, from time to time, implement such procedures as it deems fit to permit a ~~member~~Member who has been expelled or suspended, or rights conferred by whose ~~trading rights~~Trading Rights have been suspended, to have contracts made in respect of any account recorded by him or, where applicable, recorded by his ~~clearing member~~Clearing Member in order to reduce or eliminate any open position or any exposure to future changes in the price of any contract on any such account.

4.14.2 The *Board* shall from time to time implement such procedures as it deems appropriate for determination of the opening and closing ranges of ~~contract prices~~Contract Prices.

4.14.3 The *Board* shall from time to time implement such procedures as it deems appropriate to display on the ~~market~~Market the prices at which bids and offers have been made and at which contracts have been made.

4.14.4 The *Board* shall from time to time implement such procedures as it deems appropriate to require that traders who have made a bid or offer, or have executed a contract, shall promptly advise an ~~exchange official~~Exchange Official in the event that information relating to such bid, offer or contract is not displayed or is displayed incorrectly.

~~4.14.5 The Board shall from time to time implement procedures to secure that all contracts referred to in LIFFE Rule 4.12.6 are reported for registration.~~

~~4.14.5 [deleted]~~

4.14.6 The *Board* may implement procedures to establish a limit on the maximum price fluctuations on the ~~market~~Market in respect of any *Exchange Contract*, and to provide for any consequential restriction or suspension of business in any *Exchange Contract*.

4.14.7 The *Board* may from time to time implement such procedures as it deems fit including, without limitation, the following:

- (a) procedures governing the conduct of trading on an *ATS* and all activities which are related thereto;
- (aa) procedures in relation to clearing; and
- (b) procedures in relation to any other aspect of business conducted on the ~~market~~Market.

- 4.14.8 Procedures implemented by the *Board* under LIFFE Rule 4.14.7 may, without limitation of the scope of LIFFE Rule 4.14.7, include procedures in relation to:
- (a) specific *Exchange Contracts*;
  - (b) the roles which ~~members~~Members may undertake in relation to specific *Exchange Contracts*, including one or more market-making roles which the *Board* may from time to time prescribe;
  - (c) the rights and obligations of ~~members~~Members undertaking such roles including any market-making role;
  - (d) the recording of, and accounting for, contracts made in the terms of an *Exchange Contract* and contract(s) made in relation to, or purportedly made in relation to, ~~contracts made~~Contracts in the ~~terms~~Terms of an *Exchange Contract*;
  - (e) the supervision by the *Exchange* of contracts made in the terms of *Equity Option Contracts* and contracts for the purchase or sale of equity shares made in relation to, or purportedly made in relation to, contracts made in the terms of *Equity Option Contracts* and liaison between the *Exchange*, ~~members~~Members and ~~the Inland~~HM Revenue & Customs in relation to any such contracts;
  - (f) the authorisation by the *Exchange* of ~~members~~Members to undertake particular roles in relation to the conduct of business in *Equity Option Contracts* including market-making, own account trading and options intermediary roles; and
  - (g) the removal by the *Exchange* from a ~~member~~Member of authorisation of any kind contemplated in paragraph (f).
- 4.14.9 [deleted]
- 4.14.10 The said procedures may include provision, in respect of one or more *Exchange Contracts* specified from time to time by the *Board*, for the daily settlement or marking to market of contracts registered by the *Exchange*, and may allow ~~clearing members~~Clearing Members to make particular arrangements with the *Exchange* in connection therewith.
- 4.14.11 The *Board* may from time to time in respect of any *Exchange Contract* adopt such administrative procedures as it deems appropriate for the purpose of regulating administrative matters affecting that *Exchange Contract* (which shall include, without limitation, all such matters as are regulated by the administrative procedures first adopted with the *Exchange Contract*) and any administrative procedures adopted prior to the adoption of this LIFFE Rule shall be deemed to have been adopted hereunder. The *Board* may, from time to time, in respect of any *Exchange Contract* make such determinations as may be expressly provided for in such *Exchange Contract*. The *Board* may, at its discretion, at any time amend or add to the administrative procedures or amend any determination made pursuant to an *Exchange Contract*, and any such amendment or addition shall be circulated to all ~~members~~Members and shall have effect on existing as well as new contracts as the *Board* may direct.
- 4.14.12 The *Board* may from time to time implement procedures relating to the operation of the *Exchange's* system for recording contracts with a view to the acknowledgement of trades,

and confirmation of such trades. Any such procedures adopted prior to the adoption of this LIFFE Rule shall be deemed to have been adopted hereunder. The *Board* may at its discretion at any time amend or add to such procedures and any such amendment or addition will be notified to *Members* by means of a ~~General-Notice~~ or otherwise as the *Board* may direct.

- 4.14.13 The *Board* may from time to time implement such procedures as it deems fit to establish requirements relating to conduct, trade processing or other activities on the *Exchange* (or otherwise associated with the *Exchange*), including disciplinary procedures and sanctions relating thereto.

#### **4.15 Power to restrict or suspend trading**

- 4.15.1 Without prejudice to LIFFE Rule 4.15.2 and to the powers of the *Board* to take steps under LIFFE Rule 4.16, the *Board* shall implement procedures pursuant to *Euronext Rules* 5401 and 5402 whereby two or more designated ~~exchange-officials~~Exchange Officials shall be empowered to restrict or suspend business on the ~~market~~Market in any *Exchange Contract* at any time if in their opinion such restriction or suspension is necessary in the interests of the *Exchange*, or of its ~~members~~Members, or to maintain a fair and orderly market. Such procedures shall make provision for the resumption of business on the ~~market~~Market following any such decision.

- 4.15.2 Notwithstanding LIFFE Rule 4.15.1, the *Board* may implement procedures whereby one ~~exchange-official~~Exchange Official may be empowered to restrict or suspend business on the ~~market~~Market in one or more *Exchange Contracts*, each being an *Equity Option Contract*, in the event that trading of an equity share the subject of such an *Equity Option Contract* is restricted or suspended by ~~a recognised investment exchange or by a designated investment~~the relevant market or exchange on which such security is listed or quoted. Any such procedures shall also make provision for considering the resumption of business on the ~~market~~Market, if feasible or desirable, following the restriction or suspension of an *Equity Option Contract*.

#### **4.16 Emergency provisions**

- 4.16.1 Without prejudice to any step which has been or may be taken under the ~~default rules~~Default Rules, if in its opinion any circumstances calling for emergency action in the interest of the orderly conduct of business on the ~~market~~Market or the due performance of contracts have developed or are developing, the *Board* may after consulting where practicable a ~~Market Advisory Committee~~market advisory committee appointed under LIFFE Rule 4.16.6, take any steps whatsoever to provide for, correct or check the further development of those circumstances or to preserve or restore conditions enabling the orderly conduct of business or the due performance of contracts to be resumed. The *Board* may invite the ~~Clearing Services Provider~~CSP to be represented at any meeting of the *Board* at which the taking of such steps or the modification or revocation of the same, is to be considered. The ~~Clearing Services Provider~~CSP may by notice to the *Exchange* request that a meeting of the *Board* be convened for the purpose of taking, modifying or revoking such steps.

- 4.16.2 Circumstances within the scope of LIFFE Rule 4.16.1 above may (but without prejudice to the generality of that LIFFE Rule) include an excessive trading position or unwarranted speculation, circumstances affecting the orderly conduct of business on, or the due performance of contracts traded on, a *Participating Exchange*, a state of war or threatened hostilities, the introduction of official controls affecting the ~~market~~Market or the

performance of contracts or any change in such controls, any other change in legal provision or administrative or financial practice affecting the ~~market~~Market or the performance of contracts or the breakdown or failure of any communications or equipment or market facilities or the *ATS* central processing systems or one or more *ATS* workstations, the failure of any significant market infrastructure or service provider (including, without limitation, the administration or winding-up of the CSP), or any other undesirable situation or practice, provided always that such circumstances in the opinion of the *Board* call for emergency action as aforesaid.

- 4.16.3 Steps taken by the *Board* pursuant to LIFFE Rule 4.16.1 above may (but without prejudice to the generality of that LIFFE Rule) include the suspension or curtailment of trading in respect of one or more *Exchange Contracts* or delivery periods for such time as may be specified, the suspension of the transfer of contracts in the terms of a *Linked LIFFE Contract* pursuant to Section 10 of the LIFFE Rules, the limitation of trading to the liquidation of open contracts subject to any specified condition or exception or to the trading of unexecuted orders existing at the time such steps are taken subject to any specified condition or exception, the modification of ~~contract specifications~~ Contract Terms and Administrative Procedures and terms including, where appropriate, specifications and terms of contracts already in being, the deferment of delivery under specified contracts, the determination of any compensation or price adjustment to be paid or allowed in respect of such modification or deferment, the instruction of one or more members to disclose to such confidential agent as the *Board* may nominate their open positions and the open positions of their clients subject to any specified condition or exception, the settlement of contracts by invoicing back at prices specified or to be specified and an ancillary step considered by the *Board* to be necessary in the circumstances. Such steps may, if the *Board* thinks fit, extend to contracts made before or on the date the steps are taken.
- 4.16.4 The *Board* shall determine any invoicing back price to be specified pursuant to LIFFE Rule 4.16.3, and may determine different invoicing back prices for application to different cases; provided that in any case the price determined shall (in the absence of special reasons to the contrary) be within the ~~range of official quotations fixed under the Regulations~~ Daily Settlement Prices established by the Exchange in respect of the six ~~business days~~ Business Days immediately preceding the date of determination. The *Board* may invite the ~~Clearing Services Provider~~ CSP to be represented at any meeting of the *Board* at which an invoicing back price is to be determined under this LIFFE Rule and may consult the ~~Clearing Services Provider~~ CSP before making its determination.
- 4.16.5 Any failure or alleged failure by a ~~member~~ Member to comply with a direction addressed to him (whether individually or as one of a class of ~~members~~ Members) by the *Board* in exercise of its authority under LIFFE Rule 4.16.1 may forthwith be referred by any member of the *Board* or ~~exchange official~~ Exchange Official to the Membership, Rules & Trading Committee. The Membership, Rules & Trading Committee shall treat any such failure as a violation of the LIFFE Rules.
- 4.16.6 The *Board* may from time to time appoint a Market Advisory Committee for the purpose of advising the *Board* in the exercise of its powers under LIFFE Rule 4.16.1. Such Market Advisory Committee shall consist of the *Chief Executive* and persons representative of ~~members~~ Members, including ~~clearing members~~ Clearing Members, and at least one person nominated by the ~~Clearing Services Provider~~ CSP from time to time. The ~~Clearing Services Provider~~ CSP may at any time, by notice to the *Exchange*, request that a meeting of a Market Advisory Committee be convened.

## 4.17 Economic and Monetary Union

4.17.1 Without prejudice to any step which has been or may be taken or to the powers of the *Board* under LIFFE Rule 4.16, any other LIFFE Rule or the terms of an *Exchange Contract*, the *Board* may:

- (a) make such changes to the terms of an *Exchange Contract* as the *Board* considers to be necessary or desirable so as to require or facilitate trading of, or the payment of amounts under or in respect of, ~~contracts~~Contracts in the ~~terms~~Terms of (such) *Exchange Contract* in euro, to redenominate ~~lots~~Lots into euro, or to reflect changes in *market conventions* as a consequence (direct or indirect) of the introduction of the euro as the *currency* of one or more *Member States*, and shall publish such changes by ~~General~~Notice. Such changes may, without limitation, include changes to the currency in which amounts under a contract shall be paid, the ~~lot~~Lot size, the currency of the ~~strike price~~Exercise Price, *market conventions* and rounding provisions used to calculate the invoicing amount and shall affect existing as well as new contracts as the *Board* may determine;
- (b) require the discharge, by cash settlement or otherwise, of ~~contracts~~Contracts in the ~~terms~~Terms of an *Exchange Contract* which are denominated in a *currency* of a *Member State* at a price determined by the *Board* and the making of new ~~contracts~~Contracts in the ~~terms~~Terms of an *Exchange Contract* which are denominated in euro, in either case in accordance with procedures implemented by the *Board* from time to time under this LIFFE Rule, in order to achieve the conversion of contracts to contracts denominated in *euro*; and
- (c) in connection with taking steps under the procedures referred to in paragraph (b) of this LIFFE Rule, require a *Member* and, through him, one or more clients to enter into one or more contracts which singly or in aggregate may not give rise to the same economic exposure as the contracts discharged pursuant to paragraph (b) (without limit, this could occur where, as a result of implementing conversion procedures, part ~~lots~~Lots are produced which are rounded up or down to produce whole ~~lots~~Lots), to enter into contracts which, in aggregate, may be less than or more than the number of discharged contracts, or may require cash settlement of whole or part ~~lots~~Lots produced as a result of implementing the procedures referred to in paragraph (b).

4.17.2 In LIFFE Rule 4.17.1:

~~“currency of a Member State” means the currency for the time being of the Member State and, where the context admits, the currency of that Member State prior to the introduction of the euro as its currency;~~

~~“euro” means the single currency of the European Union introduced in Member States;~~

~~“market conventions” includes, without limit, day count conventions, settlement periods, rate fixing, business day conventions, basis for market quotations and coupon frequency; and~~

currency of a = means the currency for the time being of the Member State and, where the context

|                           |   |                                                                                                                                                                         |
|---------------------------|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>Member State</u>       | = | <u>admits, the currency of that Member State prior to the introduction of the euro as its currency;</u>                                                                 |
| <u>euro</u>               | = | <u>means the single currency of the European Union introduced in Member States;</u>                                                                                     |
| <u>market conventions</u> | = | <u>includes, without limit, day count conventions, settlement periods, rate fixing, business day conventions, basis for market quotations and coupon frequency; and</u> |
| <u>Member State</u>       | = | <u>means a member of the European Union.</u>                                                                                                                            |

~~“Member State” means a member of the European Union.~~

**THE LONDON INTERNATIONAL FINANCIAL FUTURES AND OPTIONS EXCHANGE  
RULES — BOOK II**

**SECTION 5 - ENFORCEMENT OF RULES**

**5.1 General**

5.1.1 Without prejudice to any step which has been or may be taken under the ~~default rules~~Default Rules, an alleged violation of a ~~relevant obligation~~Relevant Obligation or an alleged breach by a ~~member~~Member of an ATS user agreement, or of any agreement made thereunder, or of a *Member Link Agreement*, shall be investigated in accordance with the provisions of this ~~section~~Section 5 of the *LIFFE Rules* except in cases where the *Board* reserves responsibility for the investigation to itself or delegates such responsibility to a committee or makes other provision for the alleged violation or breach to be dealt with. Steps taken under this ~~section~~Section 5 of the *LIFFE Rules* with respect to an alleged breach of:

- (a) an ATS user agreement or any agreement made thereunder or a *Member Link Agreement* shall be without prejudice to the *Exchange's* rights under any such agreement; and
- (b) a term or an administrative procedure of a ~~contract made~~Contract Made in the ~~terms~~Terms of an *Exchange Contract*

shall be independent of and without prejudice to the rights of the parties to such a contract.

5.1.2 For the purposes of this section of the *LIFFE Rules* one or more *Disciplinary Panels* shall from time to time be appointed under LIFFE Rule 5.2.2. Such ~~Panels~~panels shall for the purpose of LIFFE Rule 3.25.1(c) be deemed to be committees of the *Board*.

- 5.1.3
- (a) A person may serve as a member of a *Disciplinary Panel* if at the time of his appointment he has no material personal or financial interest in the proceedings and:
    - (i) in the opinion of the *Board*, he is or has been connected with the ~~market~~Market or is otherwise knowledgeable about the ~~market~~Market; and
    - (ii) he is authorised by the *Board* to be appointed.
  - (b) If, following appointment, the person becomes aware that he may have a material personal or financial interest in the proceedings, he may continue to serve provided that his interest is disclosed to each ~~relevant person~~Relevant Person who is the subject of the proceedings and that ~~relevant person~~Relevant Person consents.

5.1.3A A ~~relevant person~~Relevant Person subject to disciplinary proceedings may object to the appointment of a member of a *Disciplinary Panel* upon reasonable grounds and must serve written notice of such objection on the Market Secretary within ten ~~business days~~Business Days of being notified of the appointment of the *Disciplinary Panel*.

5.1.4 In addition to the appointment of *Disciplinary Panels*, this ~~section~~Section 5 of the *LIFFE Rules* provides for the operation of a *Settlement Procedure*, referrals by the *Market Supervision Department* under procedures implemented pursuant to LIFFE Rule 4.14.13, and the serving of *Market Supervision Department* warnings.

- 5.2 Investigation of alleged violations of the LIFFE Rules and authorisation of ~~Panel~~panel hearings**
- 5.2.1 Subject to the provisions of LIFFE Rules 5.3A, 5.3B and 5.3C, an alleged violation of the LIFFE Rules shall be the subject of a preliminary investigation by the *Market Supervision Department* who shall report their findings to the chairman or deputy chairman of the Membership, Rules & Trading Committee or to the *Chief Executive*.
- 5.2.2 The chairman or deputy chairman of the Membership, Rules & Trading Committee or the *Chief Executive* may, where he is satisfied that there is prima facie evidence of a violation of the LIFFE Rules, authorise a hearing by a *Disciplinary Panel* to consider and determine the alleged violation and, where he does so, shall appoint a chairman and two other persons to serve as members of the *Disciplinary Panel*.
- 5.3A Referrals by the Market Supervision Department**
- 5.3A.1 An alleged violation of the LIFFE Rules may be referred by the *Market Supervision Department* for investigation under procedures implemented pursuant to LIFFE Rule 4.14.13 where the *Market Supervision Department*, in its absolute discretion, considers it appropriate to do so.
- 5.3B Market Supervision Department warnings**
- 5.3B.1 Where a ~~relevant person~~Relevant Person admits a violation of the LIFFE Rules, the *Market Supervision Department* shall, in its absolute discretion, determine whether or not the violation is relatively minor in nature and, if so, may determine that a *Market Supervision Department* warning should be issued. Before any such warning may be issued, ratification will be required by the *Chief Executive*. In the event that the warning is not ratified, the *Market Supervision Department* shall continue its preliminary investigation in accordance with LIFFE Rule 5.2.1. In the event of ratification, the warning will be issued and served on the ~~relevant person~~Relevant Person concerned.
- 5.3C Settlement proceedings**
- 5.3C.1 Upon application by the ~~relevant person~~Relevant Person(s) alleged to have committed the violation(s) of the LIFFE Rules, the *Market Supervision Department* may, in its absolute discretion, agree to the initiation of settlement proceedings.
- 5.3C.2 The terms of any settlement shall be agreed between the *Market Supervision Department* and the ~~relevant person~~Relevant Person(s) and submitted in writing first to the *Chief Executive* and second to either the chairman of the *Board* or the chairman of the Membership, Rules & Trading Committee (or their acting deputies) for ratification respectively. In the event that the agreed settlement is not ratified, the *Market Supervision Department* shall continue its preliminary investigation in accordance with LIFFE Rule 5.2.1.
- 5.3C.3 Where some but not all of the ~~relevant persons~~Relevant Persons that are the subject of an investigation apply for settlement, or are able to agree settlement terms, any agreed settlement will be deemed to be a “*settlement in principle*”, and will be subject to amendment or ratification as part of the ~~Panel~~panel proceedings arising from the same investigation.

5.3C.4 Upon ratification by the *Chief Executive* and the chairman of the *Board* or the chairman of the Membership, Rules & Trading Committee (or their acting deputies), or, in the case of “*settlement in principle*”, by the relevant ~~Panel~~panel, the terms of any agreed settlement shall take effect.

5.3C.5 The procedures governing settlement and settlement in principle shall be determined from time to time by the *Board* and shall be published by means of a ~~General~~Notice.

#### **5.4 Disciplinary Panel**

5.4.1 An alleged violation of the LIFFE Rules shall be considered and determined by a *Disciplinary Panel* where a *Disciplinary Panel* is authorised for that purpose under LIFFE Rule 5.2.2. If during the proceedings it appears to the *Disciplinary Panel* that a violation of the LIFFE Rules may have been committed, other than that which it has been appointed to consider and determine pursuant to LIFFE Rule 5.2.2, the *Disciplinary Panel* may consider and determine such apparent violation of the LIFFE Rules without referring back to the chairman or deputy chairman of the Membership, Rules & Trading Committee or the *Chief Executive*, or to the *Market Supervision Department*. If in so doing the *Disciplinary Panel* considers that there is prima facie evidence of such a violation of the LIFFE Rules, it shall notify the ~~relevant person~~Relevant Person concerned that such violation of the LIFFE Rules is alleged and shall provide the ~~relevant person~~Relevant Person concerned with an opportunity to respond. The *Disciplinary Panel* may request the *Market Supervision Department* to provide such further information as it thinks necessary for the purpose of the proceedings.

5.4.2 Subject to LIFFE Rules 5.4.3 to 5.4.7, a *Disciplinary Panel* may meet together for the purposes of the proceedings, adjourn, and otherwise regulate its meetings as it thinks fit. Any hearing shall be in private and its proceedings confidential and its decision shall be pronounced in private and remain confidential, subject to LIFFE Rule 5.6, unless the *Disciplinary Panel* decides, having afforded each ~~relevant person~~Relevant Person who is the subject of the proceedings the opportunity to make representations, that the hearing or any part of the hearing should be held in public and/or that the decision of the *Disciplinary Panel* or any part of it should be pronounced publicly.

5.4.3 The quorum for the transaction of business of a *Disciplinary Panel* shall be the whole Panel unless otherwise consented to by each ~~relevant person~~Relevant Person who is the subject of the proceedings. A *Disciplinary Panel* may appoint from time to time additional persons who may attend at any meeting to assist its deliberations but who shall not have a vote. Questions arising at any meeting shall be decided by a majority of votes. In the case of an equality of votes the Chairman shall have a second or casting vote.

5.4.4 The ~~relevant person~~Relevant Person(s) alleged to have committed the violation(s) of the LIFFE Rules shall be given the opportunity and may be required by the *Disciplinary Panel* to attend and to give evidence before the *Disciplinary Panel* and may be assisted by or represented by an additional person(s) as is reasonable in the circumstances as determined by the *Disciplinary Panel*, having afforded that ~~relevant person~~Relevant Person(s) who is subject of the proceedings the opportunity to make representations. Any person who has alleged the violation of the LIFFE Rules may be required by the *Disciplinary Panel* to attend before it and to give evidence.

- 5.4.5 The *Disciplinary Panel* and the ~~relevant person~~Relevant Person(s) alleged to have committed the violation(s) may call upon any person (including a member of the *Market Supervision Department*) to attend before the *Disciplinary Panel* and to give evidence.
- 5.4.6 The ~~relevant person~~Relevant Person(s) alleged to have committed the violation(s) shall be given notice of every attendance before the *Disciplinary Panel* by a person who has alleged the violation or a person called upon by the *Disciplinary Panel* under LIFFE Rule 5.4.5, and shall be allowed the opportunity of attending the proceedings throughout such attendance and of questioning such person on his evidence.
- 5.4.7 Any person entitled, or required or called upon under LIFFE Rule 5.4.4, 5.4.5 or 5.4.6 to attend before the *Disciplinary Panel* shall be given reasonable notice, confirmed in writing, specifying the date and place of the meeting and the subject of the proceedings.
- 5.4.8 The findings of the *Disciplinary Panel*, and particulars of any sanction, shall be communicated in writing to the ~~relevant person~~Relevant Person(s) alleged to have committed the violation(s) of the LIFFE Rules. Such findings and sanction shall be deemed conclusive and binding upon expiry of the period permitted for appeal under LIFFE Rule 5.7.1 or, if earlier, upon receipt of written notice by the *Market Secretary* from the ~~relevant person~~Relevant Person(s) affected that the right to make such appeal will not be exercised.

#### **5.4A Standard of proof**

- 5.4A.1 For the avoidance of doubt, the standard of proof that applies in respect of disciplinary proceedings instituted under this ~~section~~Section 5 of the *LIFFE Rules* is the civil standard of proof, by which the weight of evidence required varies according to the nature and gravity of the particular allegation.
- 5.4A.2 A *Panel* may take account of, and attach such weight as it thinks fit to, any evidence or other material put before it. A *Panel* shall not be bound by any law or procedural rule relating to the admissibility or otherwise of evidence.
- 5.4A.3 No party to disciplinary proceedings, or any other matter to which this ~~section~~Section 5 applies, shall be required to produce any document which is the subject of legal professional privilege.

#### **5.4B Service of documents**

- 5.4B.1 Service of any document on a party to disciplinary proceedings may be validly effected by sending them to, or leaving them at, that party's last known address.

#### **5.5 Sanctions**

- 5.5.1 The sanctions which may be imposed by a *Disciplinary Panel* shall not exceed the following:
- (a) In the case where a *Disciplinary Panel* finds that a ~~relevant person~~Relevant Person (not being a ~~responsible person~~Responsible Person) has violated the LIFFE Rules:
    - (i) a fine, subject to the limit fixed by LIFFE Rule 2.6.1 or any lesser limit stipulated by the *Board* in exercise of its authority thereunder;

- (ii) the issue of a warning or reprimand;
  - (iii) a recommendation to the *Board* that (subject to LIFFE Rule 7.1.1) the ~~relevant person~~ Relevant Person be expelled or that some or all of his rights be suspended or that any arrangement under which such ~~relevant person~~ Relevant Person provides facilities and/or services be terminated, as the case may be.
- (b) In the case where a *Disciplinary Panel* finds that a ~~responsible person~~ Responsible Person has violated the *LIFFE Rules*:
- (i) a fine, subject to the limit fixed by LIFFE Rule 2.6.1 or any lesser limit stipulated by the *Board* in exercise of its authority thereunder;
  - (ii) the issue of a warning or reprimand;
  - (iii) the suspension of such ~~responsible person~~ Responsible Person's registration for a stipulated period;
  - (iv) the suspension of such ~~responsible person~~ Responsible Person's registration for a stipulated period to take effect in the event that such ~~responsible person~~ Responsible Person violates the *LIFFE Rules*, or any specified *LIFFE Rule*, within a specific period not exceeding twelve months;
  - (v) the revocation of such ~~responsible person~~ Responsible Person's registration.

The sanctions which may be imposed as a result of settlement proceedings initiated pursuant to LIFFE Rule 5.3C are the same as those that may be imposed by a *Disciplinary Panel*.

5.5.2 A *Disciplinary Panel* may invite the *Exchange* to make submissions on the appropriate sanctions.

5.5A **Costs**

5.5A.1 A *Disciplinary Panel* may order a ~~relevant person~~ Relevant Person to pay costs as it thinks fit, including any costs which in the *Disciplinary Panel's* view, regardless of the outcome of the case, have been unnecessarily caused. Costs may include, but shall not be limited to, the administration costs and costs incurred in the investigation and presentation of the results of the preliminary investigation by the *Market Supervision Department*, as well as any costs of any legal or other professional advisers and the expenses/cost of the *Disciplinary Panel*.

5.5A.2 Costs may be awarded against the *Exchange* only if, in the opinion of the *Disciplinary Panel*, the *Exchange* has behaved unreasonably in the commencement or conduct of the proceedings and shall be limited to a ~~relevant person~~ Relevant Person's disbursements in such sum as the *Disciplinary Panel* shall think fit. For the purposes of this LIFFE Rule 5.5A.2, "disbursements" shall be limited to external legal or other external professional support.

5.5A.3 The *Disciplinary Panel* may determine the amount of costs in such manner as it sees fit.

5.5A.4 Costs shall be payable within twenty-eight days of written notice of the determination of the amount by a *Disciplinary Panel* or of written notice of the determination of any appeal to an ~~Appeal Panel~~appeal panel against a *Disciplinary Panel's* determination, whichever is the later.

## 5.6 Publication of findings and sanctions

5.6.1 With the exception of *Market Supervision Department* warnings (see LIFFE Rule 5.3B) and settlement notices (see LIFFE Rule 5.6.1A), publication of violations of the LIFFE Rules and of any sanctions, shall be made by means of ~~an Exchange notice~~a Notice. A copy of the ~~Exchange notice~~Notice shall be sent by the *Market Secretary* to:

- (a) the ~~relevant person~~Relevant Person(s) found to have violated the LIFFE Rules;
- (b) any person who alleged the violation; and
- (c) any other person to whom in the *Panel's* opinion in the circumstances such copy should be sent.

In the event of an appeal against a finding or a determination as to sanctions made under this ~~section~~Section 5 of the LIFFE Rules, such notification shall not be made until the ~~Appeal Panel~~appeal panel has decided upon such appeal.

5.6.1A Publication of an agreed settlement shall be made by means of a settlement notice which shall take the form of ~~an Exchange notice~~a Notice. A copy of the settlement notice shall be sent by the *Market Secretary* to:

- (a) the ~~relevant person~~Relevant Person(s) found to have violated the LIFFE Rules;
- (b) any person who alleged the violation; and
- (c) any other person to whom in the opinion of the *Market Secretary* in the circumstances such copy should be sent.

5.6.2 If a *Disciplinary Panel* finds that the allegation of a violation of the LIFFE Rules is not substantiated, or on appeal the ~~Appeal Panel~~appeal panel decides that such allegation of a violation of the LIFFE Rules is not substantiated, such finding shall be notified by means of a notice sent by the *Market Secretary* to the ~~relevant person~~Relevant Person(s) alleged to have violated the LIFFE Rules and the persons specified in sub paragraphs (b) and (c) of LIFFE Rule 5.6.1. The notice to the ~~relevant person~~Relevant Person(s) alleged to have violated the LIFFE Rules will advise him that he may request that the finding be published. Any such request shall be made in writing to the *Market Secretary* within ten ~~business days~~Business Days of receipt of such notice. If such a request is made (but not otherwise), the finding shall be published by means of ~~an Exchange notice~~a Notice.

5.6.3 ~~Exchange notices~~Notices produced for the purposes of LIFFE Rule 5.6 shall be published by such means as determined from time to time by the *Board* and such determination shall be published by means of a ~~General Notice~~.

## 5.7 Appeal from Disciplinary Panel

- 5.7.1 Each ~~relevant person~~Relevant Person who is found by a *Disciplinary Panel* to have violated the LIFFE Rules and is dissatisfied with the *Disciplinary Panel's* finding or decision may, within ten ~~business days~~Business Days of receiving notice thereof, appeal to the *Board* against the same by serving a ~~Notice~~notice of ~~Appeal~~appeal on the *Market Secretary*. The ~~Notice~~notice of ~~Appeal~~appeal shall set out in writing the grounds of the appeal and shall contain a brief statement of all matters relied upon by the appellant. Implementation of any decision appealed against shall be suspended pending the determination of the appeal.
- 5.7.2 The grounds of appeal on any finding by a *Disciplinary Panel* of a violation of the LIFFE Rules shall be any one or more of the following:
- (a) the *Disciplinary Panel* misdirected itself as to:
    - (i) the issues to be decided; or
    - (ii) the impact of the principles of natural justice on its procedures; or
    - (iii) the applicable LIFFE Rules and law;
  - (b) the *Disciplinary Panel's* finding was:
    - (i) one which no reasonable *Disciplinary Panel* could have reached; or
    - (ii) unsupported by, or against the weight of, the evidence; or
    - (iii) based on a misinterpretation of the LIFFE Rules or an error of law;
  - (c) new evidence is available which, had it been before the *Disciplinary Panel*, could reasonably have led to a different finding. This will not apply if the appellant could have presented the evidence to the *Disciplinary Panel*, had he made reasonable efforts to obtain it.
- 5.7.3 The grounds of appeal on sanctions shall be limited to the ground that the sanctions are excessive or otherwise inappropriate.
- 5.7.3A The grounds for any appeal against a costs award made pursuant to LIFFE Rule 5.5A shall be limited to the ground that the costs awarded are excessive or otherwise inappropriate.
- 5.7.4 [deleted]
- 5.7.5 The *Board* shall appoint an ~~Appeal Panel~~appeal panel to consider and determine any such appeal. The ~~Appeal Panel~~appeal panel shall comprise a ~~Chairman~~chairman who is a suitably qualified lawyer and two persons authorised to sit on appeal panels pursuant to LIFFE Rule 5.7.5A.
- 5.7.5A (a) A person (including the ~~Chairman~~chairman) may serve as a member of an ~~Appeal Panel~~appeal panel if at the time of his appointment he has no material personal or financial interest in the proceedings and:
- (i) he is not a director of the *Exchange*;

- (ii) (aa) in the opinion of the *Board*, (with the exception of the ~~Chairman~~chairman) he is or has been connected with the ~~market~~Market or is otherwise knowledgeable about the ~~market~~Market, and
- (bb) he is authorised by the *Board* to be appointed; and
- (iii) he has not participated in any of the processes conducted pursuant to LIFFE Rules 5.2, 5.3C or 5.4 relating to the matter under appeal.

(b) If, following appointment, the person becomes aware that he may have a material personal or financial interest in the proceedings, he may continue to serve provided that his interest is disclosed to each ~~relevant person~~Relevant Person who is the subject of the proceedings and that ~~relevant person~~Relevant Person consents.

5.7.5B A ~~relevant person~~Relevant Person subject to disciplinary proceedings may object to the appointment of a member of an ~~Appeal Panel~~appeal panel upon reasonable grounds and must serve written notice of such objection on the *Market Secretary* within ten ~~business days~~Business Days of being notified of the appointment of the ~~Appeal Panel~~appeal panel.

5.7.6 The appellant may appear before the ~~Appeal Panel~~appeal panel and may make such representation in support of his appeal as he may think fit, provided that no new evidence of fact may be adduced unless the ~~Appeal Panel~~appeal panel is satisfied that there is good reason why such evidence was not adduced in the earlier proceedings.

5.7.7 Any appeal shall be by way of a rehearing. The ~~Appeal Panel~~appeal panel may consider, so far as may be relevant, the evidence and the course of the investigation. It may:

- (a) dismiss or allow the appeal;
- (b) confirm or amend the finding or determination as to sanction;
- (c) substitute its own finding or determination, to include increasing or decreasing the sanctions imposed;
- (d) make any order as to costs of the appeal as it considered appropriate.

Should the ~~Appeal Panel~~appeal panel conclude that the original finding or determination ought to be declared invalid, whether due to unfairness in procedure or for some other reason, the ~~Appeal Panel~~appeal panel may proceed to hear such witnesses as it considers necessary to enable it to substitute its own finding or determination to cure the defect which led to the finding or determination being declared invalid following as necessary the procedures contained in LIFFE Rules 5.4.3 to 5.4.7.

5.7.7A Any hearings shall be in private and its proceedings confidential and its decision shall be pronounced in private and remain confidential, subject to LIFFE Rule 5.6, unless the ~~Appeal Panel~~appeal panel decides, having afforded each ~~relevant person~~Relevant Person who is the subject of the proceedings the opportunity to make representations, that the hearing or any part of the hearing should be held in public and/or that the decision of the ~~Appeal Panel~~appeal panel or any part of it should be pronounced publicly.

- 5.7.8 The finding or determination of sanction of the ~~Appeal Panel~~appeal panel on appeal and any order as to costs shall be final. LIFFE Rule 5.5A.4 shall apply as to costs.
- 5.7.9 An ~~Appeal Panel~~appeal panel may apply, adapt or waive any LIFFE Rule relating to the conduct of the proceedings before it, as is appropriate.

**5.8 Summary powers of suspension**

- 5.8.1 Notwithstanding and without prejudice to the powers of the ~~Appeal Panel~~appeal panel and a *Disciplinary Panel* to consider and decide upon alleged violations of the *LIFFE Rules*, or the ~~Settlement Procedure, an exchange official~~settlement procedure, an Exchange Official may, with the agreement of another ~~exchange official~~Exchange Official, suspend the registration of a ~~responsible person~~Responsible Person for a period of up to two ~~business days~~Business Days upon reasonable belief that such suspension is necessary to protect the interests of the *Exchange* or its ~~members~~Members or to ensure an orderly market.

**THE LONDON INTERNATIONAL FINANCIAL FUTURES AND OPTIONS EXCHANGE  
RULES — BOOK II**

## SECTION 6 - ARBITRATION RULES

### 6.1 General

6.1.1 Subject to LIFFE Rules 3.28.2, 9.4.13, 9.4.14, 9.4.15 and 10.8.2 and to the terms of the relevant *Exchange Contract* ~~and the Exchange being willing to accept jurisdiction, a dispute arising from or in relation to any contract in the terms of an Exchange Contract, including a dispute as to whether a contract has been made, or whether a contract is in the terms of an Exchange Contract or with respect to the transfer of a contract in the terms of a Linked LIFFE Contract shall be referred to the Board for arbitration, a dispute falling within the scope of these arbitration rules shall be referred~~ in accordance with this section of the *LIFFE Rules*, whether or not the parties to it are ~~members~~ *Members*. This section of the *LIFFE Rules* shall also apply to any dispute which is to be referred to arbitration hereunder by virtue of any other *LIFFE Rule*.

6.1.2 The scope of these arbitration rules is to resolve disputes concerning parties' rights and obligations under, arising out of, or in relation to any Contract in the Terms of an Exchange Contract, including a dispute as to whether a contract has been made, performed, or settled, or whether a contract is in the terms of an Exchange Contract or with respect to the transfer of a contract in the terms of a Linked LIFFE Contract. These arbitration rules are not intended to extend to disputes which, under the terms of the relevant Contract in the Terms of an Exchange Contract, are to be handled under the rules of another body, or to general commercial disputes between parties to a Contract in the Terms of an Exchange Contract unrelated to the existence, terms or performance of such contract.

6.1.3 No action taken or determination made by the Exchange under these LIFFE Rules or under the relevant Contract Terms and Administrative Procedures in its role as operator of the Market (including but not limited to assessing the quality of physical goods delivered pursuant to Contracts in the Terms of Exchange Contracts) shall be taken as a waiver, variation or release of any rights or claims the Exchange may have as a party to a Registered Exchange Contract as CCP.

6.1.4 In this section 6, a person "party to a Registered Exchange Contract" shall include the CSP, to the extent it has rights or obligations as principal under any such contract.

### 6.2 Referring disputes to arbitration

#### ~~6.2 Registered contracts~~

##### Disputes concerning back-to-back Contracts in the Terms of Exchange Contracts

6.2.1 (a) ~~In respect of a dispute arising from or in relation to a contract registered with the Exchange, a clearing member party to a registered contract wishing to refer a dispute to arbitration under the Rules ("the claimant") shall give four clear business days~~ Recognising that many Contracts in the Terms of Exchange Contracts are entered into by intermediaries who have back-to-back obligations to Members or other Clients, this Section 6 aims to ensure that, where there exists a chain of back-to-back Contracts in the Terms of Exchange Contracts, disputes in relation to non-performance affecting more than one person are arbitrated between those persons who ultimately benefit

from or are responsible for the performance of the relevant obligation(s). As such, where a claim under this Section 6 is being considered, persons bringing such a claim should, where there is a chain of back-to-back positions each suffering the same failure in performance, seek to ensure that a claim is lodged by all potential claimants (and in particular the ultimate potential claimant) in any chain of identical back-to-back Contracts in the Terms of Exchange Contracts who suffer a breach as a result of the alleged non-performance (with the ultimate person in any chain who submits a claim pursuant to LIFFE Rule 6.2.2 being the “Ultimate Claimant”). For the avoidance of doubt, nothing in this paragraph restricts a person from bringing a single-party or joint claim under these arbitration rules where it has suffered loss.

#### Entitlement to seek arbitration

6.2.2 Subject to LIFFE Rule 6.2.1, should a dispute arise under or in relation to a Contract in the Terms of an Exchange Contract, any party to such contract who wishes to refer the dispute to arbitration under the LIFFE Rules (a “Claimant”) shall give written notice (a “Dispute Notice”) of his intention to do so to the Market Secretary, and likewise if the Exchange wishes to refer a dispute arising from or in relation to a registered contract to arbitration under the Rules, it shall give four clear business days’ notice of its intention to do so to the clearing member party to such contract (“the respondent”). Each notice referred to herein Dispute Notice shall contain the following information:

- (a) particulars of the ~~registered contracts~~ Contract in the Terms of an Exchange Contract;
- (ii) brief details of the matter in dispute;
- (iii) ~~any other matters specified from time to time by the Exchange.~~ c) where, in accordance with LIFFE Rule 6.2.1, more than one person has agreed to bring a claim in relation to the same failure in performance in a chain of back-to-back Contracts in the Terms of Exchange Contracts, the relevant details (as above) in respect of each such additional Claimant and the Contracts in the Terms of Exchange Contracts entered into by such Claimants (which must be identical Contracts in the Terms of Exchange Contracts suffering from the same failure to perform, save that where the relevant Ultimate Claimant is the Buyer under the first contract in the chain, the relevant additional Claimant is the Seller under the back-to-back contract, or vice versa, in respect of each additional Claimant);
- (d) the person alleged to have failed to perform under the ultimate Contract in the Terms of an Exchange Contract (the “Respondent”), which, where such ultimate disputed contract is a Registered Exchange Contract, shall be the Exchange (acting as CCP); and
- (e) any other matters requested from time to time.

A Dispute Notice failing to comply with these requirements may be declared invalid.

#### Preliminary assessment of suitability

6.2.3 Following satisfactory receipt of the Dispute Notice, the Membership, Rules & Trading Committee of the Exchange shall, within four clear Business Days (or such longer

period as the *Market Secretary* may notify to the *Claimant(s)*) render an opinion regarding the suitability of the dispute as described in the *Dispute Notice* for arbitration under these arbitration rules (a "*Preliminary Assessment*") on the basis of the scope set out in LIFFE Rule 6.1.2 above. The *Preliminary Assessment* shall either:

- (a) confirm that the relevant dispute as described is appropriate for arbitration under these arbitration rules, in which case the *Market Secretary* shall give written notice of this *Preliminary Assessment* to the *Claimant(s)*; or
- (b) ~~Prior to the expiry of the relevant notice period referred to in paragraph (a) above, the *Market Secretary* may give written notice to the claimant (or, as the case may be, the respondent) confirm that the *Exchange* does not consider the relevant dispute suitable for arbitration under these arbitration rules, in which case the *Market Secretary* shall give written notice of this *Preliminary Assessment* to the *Claimant(s)*, including, if relevant,~~ that another arbitral tribunal appears to have jurisdiction over the dispute and that the dispute should be referred to that tribunal (for example, the arbitral tribunal of the Refined Sugar Association in respect of disputes relating to delivery under the White Sugar futures contract), without prejudice to the right of either party to serve a notice (or further notice) under paragraph (a) above in the event that the other arbitral tribunal does not accept jurisdiction.

6.2.3A Where a dispute is arbitrated under the rules of an alternative tribunal and there exists a chain of identical back-to-back Contracts in the Terms of an Exchange Contract suffering from an identical failure to perform, to the extent possible or permitted by such alternative tribunal (and subject to any *Claimant's* right, should it wish, to participate actively in any such dispute), such dispute shall be arbitrated between the *Ultimate Claimant* and the *Respondent*, which such arbitration shall determine the rights under each contract in dispute.

6.2.4 Where the *Exchange* delivers a *Preliminary Assessment* under LIFFE Rule 6.2.3(b), the parties may discontinue proceedings before the *Exchange* and pursue alternative proceedings. If an alternative tribunal to which the *Exchange* referred the *Claimant(s)* refuses to hear the dispute, the *Claimant(s)* may serve a further *Dispute Notice* with the *Exchange*, noting such refusal.

6.2.5 Alternatively, any party who objects to the *Preliminary Assessment* may, within four clear *Business Days* of receipt of the *Preliminary Assessment*, serve a written notice of objection (a "*Response to the Preliminary Assessment*") to the *Exchange* stating reasons for objecting to the *Preliminary Assessment*.

6.2.6 Following its constitution under these arbitration rules, a copy of the *Preliminary Assessment* and *Response to the Preliminary Assessment* shall be provided to the tribunal, which may consider such documents as part of its determination on the issue of jurisdiction at the commencement of any dispute.

~~Provided that the *Market Secretary* does not give such written notice by the time mentioned above, either party may then refer the dispute to arbitration by giving written notice of reference to the *Market Secretary*.~~

Determining the parties to the arbitration

~~Where relevant~~

6.2.7 If the Exchange provides a Preliminary Assessment pursuant to LIFFE Rule 6.2.3(a), or upon receipt of a Response to the Preliminary Assessment, the Market Secretary shall promptly send a copy of the Exchange's notice of reference to the respondent; send written confirmation of the intention of the Claimant(s) to commence arbitration (together with a copy of the Dispute Notice, the Preliminary Assessment and any Response to the Preliminary Assessment) to each Claimant and the Respondent.

~~(c) The Exchange shall be entitled by giving notice in accordance with paragraph (d) below to call upon a claimant and a respondent to conduct the arbitration between them in accordance with these LIFFE Rules, where:~~

6.2.8 Where the Exchange (acting as CCP) is named as the Respondent (either in the Dispute Notice, or pursuant to LIFFE Rule 6.2.9), the Exchange may give notice in accordance with the procedure in LIFFE Rule 6.2.9 to nominate a different Respondent to conduct the arbitration in accordance with these LIFFE Rules, in a dispute where:

~~(i) both the claimant and the respondent are parties to registered contracts in respect of which notices of reference to arbitration have been given pursuant to paragraph (b) above;~~

(a) such Respondent is party to a Registered Exchange Contract;

(ii) such ~~contracts have~~ contract has been matched by the Exchange with that of the relevant Claimant; and

(iii) the claimant Claimant is a buyer Buyer under the terms of one contract and the ~~respondent is a seller~~ Respondent is a Seller under the terms of the other contract or vice-versa;

in which case the Exchange shall be treated as an additional Claimant, and such Respondent shall have the rights set out in LIFFE Rule 6.2.9.

6.2.9 In line with the principle set out in LIFFE Rule 6.2.1, upon receipt by the Respondent (other than the Exchange) of the Dispute Notice:

(a) In any dispute where the Respondent has back-to-back obligations to those under the Contract in the Terms of an Exchange Contract the subject of the dispute with another person in the form of an identical Contract in the Terms of an Exchange Contract (save that where the Respondent is the Buyer under the first contract, it is the Seller under the back-to-back contract, or vice versa), it may – where the same matter is in dispute under such back-to-back Contract in the Terms of an Exchange Contract – in writing within four clear Business Days of receipt of the Dispute Notice add the other party to such back-to-back Contract in the Terms of an Exchange Contract as the Respondent by submitting a notice to the Exchange containing the information set out in LIFFE Rule 6.2.2; and

(b) the original Respondent shall no longer be treated as the Respondent and instead shall be treated as an additional Claimant, the Exchange shall follow the procedure in LIFFE Rule 6.2.8, and such substitute Respondent shall have the rights set out in this LIFFE Rule 6.2.9; provided that

(c) Should the person nominated as Respondent contend that he is not the appropriate person to be so nominated, then this issue will be considered as part of the arbitration.

The procedure in this LIFFE Rule 6.2.9 shall, as relevant, be repeated until no additional person is nominated as Respondent.

6.2.10 In any dispute, when all parties have been determined (whether, in the case of a multiple party arbitration, by virtue of the final identification of the Respondent pursuant to the provisions above (or, in the case of a bilateral arbitration, by virtue of the expiry of the relevant time limits for the identification of additional parties and the absence of any such identification) the Market Secretary shall send details of the full list of parties to the arbitration to each Claimant and Respondent. Where there is more than one Claimant, unless any Claimant other than the Ultimate Claimant notifies the Market Secretary that it wishes actively to participate in the arbitration (in which case it shall be allowed to participate in the arbitration on the same terms as the Ultimate Claimant as a co-claimant) within four clear Business Days of the receipt of such notification, the arbitration shall be arbitrated between the Ultimate Claimant (on behalf of all of the Claimants) and the Respondent.

6.2.11 The relevant parties to any aspect of a dispute shall have the power to vary the procedures in this section 6 of the LIFFE Rules in agreement with the Market Secretary.

#### Commencement Date

6.2.12 Upon receipt of written notice from the Market Secretary of the details of the full list of parties to the arbitration pursuant to LIFFE Rule 6.2.10, the arbitration proceedings shall be deemed to have commenced (the "Commencement Date").

#### Cover in the event of a claim

6.2.13. If notice of claim and notice of intention to refer a dispute to arbitration is given to the Exchange pursuant to LIFFE Rule 6.2, any or all Cover standing to the credit of the accounts of a Clearing Member who is party to one or more Registered Exchange Contracts under dispute (whether such Cover is held with respect to a Registered Exchange Contract under dispute or otherwise) may be retained by the Exchange (or the CSP). The Exchange (or the CSP on its behalf) may at any time and from time to time call for payment by such Clearing Member of additional Cover, in such amount as it may deem appropriate in respect of such contract or contracts, to be held by the Exchange (or the CSP on its behalf) under these LIFFE Rules until the claim is finally disposed of. The amount of such Cover to be furnished by the Clearing Member shall be assessed by reference to such circumstances as the Exchange in its discretion deems relevant.

### 6.3 Procedure for arbitration where there are multiple parties

~~(d) Where the Exchange elects to call upon a claimant and a respondent to conduct the arbitration between them pursuant to paragraph (c) above, the Exchange shall give notice in writing of such election to the claimant and the respondent within seven clear business days of receipt by it of the statement of the claimant's case pursuant to sub-paragraph (iii) below. The arbitration shall then~~  
6.3.1 If, in respect of any given arbitration, there is more than

one Claimant, the arbitration shall proceed in accordance with the provisions of LIFFE Rule 6.4, save that the following provisions of this paragraph ~~(d)~~ shall also apply, and in the case of any conflict between the provisions of LIFFE Rule 6.4 and ~~the~~ sub-paragraphs ~~(i) to (xi)~~ below, the provisions of the sub-paragraphs ~~(i) to (xi)~~ below shall prevail:

- (~~i~~) ~~a~~ the ~~claimant and the respondent~~ Ultimate Claimant shall at ~~their~~ its own expense ~~each have the conduct of the Exchange's case against the other~~ have the conduct of the cases against the Respondent as if it were the Claimant (including, as the case may be, the Exchange acting as CCP, or the CSP acting under its default rules) party to the relevant Contract in the Terms of an Exchange Contract, disputed with the Respondent;
- (~~ii~~) ~~b~~ all pleadings, documents or correspondence required to be lodged with the *Market Secretary* pursuant to this ~~paragraph (d)~~ LIFFE Rule 6.3 or LIFFE Rule 6.4 shall be ~~lodged in duplicate~~ copied and sent by the *Market Secretary* ~~shall send copies of such pleadings, documents or correspondence to the claimant, or the respondent as the case may be to each other~~ Claimant and the Respondent, not later than ~~five~~ four clear ~~business days~~ Business Days after receipt of the same, by prepaid registered or recorded delivery post;
- (~~iii~~) ~~c~~ the ~~claimant~~ Ultimate Claimant shall draw up a statement of ~~his~~ case against the ~~Exchange~~ Respondent in accordance with LIFFE Rule 6.4.4(a) and shall lodge it, together with the other documents referred to in LIFFE Rule 6.4.4(a), with the *Market Secretary* in accordance with LIFFE Rule 6.4.4(a) and sub-paragraph (ii) above. ~~Upon the Exchange giving notice of election to the claimant pursuant to this paragraph (d), the claimant shall draw up a statement of the Exchange's case against the respondent which, together with the documents referred to in LIFFE Rule 6.4.4(a), shall be lodged with the Market Secretary within fifteen clear business days of receipt by the claimant of such notice of election;~~
- (~~iv~~) ~~d~~ the ~~respondent~~ Respondent shall, not later than fifteen clear ~~business days~~ Business Days after despatch to him by the *Market Secretary* of a copy of the statement of the ~~Exchange~~ Ultimate Claimant's case and the documents referred to in LIFFE Rule 6.4.4(a), lodge with the *Market Secretary* a clear and concise statement of his defence against the ~~Exchange, and a statement of the Exchange's defence against the claimant~~ Ultimate Claimant, together with such other documentary evidence as the ~~respondent~~ Respondent thinks fit;
- (~~v~~) ~~e~~ the ~~claimant~~ Ultimate Claimant may, within ten clear business days after despatch to him by the *Market Secretary* pursuant to sub-paragraph (~~ii~~) b) above of a copy of the statement of the ~~respondent's defence against the Exchange and the statement of the Exchange's defence against the claimant~~ Respondent's defence, lodge with the *Market Secretary* a clear and concise statement of his reply to the statement of the ~~Exchange's defence and a statement of the Exchange's reply to the statement of the respondent~~ Respondent's defence, together with such other documentary evidence as he thinks fit;
- (~~vi~~) ~~f~~ ~~the Exchange~~ any other Claimant shall be entitled to submit any additional arguments in support of its case, such submissions to be in writing and lodged within such time as the ~~Arbitrators~~ arbitrators shall reasonably determine at their discretion upon application made to them by the *Exchange*. The *Market Secretary*

shall forthwith, send copies to the ~~claimant~~Claimants and the ~~respondent~~Respondent by prepaid registered or recorded delivery post;

- (vii) ~~g~~ the ~~Arbitrators~~arbitrators shall have power to call upon the *Exchange*, any Claimant or the Respondent to disclose documents relating to the arbitration which are in its custody, power or possession, to the same extent as if it were directly participating in the arbitration;
- (viii) ~~the Board~~h ~~arbitrators~~ shall ~~appoint Arbitrators~~be appointed in accordance with LIFFE Rule ~~6.4.5(a)~~6.4.4 to determine each of the underlying disputes subject to the arbitration ~~between the claimant and the Exchange and the arbitration between the Exchange and the respondent and both such cases and such case~~ shall be heard as a single case together before such ~~Arbitrators~~arbitrators. The ~~Arbitrators~~arbitrators shall issue ~~two awards, one between the respondent and the Exchange and one between the claimant and the Exchange~~awards as are appropriate in respect of each Contract in the Terms of an Exchange Contract subject to the arbitration, which shall determine the rights of each of the ~~claimant~~Claimants and the ~~respondent against the Exchange and vice versa~~Respondent;
- (ix) ~~ifi~~ where a party to the ~~Exchange~~arbitration is found liable to one party (“the “first party”) in respect of a breach of ~~a contract,~~ and the ~~other party (“the second party”) is also~~first party is found liable to ~~the Exchange in respect of such breach of a contract which has been matched by the Exchange as referred to in paragraph (c) above~~a second party, then the liability of the ~~Exchange~~first party to the ~~first~~second party shall be deemed to be a foreseeable consequence of the breach by the ~~second party and the Exchange~~original party to the first party, and so forth, and the first party shall be entitled to be indemnified in respect of such liability by the ~~second~~original party;
- (x) ~~i~~ each Claimant and the Respondent (including the *Exchange*, as relevant) shall be bound by an ~~arbitration~~arbitral award made against it in pursuance of an arbitration, whether it participates directly in the arbitration or not;
- (xi) ~~k~~ the ~~Arbitrators~~arbitrators shall have power to award costs in ~~both arbitrations as if the parties to such arbitrations were party to one arbitration between them~~respect of each breach of a Contract in the Terms of an Exchange Contract as if the relevant Claimants and the Respondent had participated directly in the arbitration.
- ~~(e)~~ ~~The Exchange~~6.3.2 Any Claimant shall be entitled at any time by notice in writing to the ~~claimant and the respondent,~~Market Secretary to resume the conduct of its own case against the respondent, ~~(or the claimant as the case may be),~~ if, in its opinion the ~~claimant (or the respondent)~~Ultimate Claimant is unable or has failed to conduct ~~the Exchange's~~its case by the time or in the manner required by this LIFFE Rule and LIFFE Rule ~~6.4,~~ and the arbitration shall proceed in accordance with LIFFE Rule ~~6.4.~~
- ~~(f)~~ ~~If the Exchange does not exercise its rights under paragraph (d) above,~~6.3.3 If there is only one Claimant and Respondent in respect of a given arbitration, the arbitration shall proceed between ~~a claimant and the Exchange and between a respondent~~

~~and the Exchange~~such Claimant and Respondent in accordance with LIFFE Rule 6.4, and sub-paragraphs (i) to (xi) of ~~paragraph (d)~~LIFFE Rule 6.3.1 above shall not apply.

### ~~6.3~~ Unregistered contracts

~~6.3.1 (a) In respect of a dispute arising from or in relation to a contract which is not registered with the Exchange, a party wishing to refer a dispute to arbitration under the Rules shall give four clear business days' notice in writing of his intention to do so to the other party and to the Market Secretary, giving brief details of the matter in dispute.~~

~~(b) Prior to the expiry of the relevant notice period referred to in paragraph (a) above, the Market Secretary may give written notice to both parties that another arbitral tribunal appears to have jurisdiction over the dispute and that the dispute should be referred to that tribunal (for example, the arbitral tribunal of the Refined Sugar Association in respect of disputes relating to delivery under the White Sugar futures contract), without prejudice to the right of either party to serve a notice (or further notice) under paragraph (a) above in the event that the other arbitral tribunal does not accept jurisdiction.~~

~~Provided that the Market Secretary does not give such written notice by the time mentioned above, either party may then refer the dispute to arbitration by giving written notice of reference to the Market Secretary. The Market Secretary shall promptly send a copy of the notice of reference to the other party.~~

### ~~6.4~~ Arbitration procedure

~~6.4.1~~ Where the parties to registered or unregistered contracts are situated in different countries all notices of intent to refer a dispute to arbitration and notices of reference to arbitration shall be given by ~~cable or~~registered postal or courier service or transmitted by facsimile, telex, e-mail, or otherwise by the most expeditious means of written communication reasonably available that provides a record of its transmission.

~~6.4.2~~ Upon reference of a dispute to arbitration under ~~this~~these arbitration rules and upon the constitution of the tribunal pursuant to LIFFE Rule ~~6.4.3~~, the ~~Board~~tribunal shall determine the dispute in accordance with these ~~LIFFE Rules~~arbitration rules notwithstanding any failure or refusal of the other party to concur in the reference.

~~6.4.3 (a) For the determination of any such dispute the Board shall appoint three Arbitrators of whom not more than one shall be a director of the Exchange. No Arbitrator~~The arbitral tribunal shall comprise three arbitrators. Unless otherwise agreed by the parties, the place of the arbitration shall be London, and the language of the arbitration shall be English.

~~(b) The Exchange shall maintain a list of independent arbitrators updated from time to time (the "Arbitrators List"). The Arbitrators List shall be available for inspection at the request of any Member or person party to any Contract in the Terms of an Exchange Contract. Each arbitrator named on the Arbitrators List shall be independent of the Exchange in that he shall not be employed by or hold any office at the Exchange or receive any retainer or other remuneration (save for costs, expenses and any fee) for participating in any arbitration.~~

~~(c) The Claimant(s) shall nominate one independent arbitrator and the Respondent shall nominate a second independent arbitrator within [30] days from the~~

Commencement Date. The Claimant(s) and Respondent may choose to nominate an arbitrator from the Arbitrators List (provided that they are independent to the matter and parties in dispute) or elect to nominate another independent person experienced in the derivatives industry to act as arbitrator. In the event that either the Claimant(s) or the Respondent fail to nominate an arbitrator within the time period set forth above, the nomination shall be made by the Exchange. Within [30] days of their appointment, the two arbitrators shall agree upon and nominate a third arbitrator who shall serve as the Chair of the tribunal. No arbitrator shall act in any arbitration in which he is or becomes directly or indirectly interested in the subject matter in dispute.

- (bd) In the event of an ~~Arbitrator~~arbitrator being or becoming so interested, dying or in any other way becoming, ~~in the opinion of the Board,~~ incapacitated from acting, the ~~Board~~Exchange may appoint another person to take his place and the arbitration shall thereupon proceed as if such other person had been originally appointed instead of the ~~Arbitrator~~arbitrator first appointed.
  - (eg) In the event of disagreement between the ~~Arbitrators~~arbitrators, the decision of the majority shall prevail and in the event of an equality of votes the ~~chairman, who shall have been previously elected by the Arbitrators~~Chair of the tribunal, shall have a second or casting vote.
  - (ef) The award shall set out the reasons of the ~~Arbitrators~~arbitrators of the award and a note thereof shall be entered by the *Market Secretary* in a book to be kept for this purpose.
  - (eg) The award of the ~~Arbitrators~~arbitrators shall be signed by their ~~chairman~~chair and when so signed shall be deemed to be the award of the ~~Board~~tribunal and shall (subject to ~~section 4~~sections 67, 68, 69, 70 and 71 of the Arbitration Act ~~1979~~1996 (the “1996 Act”)) be final and binding in all cases.
- 6.4.4
- (a) The ~~party referring any dispute to arbitration~~Claimant shall draw up in writing a clear and concise statement of his case, which, together with a copy of the contract and such documentary evidence as he thinks proper, shall be lodged in duplicate with the *Market Secretary* within fifteen clear business days of the ~~notice of reference referred to in~~finalisation of the parties pursuant to LIFFE Rule ~~6.2.1(b) or LIFFE Rule 6.3 above,~~6.2.10, as the case may be.
  - (b) The *Market Secretary* shall forthwith, and not later than five clear ~~business days~~Business Days after receipt of the said statement of case, copy contract and documentary evidence, if any, send a copy of each of the same by pre-paid registered or recorded delivery post to the ~~other party~~Respondent and simultaneously send copies of the same to the Respondent by facsimile or e-mail.
  - (c) The ~~other party shall~~Respondent, not later than fifteen clear ~~business days~~Business Days after despatch to him by the *Market Secretary* of a copy of the ~~first party~~Claimant's statement of case and copy contract and said documentary evidence, if any, lodge in duplicate with the *Market Secretary* a clear and concise statement of his defence together with a copy of such other documentary evidence as he thinks fit.

- (d) A copy of the statement of defence and supporting documents, if any, shall, within five clear ~~business days~~Business Days after receipt by him, be sent by the *Market Secretary* by pre-paid registered or recorded delivery post ~~to the party referring the dispute to Arbitration~~and simultaneously by facsimile or e-mail to the Claimant.
- (e) The ~~party referring the dispute to Arbitration~~Claimant may, within ten clear ~~business days~~Business Days after despatch to him by the *Market Secretary* of a copy of the ~~other party~~Respondent's statement of defence and supporting documents, lodge in duplicate with the *Market Secretary* a clear and concise statement of his reply together with such other documentary evidence as he thinks fit.
- (f) A copy of any such statement and other documentary evidence, if any, shall within five clear ~~business days~~Business Days after receipt by him be sent by the *Market Secretary* by pre-paid registered or recorded delivery post and simultaneously by facsimile or e-mail to the ~~other party~~Respondent.
- (g) No further document stating the claim of one party shall be served through the *Market Secretary* or otherwise howsoever or placed before the ~~Arbitrators~~arbitrators without their express prior consent. The ~~Arbitrators~~arbitrators may determine any application for such consent in their absolute discretion and without expressing the reasons for their decision.
- (h) Notwithstanding the foregoing the ~~Arbitrators~~arbitrators shall be entitled to require either party to the dispute to lodge with them such documents or information in written form as the ~~Arbitrators~~arbitrators may in their absolute discretion consider necessary to enable them to determine the dispute. Subject to compliance with any such requirement the ~~Arbitrators~~arbitrators shall meet to determine the dispute and shall make their award within four months of the ~~notice commencement~~ of reference to the arbitration referred to in pursuant to LIFFE Rule ~~6.2.1(b) or LIFFE Rule 6.3 above, as the case may be.~~6.2.10.
- (i) In the event of either party failing to comply with any time limit prescribed by ~~this LIFFE Rule~~these arbitration rules or prescribed by the ~~Arbitrators pursuant to these LIFFE Rules, the Arbitrators~~arbitrators, the arbitrators shall be entitled to proceed to determine the dispute notwithstanding such failure.

~~(j) [deleted]~~

6.4.5

- (a) Unless the ~~Arbitrators~~arbitrators in their discretion otherwise decide, the case shall be decided on the written statements and documents submitted to them without *viva voce* hearing and without the attendance of witnesses. In exercising their discretion, the ~~Arbitrators~~arbitrators shall take into account:
  - (i) the need to avoid injustice and to ensure that a fair ruling can be given; and
  - (ii) any request received from either party in accordance with the following provisions that a *viva voce* hearing should take place or that witnesses should attend.

Either party may, not later than ten clear ~~business days~~Business Days after the lodgement with the *Market Secretary* of the ~~Statement~~statement of

~~Defence~~defence, request a *viva voce* hearing with or without witnesses. The ~~Arbitrators~~arbitrators shall, however, in exercising their above discretion, be entitled to accede to or refuse such request without giving any reason therefor. If the ~~Arbitrators~~arbitrators decide to proceed on the basis of the written statements and documents, they shall give seven clear ~~business days~~Business Days’ notice in writing to each party of their intention to do so.

- (b) In the event that a request for a *viva voce* hearing is granted, or that the ~~Arbitrators~~arbitrators call the parties before them under paragraph (a) above, the ~~Arbitrators~~arbitrators shall forthwith inform the *Market Secretary* of the date, time and place of the hearing.
- (c) The ~~Arbitrators~~arbitrators shall have power to obtain, receive and act upon such oral or documentary evidence or information (whether the same be strictly admissible as evidence or not) and to conduct the arbitration in such manner in all respects as they may consider necessary. The parties to any dispute will use all reasonable endeavours to provide information to the arbitrators, notwithstanding any obligations of confidentiality to which they may be subject, and the arbitrators may ask the parties to agree to reasonable confidentiality undertakings in order to enable the dispute to be settled expeditiously.

Where in accordance with the laws prevailing in the place where a party or witness is situated it is permissible to do so, then, at the discretion of the ~~Arbitrators~~arbitrators, the party may attend or the witness may give evidence by means of televisual or conference-type telephonic link.

- (d) In the event that a *viva voce* hearing, with or without witnesses, is granted or if the ~~Arbitrators~~arbitrators call the parties before them or request the attendance of witnesses the parties may be represented by any agent engaged in the business of finance and duly appointed in writing.
- (e) A party shall not be represented or appear on such hearing by counsel or solicitor unless an order with respect to the arbitration has been made by the High Court or the Court of Appeal pursuant to ~~Section 1 (2) (b)~~sections 68.3(a) and 69.7(c) of the ~~Arbitration 1996~~ Act ~~1979~~ or leave shall have been obtained in writing from the ~~Arbitrators~~arbitrators which leave the ~~Arbitrators~~arbitrators may grant or refuse in their absolute discretion and without assigning any reason therefor.
- (f) The ~~Arbitrators may consult the legal advisers of the Exchange. (g) —~~The ~~Arbitrators~~arbitrators may, on such terms as they think fit, extend the period within which either they, the *Market Secretary* or a party to the dispute is required by these ~~LIFFE Rules~~arbitration rules or by any order or direction made or given by the ~~Arbitrators~~arbitrators to do any act notwithstanding that the said period may have expired.
- (hg) It shall not be permissible for a party to withdraw from a reference to arbitration without notice thereof in writing being given to the *Market Secretary* and to each party to the reference and received by them not less than forty-eight hours before the time appointed for the first meeting of the ~~Arbitrators~~arbitrators at which the arbitration is to be heard. Should a reference be withdrawn the ~~Board~~Exchange and the ~~Arbitrators~~arbitrators shall be entitled to require payment by any party to the

reference of their fees, expenses and costs and the ~~Arbitrators~~arbitrators shall be at liberty either to agree to the withdrawal of the reference upon such terms as they shall in their absolute discretion see fit or to proceed to hear the reference and to make their award notwithstanding the absence of any party to the reference.

- 6.4.6 Subject to any agreement to the contrary entered into under LIFFE Rule 3.28.2 and to ~~LIFFE~~LIFE Rules 9.4.13, 9.4.14 and 9.4.15 and subject to ~~section 4~~sections 9, 12, 24, 28, 32, 42, 43, 44, 45 of the ~~Arbitration~~1996 Act ~~1979,~~ no party to a ~~contract~~Contract in the ~~terms~~Terms of an Exchange Contract nor any other person claiming under any such party, shall bring any action at law against any other such party in respect of any dispute arising out of the contract, until such dispute shall have been adjudicated upon in arbitration under ~~the LIFFE Rules~~these arbitration rules or under the rules of any other arbitral tribunal to whom the ~~Exchange shall have directed that the~~ dispute ~~should be~~has been referred; and the obtaining of an award under ~~the LIFFE Rules~~these arbitration rules or from such other arbitral tribunal shall be a condition precedent to a right of either contracting party to bring any such action against the other in respect of any claim arising out of any such contract, provided always that proceedings may be brought by any party for an injunction or an order for security for a claim notwithstanding that an award has not been obtained.
- 6.4.7 A registration fee of ~~£25, in the case of a member, or £50, in the case of any other party,~~100 (or such other sums as the Board may from time to time prescribe) shall be paid to the Exchange upon each reference of a dispute ~~to the Board~~ by the ~~party making the~~ referenceClaimant. The registration fee shall not be returnable under any circumstances. Where there are multiple parties to a dispute under a series of back-to-back Contracts in Terms of an Exchange Contract, this fee shall be payable in respect of each separate back-to-back dispute.
- 6.4.8 The ~~party making a reference to arbitration~~Ultimate Claimant shall deposit with the Market Secretary the sum of ~~£100~~1000 (or such other sum as the Board may from time to time prescribe) on account of the Exchange's fees and expenses and the fees and expenses of the arbitrators in connection with the arbitration. The ~~Arbitrators~~arbitrators may in their absolute discretion call for a further sum or sums to be deposited by one, or ~~both,~~more of the parties on account of such fees and expenses. In the event of failure to make any such deposit the ~~Arbitrators~~arbitrators may notwithstanding anything contained in these ~~LIFFE Rules~~arbitration rules postpone or discontinue the arbitration proceedings.
- 6.4.9 Any sum deposited in accordance with LIFFE Rule 6.4.8 shall be applied towards payment of the fees and expenses mentioned in LIFFE Rule 6.4.12 without prejudice to the incidence of liability therefor as between the parties to the dispute under the award of the ~~Arbitrators or LIFFE Rule 6.11,~~arbitrators. Any balance shall thereafter be returned to the depositors in such proportions as ~~to the Board~~arbitrators shall in ~~its~~their absolute discretion ~~seem~~see fit.
- 6.4.10 Subject to LIFFE Rules 3.28.2, 9.4.13, 9.4.14 and 9.4.15, if any ~~member~~Member shall refuse or fail to refer or participate in the reference of any dispute to arbitration in accordance with these ~~LIFFE Rules~~arbitration rules (whether or not any other party to the dispute is a member) or shall refuse or fail to perform the award of the ~~Arbitrators~~arbitrators he shall forthwith be liable to the suspension of his rights or to expulsion from membership under, and subject to, LIFFE Rule 7.1.1.

- 6.4.11 The fact of a member's rights being suspended or a member being expelled, ~~or of the lease of any permit being terminated for any reason,~~ shall not affect the rights of any person to arbitration ~~under the Rules~~ in respect of any contract entered into by the ~~member~~ Member.
- 6.4.12 The amount of the arbitration fees shall be fixed by the ~~Arbitrators~~ arbitrators. To these fees shall be added any expenses incurred by the ~~Arbitrators~~ arbitrators or the *Exchange* in connection with the arbitration and such additional fees as the ~~Board~~ arbitrators may fix in cases where an award is remitted to the ~~Board~~ arbitrators on determination of an appeal to the High Court or an order is made by the High Court concerning the reasons for an award. Arbitration fees (including any such additional fees) ~~and expenses, and any fees or expenses referred to in LIFFE Rules 6.4.7 and 6.4.8) and expenses (including the reasonable and documented fees and expenses of the successful party or parties)~~ shall be borne by the losing party unless otherwise specially awarded.
- 6.4.13 (a) — The award shall be sent by the ~~Arbitrators~~ arbitrators to the *Market Secretary*. Upon receipt thereof the *Market Secretary* shall promptly ~~in writing invite each party to take up the award, stating the sum payable under paragraph (b) below.~~ (b) — Either party may take up the award by sending to the *Market Secretary* written notice of his desire ~~to do so accompanied by a cheque or draft, payable~~ send a certified copy of the award to each party and require the appropriate party to pay to the *Exchange*, ~~for~~ the sum of the fees and expenses mentioned in LIFFE Rule 6.4.12, less ~~the aggregate of any~~ sums it has deposited with the *Market Secretary* under LIFFE Rule ~~6.4.8; provided that where one party has already taken up the award the other may not do so unless such cheque or draft aforesaid shall fail to be paid.~~ 6.4.8. The *Exchange* shall receive such payment for the persons entitled under the ~~Rules~~ arbitration rules to the said fees and expenses.
- ~~(c) — Upon the taking up of the award, and clearance of the cheque or draft mentioned at paragraph (b) above, the Market Secretary shall promptly send the award to the party taking it up and a certified copy thereof to the other party. Liability for payment of the said fees and expenses shall then, according to the award, be settled between the parties.~~
- 6.4.14 In the event that following an application to the High Court an award is remitted to the reconsideration of the ~~Arbitrators~~ arbitrators or an order is made to the ~~Arbitrators~~ arbitrators to state the reasons for their award, the ~~Arbitrators~~ arbitrators reconsidered award or the statement of their reasons, as the case may be, shall be subject to all provisions of the ~~Rules~~ arbitration rules in the same manner as the award first mentioned.
- 6.4.15 In the event that neither party shall take up an award within six weeks of being invited by the *Market Secretary* to do so, the *Exchange* may (on behalf of the persons thereunto entitled under ~~the Rules~~ these arbitration rules) recover payment of the sum payable under LIFFE Rule 6.4.13(b) from the ~~party who made the reference to arbitration~~ Claimant.
- 6.4.16 For the purpose of all proceedings by arbitration or otherwise any ~~contract~~ Contract in the ~~terms~~ Terms of an *Exchange Contract* shall be deemed to have been made in England, any correspondence in reference to the offer, the acceptance, the place of payment or otherwise notwithstanding, and England shall be regarded as the place of performance. Such dispute shall be settled according to the law of England whatever the domicile, residence, or place of business of the parties to the contract may be or become.

- 6.4.17 Subject to LIFFE Rules 6.4.1 and 6.4.4(b), (d) and (f), any notice or other document which is to be served on or delivered to any party in connection with an arbitration under these ~~LIFFE Rules~~arbitration rules may be sent by prepaid post to the usual or last known address or place of business of that party and shall be deemed to have been served or delivered at the time when it would have been delivered in the ordinary course of post. Notices may also be served by facsimile, telex, ~~cable or any other means of reproducing words in a visible form~~mail, or otherwise by written communication that provides a record of its transmission.
- 6.4.18 References to documents or documentary evidence in ~~this section of the LIFFE Rules~~these arbitration rules shall include references to computer or electronic data stored on the *Exchange's* systems for the execution and/or recording of trades, and reporting of prices, and copies of or reproductions of such data in writing.
- 6.4.19 The ~~Arbitration Rules~~arbitration rules governing any dispute referred to arbitration pursuant to LIFFE Rule ~~6.2.1(b) or LIFFE Rule 6.3~~6.1.1 or pursuant to any other ~~LIFFE~~ Rule shall be those operative at the time of reference.

**THE LONDON INTERNATIONAL FINANCIAL FUTURES AND OPTIONS EXCHANGE  
RULES — BOOK II**

## SECTION 7 - EXPULSION, SUSPENSION ETC

### 7.1 Expulsion and suspension

7.1.1 The *Board* may, without any cause being assigned, at a meeting of the *Board* specially convened for the purpose at which not less than one-half of its number are physically present or, in accordance with the *Articles*, by written resolution or by resolution agreed to over the telephone, expel any ~~member~~Member from membership or suspend his rights of membership (including some or all of his rights in respect of any ~~trading right or clearing authorisation~~Trading Right or Clearing Authorisation) for a fixed term and the *Board* shall promptly notify a ~~member~~Member in writing of his expulsion or the suspension of any of his rights under this LIFFE Rule. Such ~~member~~Member may, by notice in writing within seven days of receiving notice of such decision, require the *Board* to give reasons for its decision and the *Board* shall notify the ~~member~~Member of the reasons for its decision within seven days of receiving such notice from the ~~member~~Member.

7.1.2 If a ~~member is declared a defaulter~~Member is Declared a Defaulter or, if any ~~member~~Member shall suspend payment or call a meeting of his creditors, if (in the case of an individual member or a partnership) a receiving order or a bankruptcy order is made against him or all the partners or (in the case of a corporate member) a receiver, an administrative receiver or an administrator is appointed or a petition for its winding-up is presented or a resolution is passed for its winding-up (except a voluntary winding-up for the purposes of an amalgamation or reconstruction which has received in writing the prior approval of the *Board*) or proceedings have otherwise commenced for its dissolution, or if (in any case) an event of insolvency otherwise occurs in respect of a ~~member~~Member, then the rights of such ~~member~~Member (including his rights in respect of every ~~trading right and clearing authorisation~~Trading Right and Clearing Authorisation granted to him) shall be suspended (without any prior decision of the *Board* being required) from the date when, whichever is the case, he is ~~declared a defaulter~~Declared a Defaulter, he suspends payment or calls a meeting of his creditors or such order or appointment is made or such petition presented or resolution passed or such event of insolvency occurs. Subject to LIFFE Rule 9.2.5, upon or after the happening of any such event any other ~~member~~Member holding open contracts on behalf of such ~~member~~Member shall be entitled to close the same without notice. A ~~member~~Member suspended under this LIFFE Rule shall not be entitled, save in respect of a determination of the *Board* under LIFFE Rule ~~7.2.4, 8.2.4~~, to any right otherwise conferred on members by ~~section~~Section 8 of the *LIFFE Rules*.

### 7.2 Effect of expulsion or suspension

7.2.1 Without prejudice to the application of LIFFE Rule 7.3, any ~~member~~Member expelled shall thereupon forfeit all rights and privileges of membership other than the opportunity to apply for reinstatement under LIFFE Rule ~~7.2.4, 8.2.4~~ or to apply for reconsideration or to appeal under ~~section~~Section 8 of the *LIFFE Rules*. Without prejudice to the generality of the foregoing, an expelled ~~member~~Member shall forfeit all rights to use any ~~trading rights~~Trading Rights or clearing authorisations granted to him, without being entitled to any refund of fees paid in respect of the same.

~~7.2.2~~ [deleted]

~~7.2.3~~ [deleted]

~~7.2.4 [deleted]~~

### **7.3 Exchange jurisdiction following expulsion**

- 7.3.1 A ~~member~~Member who is expelled shall remain subject to the LIFFE Rules and to the jurisdiction of the *Exchange* in respect of acts and omissions while he was a ~~member~~Member and in respect of any investigation or disciplinary proceedings relating thereto (including the payment of any fine or application of any other sanction imposed) as if he were a ~~member~~Member, for the longer of:
- (a) the period of twelve months from the date on which he was expelled; or
  - (b) the period during which disciplinary proceedings continue against him, being proceedings started by the *Exchange* no later than twelve months after the date on which he was expelled, subject to any extension of the period under LIFFE Rule 7.3.3.
- 7.3.2 Disciplinary proceedings commenced following a ~~member~~Member's expulsion may be started by giving to the expelled ~~member~~Member notice of an investigation no later than twelve months after the date on which he was expelled.
- 7.3.3 In the event that a disciplinary tribunal concludes that there are, or may be, additional matters in respect of which disciplinary proceedings should be taken, the period referred to in LIFFE Rule 7.3.1 shall be extended until such time as such additional disciplinary proceedings are completed (including the payment of any fine or application of any other sanction imposed).

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## SECTION 8 - RECONSIDERATION AND APPEAL

### 8.1 Reconsideration of decisions

- 8.1.1 If the *Board* shall refuse an application for membership or for the granting of a ~~trading licence~~Trading Licence or clearing authorisation, expel a ~~member~~Member, suspend some or all of a ~~member~~Member's rights for more than seven days or decline to revoke a suspension ~~upon application under LIFFE Rule 7.2.4,~~ and the applicant or ~~member~~Member is dissatisfied with the *Board*'s decision, then the applicant or ~~member~~Member may, provided he has requested the *Board* to give reasons for its decision, within fourteen days of receiving notice of the reasons for the *Board*'s decision request the *Board* in writing to reconsider the decision and may make such written representations and supply such written information as he may consider relevant.
- 8.1.2 The *Board* may allow such applicant or ~~member~~Member to appear before it to make oral representations.
- 8.1.3 The *Board* shall within twenty-eight days of receiving the applicant's or ~~member~~Member's written request for reconsideration or, if later, within twenty-eight days of receiving written representations or written information from the applicant or ~~member~~Member (or a statement from the applicant or ~~member~~Member that no such representation or information is to be made or supplied) either confirm or amend its decision and shall promptly notify the applicant or ~~member~~Member accordingly.

### 8.2 Appeals

- 8.2.1 An applicant or ~~member~~Member may within fourteen days of receiving notification under LIFFE Rule 8.1.3 serve notice on the *Board* of his intention to appeal against the *Board*'s decision. He shall at the same time lodge the sum of £1,000 to cover a proportion of the costs of appeal, which sum shall be returned to the applicant or ~~member~~Member if the appeal is successful.
- 8.2.2 The appeal will be to a commissioner, to be appointed by the Governor of the Bank of England.
- 8.2.3 The said commissioner may adopt such procedure as he deems appropriate in hearing the appeal but shall give both the appellant and the *Board* reasonable opportunity to make representation to him regarding the *Board*'s decision.
- 8.2.4 The commissioner shall notify his award, with the reasons ~~therefor~~therefore, to the *Board* and to the appellant. The *Board* shall within twenty-eight days serve notice on the appellant confirming or amending its decision accordingly.

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## SECTION 9 -- DEFAULT RULES

### 9.1 General

9.1.1 Subject to LIFFE Rule ~~9.1.3~~, 9.1.3 and the Clearing Membership Agreement, these ~~default rules~~ Default Rules are without prejudice to, but in the case of any conflict take precedence over, any other provision of the *LIFFE Rules* or terms of ~~an Exchange a Market Contract or market contract or the terms of any other contract which apply to a market contract~~ any other contractual relationship made between a Member (other than a Special Member) and the Exchange or a Member and a third party which applies to a Market Contract.

9.1.2 Without prejudice to the generality of LIFFE Rule 9.1.1, the taking of any step by the Exchange under this section of the *LIFFE Rules* shall not preclude the implementation of any of the provisions of LIFFE Rules 4.16.1 ~~to 4.16.4~~ et seq. (Emergency Provisions).

9.1.3 All ~~contracts which are registered with the Clearing House under the terms of its Regulations in the name of the defaulter at the time he is declared a defaulter or which are registered thereafter with the Clearing House in the name of the defaulter~~ Market Contracts novated to the CSP pursuant to LIFFE Rule 9.2 below on an Event of Default of the Defaulter, or Replacement Contracts which are entered into thereafter by the CSP in its name or in the name of the Defaulter shall be dealt with in accordance with the *Regulations* ~~which shall have priority over these default rules~~ of the CSP which shall apply to the exclusion of these Default Rules in respect of such Market Contracts registered with the CSP. Should the novation described in LIFFE Rule 9.2.6(a) fail to occur for any reason, the Exchange may exercise any right, power or discretion with respect to the Defaulter and in relation to the Market Contract that would otherwise have been the subject of the novation that the CSP would have been able to exercise under its default rules, as if the Exchange were the CSP.

### 9.2 Declaration of default

#### General

9.2.1 Upon the occurrence of an ~~event~~ Event of ~~default~~ Default in relation to a ~~member~~ Member, or at any time thereafter, if the Exchange, in its absolute discretion, considers that action should be taken under ~~the default rules~~ these Default Rules in the interests of the ~~market~~ Market, the Exchange shall, subject to LIFFE Rule 9.1.2, and unless it receives directions not to take such action under ~~the default rules~~ these Default Rules from the Financial Services Authority under Section 166 of the Companies Act 1989, declare such ~~member to be a defaulter by posting a notice in the market~~ Member to be a Defaulter and shall publish such declaration by Notice, provided that the Exchange may make such declaration without delay where the Event of Default results from the CSP declaring the Member to be a defaulter under its default rules.

9.2.2 If the Exchange is directed by the Financial Services Authority under Section 166 of the Companies Act 1989 to take action under ~~the default rules~~ these Default Rules or to take one or more of the steps referred to in LIFFE Rule 9.4.3 in relation to a ~~member~~ Member, the Exchange shall (if it has not already done so under LIFFE Rule 9.2.1) declare the ~~member to be a defaulter by posting a notice in the market~~ Member to be a Defaulter and shall publish such declaration by Notice.

9.2.3 A declaration made pursuant to LIFFE Rules 9.2.1 or 9.2.2 in respect of a ~~defaulter~~Defaulter shall remain in full force and effect until withdrawn by the *Exchange* pursuant to LIFFE Rule 9.4.16 or otherwise, or pursuant to any direction given by the Financial Services Authority.

9.2.4 The *Exchange* may consult ~~the Clearing House~~with any CSP, or a *Participating Exchange* or ~~any recognised investment exchange or recognised clearing house or designated investment exchange or designated clearing house~~, or any Recognised Investment Exchange, or Recognised Clearing House, or any other exchange or clearing house approved under Section 170 of the Companies Act 1989 or the Financial Services Authority or any other regulatory body or ~~any relevant office-holder~~the Secretary of State or any Relevant Office-Holder or any other ~~relevant person~~Relevant Person, before or any time after taking action under these ~~default rules~~Default Rules in relation to a ~~member~~Member.

#### Clearing Member defaults

9.2.5 Immediately upon (i) the declaration by the Exchange of a Clearing Member to be in default, or (ii) the declaration by the CSP of a Clearing Member to be in default, (each a "Novation Event"), whichever is the earlier, any Market Contract, already entered into between the relevant Member and the Exchange, which has not yet been performed when the Exchange has declared the Member a Defaulter in accordance with LIFFE Rule 9.2.1 or 9.2.2, shall be novated in accordance with LIFFE Rule 9.2.6 below from the Exchange to the CSP which is party to such Member's Clearing Membership Agreement. Following such novation the CSP shall deal with such Defaulter in accordance with its Regulations.

9.2.5A LIFFE Rule 9.2.5 shall be without prejudice to the Exchange's ability to deal with Non-Clearing Members pursuant to these Default Rules and with Clearing Members pursuant to LIFFE Rule 9.1.3.

9.2.6 Immediately on the occurrence of a Novation Event:-

(a) a novation of all Market Contracts to which such Clearing Member is party with the Exchange shall automatically take place pursuant to these Default Rules, the Regulations of the CSP and the Clearing Membership Agreement to which the Exchange, CSP and Member are party, resulting in the termination of all Market Contracts between the Exchange and such Member (hereinafter the "Novated Contracts") and their replacement by Market Contracts between the CSP and the Member on terms identical to the terminated Market Contracts (such new contracts hereinafter, the "Replacement Contracts");

(b) the CSP shall register the Replacement Contracts in the name and for the account of the relevant Clearing Member in the CSP's books and records and those Replacement Contracts shall be subject to the Regulations of the CSP;

(c) simultaneously with the creation of the Replacement Contracts, back-to-back Market Contracts between the CSP and the Exchange (clearing as Members of each other) shall arise. Such Market Contracts between the Exchange and CSP shall be on identical economic terms to the Replacement Contracts, except that where the CSP is the Buyer under a Replacement Contract with the relevant

Clearing Member it will be a Seller under the related contract with the Exchange, and vice versa; and

(d) the Price at which the Replacement Contracts and the back-to-back Market Contracts arising under LIFEE Rule 9.2.6(c) shall be entered into shall be:

(i) in relation to any Registered Exchange Contract to which Settlement to Market applies under LIFEE Rule 13.7, the most recent Daily Settlement Price for which Variation Margin has been satisfied, or, if there has been no satisfaction of Variation Margin, at the Price under the Original Contract; and

(ii) in relation to any Registered Exchange Contract that has been registered at a Price requiring a Premium or other initial payment to be made between the Member and the CSP, where such payment has been made, at a Price of nil, or where such payment has not been made, at the Price under the Original Contract.

9.2.7 [deleted]

9.2.59.2.8 A ~~defaulter~~Defaulter shall not enter into any ~~contract~~Contract in the ~~terms~~Terms of an Exchange Contract (including for the avoidance of doubt, a ~~closing-out contract~~Closing-Out Contract) with any person, and a ~~member~~Member shall not enter into any such contract with a ~~defaulter~~Defaulter, after the time that the ~~defaulter~~Defaulter has been declared as such (notwithstanding any order or instruction to do so given by a person other than the Exchange) save in accordance with any directions given by the Exchange under these ~~default rules~~Default Rules. The Exchange may, ~~at~~in its absolute discretion, direct that a contract entered into by a ~~defaulter~~Defaulter after such time shall be deemed to have been entered into pursuant to directions given by the Exchange under these ~~default rules~~Default Rules.

9.2.69.2.9 A ~~member~~Member who is ~~declared a defaulter~~Declared a Defaulter shall remain a ~~member~~Member until the Board otherwise determines.

### 9.3 Events of default

9.3.1 In these ~~default rules~~Default Rules, the term “~~event~~Event of defaultDefault” shall mean any event or circumstance which leads the *Exchange* to determine that a ~~member~~Member is, or appears to be, unable, or likely to become unable, to meet his obligations under one or more ~~market contracts~~Market Contracts. Without prejudice to the generality of the foregoing, the *Exchange* may, in its absolute discretion, take the occurrence of any one or more of the following events or circumstances as sufficient grounds for determining that a ~~member~~Member is, or appears to be ~~unable~~, or is likely to become, unable to meet his obligations under one or more ~~market contracts~~Market Contracts:

- (a) failure by a ~~member~~Member duly to perform or comply with any obligation to make payment or make or accept delivery of a ~~lot~~Lot under the terms of a ~~market contract~~Market Contract;
- (b) failure by a ~~member~~Member to comply with any other obligation under a ~~market contract or~~Market Contract, the LIFFE Rules or the Regulations, including to satisfy any obligation to provide ~~margin~~Cover for Margin;
- (c) a ~~member~~Member generally not paying his debts as such debts become due, or admitting his inability to pay his debts generally, or becoming, or being deemed to have become, unable to pay his debts within the meaning of ~~section~~Section 123 of the Insolvency Act 1986 or under the laws of any other applicable jurisdiction, or making a general assignment for the benefit of creditors, or any proceedings being instituted or steps taken by or against a ~~member~~Member seeking to adjudicate him bankrupt or insolvent, or seeking liquidation, winding-up, reorganisation, dissolution, administration, arrangement, adjustment, protection, relief or composition of him or his debts or seeking the entry of an order for relief or the appointment of a receiver, receiver and manager, liquidator, provisional liquidator, administrator, trustee or other similar official for him or for any substantial part of his revenues and assets (except, in each case, for the purpose of a reconstruction or amalgamation by a ~~member~~Member, the terms of which have previously been approved by the *Board* in writing) in each case whether under the laws relating to bankruptcy, insolvency or reorganisation or relief of debtors of the country of incorporation or domicile of the ~~member~~Member or under the laws of any other jurisdiction or otherwise;
- (d) a ~~member~~Member taking any corporate action or other step to authorise, institute or commence any of the actions referred to in (c) above;
- (e) any execution, distress, sequestration, attachment or other process being levied or enforced against a ~~member~~Member or against any substantial part of his revenues and assets and not being discharged within seven days of being so levied or enforced;
- (f) a ~~member~~Member being refused an application for or being suspended or expelled from membership of a regulatory body or being in breach of the clients’ money rules of or the rules as to the financial requirements of membership of a regulatory body to which he is subject or a regulatory body taking or threatening to take any action in relation to the ~~member~~Member or taking or threatening to exercise its powers under

the ~~rules~~Rules to restrict or prohibit the ~~member~~Member from entering into transactions or carrying on its business or dealing with its assets;

(g) any action being taken or threatened against a Member (including without limitation, any notice, fine, censure, warning, default proceeding, disciplinary procedure, suspension or expulsion or any withdrawal, revocation or failure to renew of any permission, licence or authorisation) by any governmental authority, regulatory authority, exchange, or clearing house;

(h) any licence, authorisation, consent or registration at any time necessary to enable a ~~member~~Member to comply with his obligations to the *Exchange* or to any other ~~member~~Member or to carry on his business in the normal course being revoked, withheld or materially modified or failing to be granted or perfected or ceasing to remain in full force and effect;

(hi) a ~~member~~Member failing to satisfy the *Exchange* at any time that he meets any minimum financial resources or other financial requirement for membership from time to time stipulated by the *Exchange*;

(ij) a ~~member~~Member being or being ~~declared in default~~Declared a Defaulter under the rules of any ~~Participating Exchange or recognised or designated investment exchange or a recognised or designated clearing house,~~ or Recognised Investment Exchange, or a Recognised Clearing House, or any other exchange or clearing house or body which provides settlement services, or being declared in breach of the rules as to the financial requirements of membership of, or being refused membership of, or suspended or expelled from membership of, a ~~Participating Exchange or any recognised or designated investment exchange or recognised or designated clearing house,~~ or Recognised Investment Exchange, or a Recognised Clearing House, or having the right to transfer or receive a transfer of ~~contracts~~Market Contracts pursuant to a *Member Link Agreement* suspended pursuant to the rules of a *Participating Exchange*;

(k) a Member being in breach of any applicable law relevant to its business as a Member;

(jl) a ~~member~~Member, being a partnership, being dissolved; ~~or~~

(m) a direction is made by the Financial Services Authority as contemplated in LIFEE Rule 9.2.2.

9.3.2 An event or circumstance referred to in LIFEE Rule 9.3.1 shall, without limitation, be deemed to have occurred in relation to a ~~member~~Member being an unincorporated association or partnership if it occurs in relation to a person comprised in such unincorporated association or partnership.

9.3.3 A declaration of an Event of Default shall be deemed to be an Event of Default under these Default Rules.

## 9.4 Default proceedings

9.4.1 Subject to LIFFE Rule 9.4.2, immediately or at any time after a ~~member~~Member has been ~~declared a defaulter~~Declared a Defaulter, the *Exchange* shall, unless it receives a direction from the Financial Services Authority requiring the *Exchange* not to take action or not to take certain steps under these ~~default rules~~Default Rules, take any one or more of the steps referred to in LIFFE Rule 9.4.3 as it determines, in its absolute discretion, to be appropriate in order:

- (a) that all rights and liabilities under every ~~unsettled market contract~~Unsettled Market Contract to which the ~~defaulter~~Defaulter and a *Counterparty* are party as principals are discharged in accordance with LIFFE Rule 9.4.4 and that a settlement amount is determined in respect of each such ~~contract~~Market Contract in accordance with LIFFE Rule 9.4.5; and
- (b) pursuant to the steps taken to give effect to paragraph (a) of this LIFFE Rule 9.4.1, to certify, or for there to be certified on behalf of the *Exchange*, one or more net sums due to or from the ~~defaulter~~Defaulter as determined in accordance with LIFFE Rule 9.4.7 or, that no net sum is payable.

9.4.2 The *Exchange* shall not be obliged to take steps under LIFFE Rule 9.4.1:

- (a) to discharge all rights and liabilities referred to therein or to take steps to discharge all rights and liabilities under every ~~market contract~~Market Contract to which the ~~defaulter~~Defaulter and a *Counterparty* are party as principals or to calculate the settlement amount referred to therein or to effect the certification required by such ~~LIFFE~~ Rule, if it would be impracticable in the circumstances to do so. If it should become practicable to effect the discharge of such rights and liabilities or to calculate the settlement amount or to effect such certification, the *Exchange* shall, subject to LIFFE Rule 9.4.9, take any one or more of the steps required by LIFFE Rule 9.4.1 to effect this; or
- (b) to discharge rights and liabilities:
  - (i) in respect of ~~margin~~Margin; or
  - (ii) which arise out of a failure to perform a ~~market contract~~Market Contract in accordance with its terms.

9.4.3 The steps referred to in LIFFE Rule 9.4.1 are:

- (a) directing that any or all ~~unsettled market contracts~~Unsettled Market Contracts with a *Counterparty* to which the ~~defaulter~~Defaulter is party as *Buyer* (as defined in such ~~contracts~~Market Contracts) be settled by off-set against ~~unsettled market contracts~~Unsettled Market Contracts on the same terms, except as to ~~price~~Price, with the same *Counterparty* to which the ~~defaulter~~Defaulter is party as *Seller* (as defined in such ~~contracts~~Market Contracts);
- (b) closing-out or directing that there be closed-out any or all ~~unsettled market contracts~~Unsettled Market Contracts to which the ~~defaulter~~Defaulter and a *Counterparty* are party as principals in accordance with sub-paragraph (i) below, or in accordance with sub-paragraph (ii) below if the *Exchange* determines, in its

absolute discretion, that it would be impracticable or inappropriate for action to be taken under sub-paragraph (i):

- (i) the making of a ~~contract~~Contract in the ~~pit~~Terms of an Exchange Contract by a ~~member~~Member for allocation to the ~~defaulter~~Defaulter, in order to effect a ~~closing-out—contract~~Closing-Out Contract to which the ~~defaulter~~Defaulter and such *Counterparty* become party; or
  - (ii) reversal of the relevant entries in the books of account of the ~~defaulter~~Defaulter at a ~~price~~Price determined by the *Exchange*, which ~~price~~Price may, without prejudice to the generality of the foregoing,
    - (aa) be the ~~price~~Price at which a relevant ~~closing-out—contract~~Closing-Out Contract is made under paragraph (b)(i) of this LIFFE Rule; or
    - (bb) be the ~~price~~Price or an average of the ~~prices~~Prices at which ~~a CSP~~or the Clearing-House Exchange has closed-out or cash settled under the terms of the *Regulations* or the Rules (as applicable) one or more ~~contracts~~Market Contracts to which the ~~defaulter~~Defaulter is party which are on the same terms (except as to the ~~price~~Price and the ~~counterparty~~Counterparty) as the ~~unsettled—market contract~~Unsettled Market Contract being closed-out; or
    - (cc) be determined by reference to an appropriate *Exchange* ~~settlement price or an official quotation of the Clearing House~~Settlement Price for the relevant ~~Exchange~~Market Contract; or
    - (dd) be determined by the *Exchange* with regard to market conditions; or
    - (ee) take into account any compensation that the *Exchange* considers should be paid by or to the ~~defaulter~~Defaulter; or
    - (ff) in respect of an ~~unsettled—market—contract~~Unsettled Market Contract, being a ~~contract~~Contract in the ~~terms~~Terms of a *Linked LIFFE Contract* to which LIFFE Rule 10.6.1(a) or LIFFE Rule 10.6.2(a) applies, be the ~~price~~Price at which a ~~contract~~Contract in the ~~terms~~Terms of the relevant *Participating Exchange Contract* for the same number of ~~lots~~Lots and for the same ~~delivery month or expiry month and exercise price~~Delivery Month or Expiry Month and Exercise Price (as applicable) has been closed-out, transferred or otherwise settled;
- (c) without prejudice to paragraphs (a) or (b) of this LIFFE Rule:
- (i) (aa) directing that any or all ~~unsettled market contracts~~Unsettled Market Contracts which are contracts in the terms of *Equity Option Contracts* or *Financial Option Contracts* or *Commodity Option Contracts* to which the ~~defaulter~~Defaulter is party as *Buyer* (as defined in such ~~contracts~~Market Contracts) be exercised by or on behalf of the ~~defaulter~~Defaulter on a day on which the exercise of

an ~~option~~Option may be made under the terms of the relevant ~~Exchange~~Market Contract, and

- (~~ii~~bb) directing that any of the steps referred to in paragraphs (a), (b) or (d) of this LIFFE Rule be implemented in respect of all ~~unsettled market contracts~~Unsettled Market Contracts resulting from the step referred to in paragraph (c)(i) of this LIFFE Rule having been taken;
  - (~~iii~~i) directing that any or all ~~unsettled market contracts~~Unsettled Market Contracts which are in the terms of *Equity Option Contracts* or *Financial Option Contracts* or *Commodity Option Contracts* shall expire on the expiry date for such ~~contracts~~Market Contracts;
- (d) directing any or all ~~unsettled market contracts~~Unsettled Market Contracts to which the ~~defaulter~~Defaulter is party, being ~~contracts~~Market Contracts under the terms of which delivery of a ~~lot~~Lot is required to be made (“~~delivery contracts~~Delivery Contracts”) (including ~~delivery contracts~~Delivery Contracts which result from the step referred to in paragraph (c)(i) having been taken) to be performed in accordance with its terms with the agreement of the ~~defaulter~~Defaulter or (if applicable) a ~~relevant office holder~~Relevant Office-Holder appointed in respect of the ~~defaulter~~Defaulter, provided that:
- (i) if a direction is not given under this paragraph (d); or
  - (ii) if such a direction is given but the obligations of the parties to one or more ~~contracts~~Market Contracts the subject of the direction are not fully performed in accordance with its terms,

the *Exchange* may, but without prejudice to LIFFE Rule 9.4.2, direct such ~~contract or contracts~~Market Contract or Market Contracts to be closed-out under paragraph (b)(ii) of this LIFFE Rule or otherwise dealt with in accordance with the *LIFFE Rules* or the terms of the relevant ~~Exchange~~Market Contract but without prejudice to the rights of either party under LIFFE Rule 9.4.11;

- (e) in order to facilitate a transfer of an ~~unsettled market contract~~Unsettled Market Contract at the request of a *Counterparty*, directing that such ~~contract~~Market Contract be closed-out under paragraph (b)(ii) of this LIFFE Rule and that a ~~contract~~Market Contract in the same terms as the closed-out ~~contract~~Market Contract be entered into (otherwise than in the ~~pit~~Pit) between a ~~member~~Member (“the ~~transferee member~~Transferee Member”) and the *Counterparty*, with the agreement of such ~~transferee member~~Transferee Member, at a ~~price~~Price determined by the *Exchange* and, where applicable, directing that the ~~transferee member~~Transferee Member and his ~~clearing member~~Clearing Member enter into a ~~market contract~~Market Contract in the same terms (including the ~~price~~Price) as such ~~contract~~Market Contract, save that the ~~transferee member~~Transferee Member if a ~~buyer~~Buyer under the ~~contract~~Market Contract with the *Counterparty* shall be a ~~seller~~Seller under the ~~contract~~Market Contract with his ~~clearing member~~Clearing Member and vice versa;
- (f) in respect of any unsettled ~~market contract~~Market Contract to which the ~~defaulter~~Defaulter is party which is open at the close of trading on the *Last Trading*

Day for such ~~contract~~Market Contract (as defined therein), being a ~~contract~~Market Contract under the terms of which cash settlement is required to be made, directing that the ~~contract~~Market Contract be settled by payment of the settlement amount determined in accordance with LIFFE Rule 9.4.5(e);

(g) implementing, or directing that there be implemented, any other provision of the *Rules* or the terms of the relevant ~~Exchange~~Market Contract ~~or the terms of the relevant market contract~~ or taking any other steps calculated by the *Exchange* to achieve the purpose of LIFFE Rule 9.4.1;

(h) ~~(h)~~— if the ~~defaulter~~Defaulter is a ~~LIFFE clearing member~~Clearing Member party to a *Link Clearing Agreement*, directing that a ~~contract~~Contract in the ~~terms~~Terms of an *Exchange Contract* shall arise between the ~~defaulter~~Defaulter and a *Counterparty*, being a ~~contract~~Market Contract which would have arisen pursuant to LIFFE Rule 10.5.3 had the ~~LIFFE clearing member~~Clearing Member not become a ~~defaulter~~Defaulter. Such ~~contract~~Market Contract shall be subject to the ~~LIFFE Rules and the Regulations~~ and shall not be subject to the relevant *Participating Exchange Rules* and shall be at a ~~price~~Price determined by the *Exchange*, but otherwise shall be in the terms of a ~~contract~~Market Contract in the terms of the relevant *Linked Participating Exchange Contract* for the same number of ~~lots~~Lots and for the same ~~delivery month or expiry month and exercise price~~Delivery Month or Expiry Month and Exercise Price (as applicable) to which the ~~LIFFE clearing member~~Clearing Member and/or each such *Counterparty* is or has been a party. The *Exchange* may make such direction for the purposes of closing-out an ~~unsettled market contract~~Unsettled Market Contract to which the ~~defaulter~~Defaulter and the *Counterparty* are party, to facilitate a transfer of the ~~contract~~Market Contract arising pursuant to this paragraph at the request of the *Counterparty* or for any other reason which the *Exchange* considers appropriate in the circumstances;

(i) if the ~~defaulter~~Defaulter is a ~~LIFFE non-clearing member~~Non-Clearing Member, directing that a ~~contract~~Contract in the ~~terms~~Terms of an *Exchange Contract* shall arise between the ~~defaulter~~Defaulter and a ~~LIFFE clearing member~~Clearing Member and, as the case may require, between the ~~defaulter~~Defaulter and a *Counterparty* (being a client) following the arising of a ~~contract~~Contract in the ~~terms~~Terms of an *Exchange Contract* between the ~~LIFFE clearing member and the Clearing House~~Member and the CSP pursuant to LIFFE Rule 10.5.2 upon the transfer of a ~~contract~~Market Contract in the terms of a *Linked Participating Exchange Contract* for the same number of ~~lots and delivery month or expiry month and exercise price~~Lots and Delivery Month or Expiry Month and Exercise Price (as applicable) as the ~~contract~~Market Contract in the terms of the *Linked Participating Exchange Contract*.

9.4.4 Without prejudice to *LIFFE Rules* 9.4.11 to 9.4.14 inclusive, all rights and liabilities of the ~~defaulter~~Defaulter and a *Counterparty* under an ~~unsettled market contract~~Unsettled Market Contract, other than those rights and liabilities referred to in LIFFE Rule 9.4.2 (subject to paragraph (b) of such LIFFE Rule) and the right and liability to pay or receive fees or commissions with respect thereto, shall be discharged on completion of the step or steps taken by the *Exchange* under LIFFE Rule 9.4.1 (a) with respect to such ~~contract~~Market Contract and the ~~defaulter~~Defaulter or (as the case may be) the *Counterparty* shall be liable to pay the settlement amount (if any) determined under LIFFE Rule 9.4.5 to be payable by one party to the other in respect of such ~~contract~~Market Contract.

9.4.5 The settlement amount (if any) which is payable in respect of a ~~market contract~~Market Contract in accordance with LIFFE Rule 9.4.4 shall, subject to LIFFE Rule 9.4.2(a), be determined by or on behalf of the *Exchange* in accordance with this LIFFE Rule and may take into account any ~~premiums~~Premiums or amounts due and payable but unpaid or any arbitration award or judgement made arising from any proceeding commenced in respect of any dispute, claim or matter arising out of or in connection with such ~~contract~~Market Contract. Without prejudice to the generality of this LIFFE Rule, ~~9.4.5~~, the settlement amount (if any) shall be determined:

- (a) in respect of ~~contracts~~Market Contracts settled by off-set under LIFFE Rule 9.4.3(a) (other than ~~contracts~~Market Contracts in the terms of an *Equity Option Contract*), by reference to the difference (if any) between the ~~contract prices~~Prices of the ~~contracts~~Market Contracts off-set against each other;
- (b) in respect of a ~~contract~~Market Contract closed-out under LIFFE Rule 9.4.3(b)(i), by reference to the difference (if any) between the ~~contract prices~~Prices for such ~~contract~~Market Contract and the ~~closing-out contract~~Closing-Out Contract or, if applicable to a contract in the terms of an *Equity Option Contract*, by reference to the ~~contract price~~Price payable under the ~~closing-out contract~~Closing-Out Contract;
- (c) in respect of a ~~contract~~Market Contract closed-out under LIFFE Rule 9.4.3(b)(ii), by reference to the difference (if any) between the ~~contract price~~Price for such ~~contract~~Market Contract and the ~~price~~Price at which the relevant entries in the books of account were reversed or, if applicable to a ~~contract~~Market Contract in the terms of an *Equity Option Contract*, by reference to the ~~price~~Price at which the relevant entries in the books of account were reversed;
- (d) in respect of a ~~delivery contract~~Delivery Contract which, pursuant to a direction given under LIFFE Rule 9.4.3(d) or otherwise, has been performed in whole or in part, having regard to its terms;
- (e) in respect of a ~~contract~~Market Contract the subject of a step taken under LIFFE Rule 9.4.3(f), by reference to the terms of the relevant ~~Exchange~~Market Contract,

provided that if, pursuant to the terms of the ~~market contract~~Market Contract or the terms of any agreement between the parties to such ~~contract~~Market Contract, the rights and obligations of the parties have become or been converted into an obligation to pay and a right to receive a single liquidated sum, the *Exchange* may determine that such sum shall be the settlement amount in respect of one or more ~~market contracts~~Market Contracts.

If steps have not been taken under LIFFE Rule 9.4.1 to discharge the rights and liabilities under an ~~unsettled market contract~~Unsettled Market Contract which arise out of a failure to perform such ~~contract~~Market Contract in accordance with its terms, the *Exchange* shall not be obliged to determine a settlement amount in respect of such ~~contract~~Market Contract.

9.4.6 The settlement amount determined by the *Exchange* pursuant to LIFFE Rule 9.4.5 for each ~~market contract~~Market Contract in respect of which one or more steps have been taken under LIFFE Rule 9.4.1 shall be final, conclusive and binding upon the ~~defaulter~~Defaulter and the *Counterparty* to each such ~~contract~~Market Contract.

- 9.4.7 Subject to LIFFE Rules 9.4.8 and 9.4.9, an account shall be drawn up between the ~~defaulter~~Defaulter and each *Counterparty* to one or more ~~market contracts~~Market Contracts which have been discharged in accordance with LIFFE Rule 9.4.4, save that where the ~~defaulter~~Defaulter or, as the case may be, the *Counterparty* is a ~~segregated client~~Segregated Client with respect to some or all of such ~~contracts~~Market Contracts, separate accounts shall be drawn up between the ~~defaulter~~Defaulter and the *Counterparty* relating to the ~~contracts~~Market Contracts in respect of which either party is a ~~segregated client~~Segregated Client and relating to those in respect of which neither party is a ~~segregated client~~Segregated Client. Each such account shall include the settlement amounts calculated in respect of each ~~unsettled market contract~~Unsettled Market Contract under LIFFE Rule 9.4.5, which amounts shall be credited or debited, as appropriate, to the relevant account. On each account, all credits and debits shall be aggregated and the aggregated amount of such credits and debits shall be set-off against each other, so as to produce a net sum payable by or to the ~~defaulter~~Defaulter on each account as certified under LIFFE Rule 9.4.1.
- 9.4.8 Where the ~~defaulter~~Defaulter or the *Counterparty* has entered into one or more ~~market contracts~~Market Contracts as trustee a separate account shall be drawn up under LIFFE Rule 9.4.7 relating to ~~unsettled market contracts~~Unsettled Market Contracts entered into by the ~~defaulter~~Defaulter or the *Counterparty*, as the case may be, as trustee.
- 9.4.9 The *Exchange* shall not be obliged to include in any account drawn up under LIFFE Rule 9.4.7 in relation to a *Counterparty* any ~~market contract~~Market Contract of which it does not have actual notice within 3 months after the date on which the ~~member was declared a defaulter~~Member was Declared a Defaulter or to draw up an account with respect to a *Counterparty* of which it does not have actual notice within 3 months of such date.
- 9.4.10 The *Exchange* shall be entitled, in its absolute discretion, without notice to the ~~defaulter~~Defaulter or a *Counterparty*, to make any currency conversions which the *Exchange* considers necessary or desirable for the purposes of these ~~default rules~~Default Rules at such rate or rates as the *Exchange* may reasonably determine.
- 9.4.11 Subject to LIFFE Rule 9.4.15, any step taken under these ~~default rules~~Default Rules with respect to one or more ~~market contracts~~Market Contracts or to calculate the settlement amount in respect of a ~~market contract~~Market Contract or to determine and certify one or more net sums (if any) due to or from the ~~defaulter~~Defaulter shall be without prejudice to the provisions of a *Member Link Agreement* or the rights of either party to refer any dispute, claim or matter to arbitration under the *Rules* arising out of or in connection with a failure to perform one or more of such ~~contracts~~Market Contract in accordance with its terms or, where permitted under the *Rules*, to commence any court proceedings in respect of such dispute claim or matter.
- 9.4.12 (a) If a dispute arises to which a ~~defaulter~~Defaulter is party as to whether a ~~contract~~Market Contract had been made or as to the terms of a ~~contract~~Market Contract, or
- (b) if a ~~defaulter~~Defaulter has not taken all steps required of him by the *Rules* or any procedures made under the *Rules* to acknowledge all ~~contracts~~Contracts in the terms of an *Exchange Contract* or to input details of such contracts into *TRS*,
- then the *Exchange* may direct that any such ~~contract~~Market Contract shall be deemed to have been validly made, by the parties to the dispute referred to in paragraph (a) or, as the

case may be, by the ~~defaulter~~Defaulter in the circumstances referred to in paragraph (b), on such terms as the *Exchange* thinks fit and such ~~contract~~Market Contract shall, subject to LIFFE Rule 9.4.2, be subject to one or more steps taken under LIFFE Rule 9.4.1. Subject to LIFFE Rule 9.4.15, any steps taken under this LIFFE Rule shall be without prejudice to the ~~provisions of a Member Link Agreement or the~~ right of the ~~defaulter~~Defaulter or any other person to refer a dispute, including a dispute referred to in paragraph (a) above, to arbitration or, where permitted under the LIFFE Rules, to commence court proceedings in respect of the same.

9.4.13 Without prejudice to LIFFE Rule 9.4.12, and subject to LIFFE Rule 9.4.14, if a dispute arises to which the ~~defaulter~~Defaulter is party as to whether a ~~contract~~Market Contract has been made or as to the terms of such ~~contract~~Market Contract, the *Exchange* may direct that the parties to the dispute refer the dispute to arbitration or appeal against any award made in relation thereto or, if the LIFFE Rules do not prohibit it, commence court proceedings or otherwise apply to the court in respect thereof, within such time limit as the *Exchange* may direct for the purpose (but without prejudice to any shorter limitation period applicable by virtue of the terms of the ~~market contract~~Market Contract, the LIFFE Rules or otherwise) and promptly send to the *Exchange* a copy of any document commencing arbitration proceedings or other process or appeal. Any party failing to comply with any such direction shall be deemed to have waived his rights to refer any dispute to arbitration or to commence court proceedings or appeal against an award in relation to such right or liability (subject to any contrary provision of the Companies Act 1989) whereupon the Board shall determine the issue as it thinks fit taking into account such evidence (if any) as it thinks fit. The *Exchange* may make such further procedural directions as it thinks fit for the purposes of this LIFFE Rule 9.4.13;

9.4.14 (a) Subject to paragraph (b) below, in the event that any dispute arises as to whether a ~~contract~~Market Contract to which a ~~defaulter~~Defaulter is party is a ~~contract~~Contract in the ~~terms~~Terms of an *Exchange Contract* or ~~a market contract~~ or as to whether a ~~market contract is an unsettled market contract~~Market Contract is an Unsettled Market Contract, the *Board* shall determine the issue as it thinks fit taking into account such evidence (if any) as it thinks fit. The decision of the *Board* shall be final and binding on all parties to such ~~contract~~Market Contract.

(b) The *Board* may in its absolute discretion direct that any dispute referred to in paragraph (a) of this LIFFE Rule 9.4.14 shall be referred to arbitration under the LIFFE Rules and the parties to such dispute shall be bound to comply with such direction.

9.4.15 No person may refer to arbitration under the LIFFE Rules any dispute, claim or matter arising out of or in connection with any step taken under these ~~default rules~~Default Rules, including without prejudice to the generality of the foregoing, any step taken to settle a ~~market contract~~Market Contract or to determine the settlement amount payable in respect of such ~~contract~~Market Contract or to certify one or more net sums under LIFFE Rule 9.4.1(b).

9.4.16 On completion of the certification under LIFFE Rule 9.4.7 of one or more net sums payable by or to a ~~defaulter~~Defaulter, the *Exchange* shall, subject to LIFFE Rule 9.2.2, withdraw the declaration made pursuant to LIFFE Rules 9.2.1 or 9.2.2 in respect of such ~~defaulter~~Defaulter.

## 9.5 Notification

9.5.1 The *Exchange* shall, as soon as reasonably practicable after a ~~member~~Member has been ~~declared a defaulter~~Declared a Defaulter, take such steps as it may in its absolute discretion consider appropriate in order that:

- (a) *Counterparties* to ~~unsettled market contracts~~Unsettled Market Contracts with a ~~defaulter, members~~Defaulter, Members of the *Exchange*, persons party to a ~~market contract~~Market Contract as agent for the *Counterparty*, the persons referred to in LIFFE Rule 9.2.4 and such other persons as it thinks fit, are notified that the ~~member~~Member has been ~~declared a defaulter~~Declared a Defaulter;
- (b) *Counterparties* to ~~unsettled market contracts~~Unsettled Market Contracts with the ~~defaulter~~Defaulter are notified of any decision taken under the ~~default rules~~Default Rules with respect to such ~~contracts~~Market Contracts to which they are party; and
- (c) if the ~~defaulter~~Defaulter is party to a ~~market contract~~Market Contract as agent, his principal is notified that a default has occurred and the identity of the other person party as principal to such ~~contract~~Market Contract, and, in the case of (a) above, such steps shall include, without prejudice to the generality of the foregoing, ~~posting a notice in the market~~publishing a Notice.

9.5.2 A ~~member~~Member shall forthwith give notice to the *Exchange* of the occurrence of any event referred to in LIFFE Rule 3.27.2 or any other event referred to in LIFFE Rule 9.3.1 in relation to it or upon it becoming aware of the occurrence of any such event in relation to a ~~member~~Member.

9.5.3 The ~~defaulter~~Defaulter and, where applicable, a ~~member~~Member party to an ~~unsettled market contract~~Unsettled Market Contract with a ~~defaulter~~Defaulter shall give notice to the *Exchange* of any dispute, claim or matter arising out of or in respect of such ~~contract~~Market Contract which it is proposed will be referred to arbitration under the *Arbitration Rules* or be the subject of court proceedings, forthwith upon becoming aware of any such dispute, claim or matter.

## 9.6 Procedures

9.6.1 The *Exchange* may from time to time prescribe procedures for the purposes of these ~~default rules~~Default Rules and to provide for the manner in which its rights or obligations under the Companies Act 1989 or the Financial Services and Markets Act 2000 in relation to such rules or proceedings may be exercised by or on behalf of the *Exchange*.

9.6.2 The *Board* shall appoint a committee for the purposes of implementing the obligations of the *Exchange* under these ~~default rules~~Default Rules or exercising the rights or fulfilling the obligations of the *Exchange* under the Companies Act 1989 or the Financial Services and Markets Act 2000 in relation to such rules. The membership of such committee shall be determined from time to time by the *Board* and details of such membership and any regulations imposed on the committee by the *Board* shall be notified by means of a ~~General Notice~~.

9.6.3 For the purposes of implementing these ~~default rules~~Default Rules, or exercising its rights or fulfilling its obligations under the Companies Act 1989 or the Financial Services and Markets Act 2000 in relation to such rules, the *Exchange* shall, without prejudice to LIFFE Rules 3.23.1 or 3.23.3, have the right at all times, without giving prior notice, through its employees or agents to enter into any premises belonging to or in the occupation of the

~~defaulter~~Defaulter, to examine and remove or take copies of or extracts from the trading, accounting, computer and other records of the ~~defaulter~~Defaulter and to operate any accounting or computing systems of the ~~defaulter~~Defaulter and to reproduce data to which the *Exchange* has access. The *Exchange* shall have such rights for the purpose of obtaining the names and addresses of all clients, details of all ~~unsettled market contracts~~Unsettled Market Contracts entered into by the ~~defaulter~~Defaulter, details of money and other property held for the account of ~~segregated clients~~Segregated Clients and any other information which the *Exchange* considers to be necessary or desirable for the purpose of implementing these ~~default rules~~Default Rules.

9.6.4 The ~~defaulter~~Defaulter and all ~~members~~Members shall co-operate fully at all times with the *Exchange* and shall promptly provide such information as the *Exchange* or its employees or agents may request in connection with the implementation by the *Exchange* of these ~~default rules~~Default Rules or the exercise by it of its rights or the fulfilment by it of its obligations under the Companies Act 1989 or the Financial Services and Markets Act 2000 in respect of such rules including, without prejudice to the generality of the foregoing, information regarding ~~market contracts~~Market Contracts entered into by the ~~defaulter~~Defaulter.

9.6.5 A ~~contract~~purported Contract in the ~~terms~~Terms of an Exchange Contract (an “Off-Exchange Agreement”) made by a ~~member~~Member with a client otherwise than in conformity with LIFFE Rule 4.13.1 is not a ~~market contract~~Contract in the Terms of an Exchange Contract, unless the *Board* determines otherwise. In reaching such determination, the *Board* shall have regard to such evidence as it thinks fit as to the circumstances prevailing at the time the ~~contract~~Off-Exchange Agreement was made including, without limitation, evidence as to whether the ~~member~~Member was hindered or prevented from complying with LIFFE Rule 4.13.1 by virtue of being ~~declared a defaulter~~Declared a Defaulter or by virtue of the ~~market~~Market being closed. The determination of the *Board* shall be final and binding on all parties to such ~~contract~~Off-Exchange Agreement.

9.6.6 Without prejudice to LIFFE Rule 9.4.12, if a ~~member~~Member has been ~~declared a defaulter~~Declared a Defaulter and has not taken all steps required of him by the ~~LIFFE Rules~~LIFFE Rules or any procedures made under the ~~LIFFE Rules~~LIFFE Rules to acknowledge all ~~contracts~~Market Contracts in the ~~terms~~Terms of an Exchange Contract, or to input details of any such contracts into TRS, the *Exchange* shall be entitled to take such steps on behalf of the ~~defaulter~~Defaulter and any such steps taken by the *Exchange* shall be deemed to have been taken by the ~~defaulter~~Defaulter.

9.6.7 In taking any step under these ~~default rules~~Default Rules, the *Exchange* shall take no account of any right or interest which any person other than the ~~defaulter~~Defaulter or the *Counterparty* may have in any ~~unsettled market contract~~Unsettled Market Contract entered into between them.

## 9.7 Delegation of functions

9.7.1 The *Exchange* may from time to time appoint one or more persons to perform on its behalf any of the functions, save those referred to in LIFFE Rule 9.3.1, which it may or may be required to exercise under these ~~default rules~~Default Rules and may appoint any professional adviser to advise or assist the *Exchange* with respect to the carrying out of its functions hereunder.

## 9.8 Costs

9.8.1 The ~~defaulter~~Defaulter shall be liable to indemnify the *Exchange* in respect of any costs, charges and expenses which the *Exchange* may incur or suffer in taking any action under the ~~default rules~~Default Rules, including the costs of any person appointed pursuant to LIFFE Rule 9.7.1 to perform any function on behalf of the *Exchange* or to advise or assist with respect thereto.

## 9.9 Co-operation with other bodies

9.9.1 The *Exchange* may pass on any details of or other information in its possession relating to a ~~defaulter~~Defaulter or his ~~market contracts~~Market Contracts or relating to a ~~member~~Member in respect of whom action has been taken under the ~~default rules of a recognised investment exchange or a recognised clearing house~~Default Rules of a Recognised Investment Exchange or a Recognised Clearing House to any of the persons referred to in LIFFE Rule 9.2.4 or to any other body or authority having responsibility for any matter arising out of or in connection with the default and otherwise co-operate with any such persons in connection with such default. For the avoidance of doubt, the *Exchange* may pass on such details or other information under this LIFFE Rule 9.9.1 to any person, body or authority referred to in this LIFFE Rule 9.9.1 who has responsibility for the supervision or regulation of a company which is in the same group of companies (howsoever defined under applicable law) as, or which is otherwise connected to, such ~~defaulter~~Defaulter or such ~~member~~Member or of whom a company in the same group of companies (howsoever defined under applicable law) as, or which is otherwise connected with, such ~~defaulter~~Defaulter or such ~~member~~Member is a ~~member~~Member, whether or not such company is itself in default under the rules of such person, body or authority.

## 9.10 Amendments

9.10.1 Any amendment, revocation or addition to these ~~default rules~~Default Rules may take effect so as to affect default proceedings in progress at such time as the *Board* may determine.

**THE LONDON INTERNATIONAL FINANCIAL FUTURES AND OPTIONS EXCHANGE**

**RULES – BOOK II SECTION 10 – LINK RULES**

**10.1 General**

**(a)** ~~10.1.1~~—These *Link Rules*, together with all other sections of the *LIFFE Rules*, apply to each *Link* established by the *Exchange* with a *Participating Exchange*. Nothing in these *Link Rules* shall prevent the *Exchange* exercising any of its rights or powers, or taking any steps open to it, under or pursuant to LIFFE Rule 4.16 or the ~~default rules~~ *Default Rules*. In the event of any conflict between the provisions of LIFFE Rule 4.16 or the ~~default rules~~ *Default Rules* and these *Link Rules*, the provisions of LIFFE Rule 4.16 or the ~~default rules~~ *Default Rules*, as the case may be, shall prevail.

**(b)** ~~10.1.2~~—The *Board* shall from time to time implement, ~~with the agreement of the Clearing House,~~ such procedures as it thinks fit for the purposes of maintaining a *Link* or for any purpose contemplated by one or more agreements concluded by the *Exchange* with a *Participating Exchange* or by a *Member Link Agreement*.

**10.2 Definitions and interpretation**

10.2.1 In these *Link Rules*, unless the context otherwise requires:

~~“contract in the terms of a Linked LIFFE Contract”~~ in respect of a Linked LIFFE Contract, has the same meaning as is given to the term “contract in the terms an Exchange Contract” in LIFFE Rule 2.1;

~~“contract in the terms of a Participating Exchange Contract”~~ means a contract which is in the terms of a Participating Exchange Contract and includes any other terms permitted by, or which are not precluded by, the relevant Participating Exchange Rules;

~~“defaulting Participating Exchange clearing member”~~ means a Participating Exchange clearing member referred to in LIFFE Rule 10.6.2, 10.6.3 or 10.6.4, as the case may be;

~~“defaulting Participating Exchange member”~~ means a defaulting Participating Exchange clearing member or a defaulting Participating Exchange non-clearing member, as the case may be;

~~“defaulting Participating Exchange non-clearing member”~~ means a Participating Exchange non-clearing member referred to in LIFFE Rule 10.6.5(a) or 10.6.5(b), as the case may be;

~~“LIFFE members”~~ means LIFFE clearing members and LIFFE non-clearing members and a “LIFFE member” means any one of such members;

|                                                         |                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <del>“Link”</del>                                       | <del>has the meaning attributed to it in LIFFE Rule 2.1;</del>                                                                                                                                                                                                                                                                                                              |
| <del>“Link Clearing Agreement”</del>                    | <del>means a written agreement in one or more forms and in the terms prescribed by the Exchange, the Clearing House and the relevant Participating Exchange to which, amongst others, a LIFFE clearing member is party which has the function, amongst other things, of facilitating the transfer of either or both of:</del>                                               |
|                                                         | <del>(i) contracts in the terms of one or more Linked LIFFE Contracts covered by such agreement in accordance with LIFFE Rule 10.4; and</del>                                                                                                                                                                                                                               |
|                                                         | <del>(ii) contracts in the terms of one or more Linked Participating Exchange Contracts covered by such agreement in accordance with LIFFE Rule 10.5;</del>                                                                                                                                                                                                                 |
| <del>“Linked LIFFE Contract”</del>                      | <del>has the meaning attributed to it in LIFFE Rule 2.1;</del>                                                                                                                                                                                                                                                                                                              |
| <del>“Linked Participating Exchange Contract”</del>     | <del>has the meaning attributed to it in LIFFE Rule 2.1;</del>                                                                                                                                                                                                                                                                                                              |
| <del>“Member Link Agreement”</del>                      | <del>has the meaning attributed to it in LIFFE Rule 2.1;</del>                                                                                                                                                                                                                                                                                                              |
| <del>“Participating Exchange”</del>                     | <del>has the meaning attributed to it in LIFFE Rule 2.1;</del>                                                                                                                                                                                                                                                                                                              |
| <del>“Participating Exchange clearing member”</del>     | <del>in respect of a Participating Exchange, means a member of such Participating Exchange who is entitled under Participating Exchange Rules to clear contracts in the terms of a Participating Exchange Contract;</del>                                                                                                                                                   |
| <del>“Participating Exchange Contract”</del>            | <del>in respect of a Participating Exchange, means a class of contract, the terms of which are published by the Participating Exchange from time to time, permitted to be made by Participating Exchange Members under Participating Exchange Rules and which is specified to be a “Participating Exchange Contract” in a General Notice published from time to time;</del> |
| <del>“Participating Exchange members”</del>             | <del>in respect of a Participating Exchange, means Participating Exchange clearing members and Participating Exchange non-clearing members of such Participating Exchange and a “Participating Exchange member” means any one of such members;</del>                                                                                                                        |
| <del>“Participating Exchange non-clearing member”</del> | <del>in respect of a Participating Exchange means a member of such Participating Exchange who is not a Participating Exchange clearing member of such Participating Exchange;</del>                                                                                                                                                                                         |
| <del>“Participating Exchange</del>                      |                                                                                                                                                                                                                                                                                                                                                                             |

~~Rules” means the provisions of a Participating Exchange’s memorandum or articles of association or other constitutional documents, by laws, rules, regulations, procedures, customs, practices, contract specifications, notices and resolutions in whatever form adopted by such Participating Exchange and any amendment, variation or addition thereto;~~

~~“subsisting Member Link Agreement” means a Member Link Agreement which is in full force and effect and which has not been terminated or suspended in accordance with its terms;~~

~~“Trade Allocation Agreement” means an agreement in one or more forms and in the terms prescribed by the Exchange, the Clearing House and the relevant Participating Exchange to which, amongst others, a LIFFE clearing member is party and which has the function of facilitating, amongst other things, the transfer of either or both of:~~

~~(i) those contracts in the terms of a Linked LIFFE Contract which are permitted by the terms of such agreement to be transferred under such agreement in accordance with LIFFE Rule 10.4; and~~

~~(ii) those contracts in the terms of a Linked Participating Exchange Contract which are permitted by the terms of such agreement to be transferred under such agreement in accordance with LIFFE Rule 10.5;~~

~~“transfer” means:~~

~~(i) in respect of a contract in the terms of a Linked LIFFE Contract, the discharge under the Rules and the applicable Member Link Agreement of rights and obligations under such contract and its replacement (howsoever described in the applicable Member Link Agreement and the relevant Participating Exchange Rules) by a contract in the terms of a Participating Exchange Contract; or~~

~~(ii) in respect of a contract in the terms of a Linked Participating Exchange Contract, the discharge under the Participating Exchange Rules and the applicable Member Link Agreement of rights and obligations under such contract and its replacement (howsoever described in the applicable Member Link Agreement and the Rules) by a contract in the terms of an Exchange Contract,~~

~~and “transferred” shall be construed accordingly.~~

*Contract in the Terms of a Linked LIFFE Contract* = *in respect of a Linked LIFFE Contract, has the same meaning as is given to the term Contract in the Terms of an Exchange Contract in LIFFE Rule 2.1;*

*Contract in the Terms of a Participating* = *means a contract which is in the terms of a Participating Exchange Contract and includes any other terms permitted by,*

|                                                              |   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------------------------|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>Exchange Contract</u>                                     | = | <u>or which are not precluded by, the relevant <i>Participating Exchange Rules</i>;</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <u>Defaulting Participating Exchange Clearing Member</u>     | = | <u>means a <i>Participating Exchange Clearing Member</i> referred to in LIFFE Rule 10.7.2, 10.7.3 or 10.7.4, as the case may be;</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <u>Defaulting Participating Exchange Member</u>              | = | <u>means a <i>Defaulting Participating Exchange Clearing Member</i> or a <i>Defaulting Participating Exchange Non-Clearing Member</i>, as the case may be;</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <u>Defaulting Participating Exchange Non-Clearing Member</u> | = | <u>means a <i>Participating Exchange Non-Clearing Member</i> referred to in LIFFE Rule 10.7.5(a) or 10.7.5(b), as the case may be;</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <u>LIFFE Members</u>                                         | = | <u>means <i>LIFFE Clearing Members</i> and <i>LIFFE Non-Clearing Members</i> and a “<i>LIFFE Member</i>” means any one of such members;</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <u>Link</u>                                                  | = | <u>has the meaning attributed to it in <i>LIFFE Rule 2.1</i>;</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <u>Link Clearing Agreement</u>                               | = | <u>means a written agreement in one or more forms and in the terms prescribed by the <i>Exchange</i> and the relevant <i>Participating Exchange</i> to which, amongst others, a <i>LIFFE Clearing Member</i> is party which has the function, amongst other things, of facilitating the transfer of either or both of:</u><br><br><u>(i) contracts in the terms of one or more <i>Linked LIFFE Contracts</i> covered by such agreement in accordance with <i>LIFFE Rule 10.4</i>; and</u><br><br><u>(ii) contracts in the terms of one or more <i>Linked Participating Exchange Contracts</i> covered by such agreement in accordance with <i>LIFFE Rule 10.5</i>;</u> |
| <u>Linked LIFFE</u>                                          | = | <u>has the meaning attributed to it in</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

|                                                   |   |                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>Contract</u>                                   | = | <u>LIFFE Rule 2.1;</u>                                                                                                                                                                                                                                                                                                                                          |
| <u>Linked Participating Exchange Contract</u>     | = | <u>has the meaning attributed to it in LIFFE Rule 2.1;</u>                                                                                                                                                                                                                                                                                                      |
| <u>Member Link Agreement</u>                      | = | <u>has the meaning attributed to it in LIFFE Rule 2.1;</u>                                                                                                                                                                                                                                                                                                      |
| <u>Participating Exchange</u>                     | = | <u>has the meaning attributed to it in LIFFE Rule 2.1;</u>                                                                                                                                                                                                                                                                                                      |
| <u>Participating Exchange Clearing Member</u>     | = | <u>in respect of a Participating Exchange, means a member of such Participating Exchange who is entitled under Participating Exchange Rules to clear Contracts in the Terms of a Participating Exchange Contract;</u>                                                                                                                                           |
| <u>Participating Exchange Contract</u>            | = | <u>in respect of a Participating Exchange, means a class of contract, the terms of which are published by the Participating Exchange from time to time, permitted to be made by Participating Exchange Members under Participating Exchange Rules and which is specified to be a "Participating Exchange Contract" in a Notice published from time to time;</u> |
| <u>Participating Exchange Members</u>             | = | <u>in respect of a Participating Exchange, means Participating Exchange Clearing Members and Participating Exchange Non-Clearing Members of such Participating Exchange and a "Participating Exchange Member" means any one of such members;</u>                                                                                                                |
| <u>Participating Exchange Non-Clearing Member</u> | = | <u>in respect of a Participating Exchange means a member of such Participating Exchange who is not a Participating Exchange Clearing Member of such Participating Exchange;</u>                                                                                                                                                                                 |
| <u>Participating Exchange Rules</u>               | = | <u>means the provisions of a Participating Exchange's memorandum or articles of association or other constitutional documents, by-laws, rules, regulations, procedures, customs, practices, contract</u>                                                                                                                                                        |

terms and administrative procedures, notices and resolutions in whatever form adopted by such *Participating Exchange* and any amendment, variation or addition thereto;

*Subsisting Member Link Agreement* = means a *Member Link Agreement* which is in full force and effect and which has not been terminated or suspended in accordance with its terms;

*Trade Allocation Agreement* = means an agreement in one or more forms and in the terms prescribed by the *Exchange* and the relevant *Participating Exchange* to which, amongst others, a *LIFFE Clearing Member* is party and which has the function of facilitating, amongst other things, the transfer of either or both of:

(i) those *Contracts in the Terms of a Linked LIFFE Contract* which are permitted by the terms of such agreement to be transferred under such agreement in accordance with *LIFFE Rule 10.4*; and

(ii) those *Contracts in the Terms of a Linked Participating Exchange Contract* which are permitted by the terms of such agreement to be transferred under such agreement in accordance with *LIFFE Rule 10.5*;

*transfer* = means:

(i) in respect of a *Contract in the Terms of a Linked LIFFE Contract*, the discharge under the *LIFFE Rules* and the applicable *Member Link Agreement* of rights and obligations under such contract and its replacement (howsoever described in the applicable *Member Link Agreement* and the relevant *Participating Exchange Rules*) by a *Contract in the Terms of a Participating Exchange Contract*; or

(ii) in respect of a Contract in the Terms of a Linked Participating Exchange Contract, the discharge under the Participating Exchange Rules and the applicable Member Link Agreement of rights and obligations under such contract and its replacement (howsoever described in the applicable Member Link Agreement and the Rules) by a Contract in the Terms of an Exchange Contract,

and “transferred” shall be construed accordingly.

- 10.2.2 Words and phrases which appear in these *Link Rules*, being words and phrases which are defined in LIFFE Rule 2.1 and which are not otherwise defined in these *Link Rules*, shall have the meanings ascribed to them in LIFFE Rule 2.1.
- 10.2.3 Any reference in these *Link Rules* to a ~~contract~~Contract in the ~~terms~~Terms of a *Linked Participating Exchange Contract* being a contract “registered” with a *Participating Exchange* shall include any such contract to which the *Participating Exchange* is a party, solely in its capacity as a clearing house.

### 10.3 Member participation in a Link

10.3.1 Subject to LIFFE Rule 10.5 and, as the case may require, to the terms of an applicable *Member Link Agreement* to which a ~~LIFFE clearing-member~~ Clearing Member is party, no ~~contract~~ Contract in the ~~terms~~ Terms of a *Linked LIFFE Contract* shall be made by a ~~LIFFE member~~ Member in the ~~pit~~ Pit or allocated to and accepted by the ~~LIFFE member~~ Member unless:

- (a) the ~~LIFFE member~~ Member is:
  - (i) a ~~LIFFE clearing-member~~ Clearing Member party to a subsisting *Link Clearing Agreement* which applies to such *Linked LIFFE Contract*, and
  - (ii) complies with such additional criteria set out in or pursuant to Section 3 of the *LIFFE Rules* as the *Board* may from time to time prescribe; or
- (b) the ~~LIFFE member~~ Member is:
  - (i) a ~~LIFFE non-clearing-member~~ Non-Clearing Member party to a subsisting ~~clearing-agreement~~ Clearing Agreement which applies to such *Linked LIFFE Contract* with a ~~LIFFE clearing-member~~ Clearing Member party to a subsisting *Link Clearing Agreement* which applies to such *Linked LIFFE Contract*, and
  - (ii) complies with such additional criteria set out in or pursuant to Section 3 of the *LIFFE Rules* as the *Board* may from time to time prescribe.

10.3.2

- (a) A ~~LIFFE clearing-member~~ Clearing Member shall not at any time be party to more than one subsisting *Link Clearing Agreement* covering the same *Linked LIFFE Contract*.
- (b) A *Link* may make provision for a ~~LIFFE clearing-member~~ Clearing Member to enter into one or more *Link Clearing Agreements* applying to one or more *Linked Participating Exchange Contracts*.

10.3.3 A ~~LIFFE clearing-member~~ Clearing Member may enter into one or more *Trade Allocation Agreements* applying to one or more specified *Linked LIFFE Contracts*, provided that the *Link* established with the *Participating Exchange* so permits and the ~~LIFFE clearing member~~ Clearing Member is party to a subsisting *Link Clearing Agreement* which applies to each such *Linked LIFFE Contract*.

### 10.4 Transfer of ~~contracts~~ Contracts in the ~~terms~~ Terms of *Linked LIFFE Contracts*

10.4.1 Details of all ~~contracts~~ Contracts in the ~~terms~~ Terms of *Linked LIFFE Contracts*, which are registered with the ~~Clearing-House~~ Exchange acting as CCP in the name of a ~~LIFFE clearing-member~~ Clearing Member and which are to be transferred under a *Member Link Agreement* pursuant to its terms and these *Link Rules*, shall be transmitted to the relevant *Participating Exchange* ~~by the Clearing House~~ with a view to facilitating the transfer of those contracts. Subject to LIFFE Rule 10.6.1, such details shall be transmitted on such day and at or by such time or times as are referred to in one or more applicable *Member Link Agreements* to which the ~~LIFFE clearing-member~~ Clearing Member is party and in

accordance with procedures from time to time agreed between the *Exchange*, ~~the Clearing House~~ and the *Participating Exchange*.

10.4.2 Subject to LIFFE Rules 10.6 and 10.7 and to the following sentence, ~~contracts~~Contracts in the ~~terms~~Terms of a *Linked LIFFE Contract* of which details have been transmitted to the relevant *Participating Exchange* pursuant to LIFFE Rule 10.4.1 shall be transferred at or by the time or times and in the manner referred to in the applicable *Member Link Agreement* to which the *LIFFE clearing member*Clearing Member is party. Notwithstanding the preceding sentence, such ~~contracts~~Contracts in the ~~terms~~Terms of a *Linked LIFFE Contract* may be transferred after such time or times if the *Exchange*, ~~the Clearing House~~ and the relevant *Participating Exchange* so agree.

10.4.3 Upon the transfer of a ~~contract~~Contract in the ~~terms~~Terms of a *Linked LIFFE Contract* pursuant to a *Member Link Agreement* and LIFFE Rule 10.4.2, the parties to such contract shall be released from their obligations to each other under such contract (except from those obligations which the *Member Link Agreement* expressly states shall survive) (“~~a discharged contract~~ “Discharged Contract””) and without prejudice to the provisions of the *Regulations*LIFFE Rules their respective rights against each other shall be cancelled and the ~~discharged contract~~Discharged Contract shall be replaced simultaneously by a ~~contract~~Contract in the ~~terms~~Terms of the relevant *Participating Exchange Contract* between the persons specified in such *Member Link Agreement*.

10.4.4 Contracts in the terms of a *Linked LIFFE Contract* (other than contracts to which a ~~defaulter~~Defaulter is party):

- (a) which are ~~parallel contracts~~Parallel Contracts; or
- (b) to which a *LIFFE member*Member is party with a client pursuant to LIFFE Rule 4.13.1; or
- (c) to which a *LIFFE member*Member is party as a client with another *LIFFE member*Member pursuant to LIFFE Rule 4.13.1,

shall, subject to LIFFE Rule ~~10.6-5~~10.7.5 (c), be discharged (except in respect of such obligations as may be determined by the parties to such contracts and without prejudice to the claims arising out of or in relation to such contracts of any such party) upon the transfer in accordance with LIFFE Rule 10.4.2 of the relevant contracts in the terms of such *Linked LIFFE Contract* registered with the ~~Clearing House~~Exchange acting as CCP.

## 10.5 Transfer of ~~contracts~~Contracts in the ~~terms~~Terms of Linked Participating Exchange Contracts

10.5.1 Subject to LIFFE Rules ~~10.6 and~~ 10.7 and ~~10.8 and~~ to the following sentence, ~~contracts~~Contracts in the ~~terms~~Terms of *Linked Participating Exchange Contracts*, which are registered with the *Participating Exchange* (solely in its capacity as a clearing house) in the name of a *Participating Exchange clearing member*Clearing Member, shall be transferred at the time or times and in the manner referred to in either or both of the *Participating Exchange Rules* of the relevant *Participating Exchange* and the applicable *Member Link Agreement* to which the *Participating Exchange clearing member*Clearing Member is party and in accordance with any other procedures from time to time agreed between the *Exchange*, ~~the Clearing House~~ and the *Participating Exchange*.

Notwithstanding the preceding sentence, such ~~contracts~~Contracts in the ~~terms~~Terms of *Linked Participating Exchange Contracts* may be transferred after such time or times if the *Exchange*, ~~the Clearing House~~ and the relevant *Participating Exchange* so agree.

- 10.5.2 Upon the transfer of a ~~contract~~Contract in the ~~terms~~Terms of a *Linked Participating Exchange Contract* pursuant to a *Member Link Agreement* and LIFFE Rule 10.5.1, that contract will be discharged and simultaneously, without prejudice to the provisions of the *Participating Exchange Rules*, there shall arise a ~~contract~~Contract in the ~~terms~~Terms of the relevant *Exchange Contract* for the same number of ~~lots~~Lots and the same ~~delivery month or expiry month and exercise price~~Delivery Month or Expiry Month and Exercise Price (as applicable) between the ~~Clearing House~~Exchange acting as CCP and the ~~LIFFE clearing member~~Clearing Member party to such *Member Link Agreement* as specified therein. Such contract shall, upon arising, be ~~subject to the Rules and the Regulations~~deemed to be a Registered Exchange Contract subject to the LIFFE Rules and shall not be subject to any *Participating Exchange Rules*. ~~Registration of such contract with the Clearing House shall occur in accordance with the Regulations upon its arising.~~

### 10.5.3

- ~~10.5.3~~ (a) Subject to LIFFE Rule 10.5.3(c), upon the arising of a ~~contract~~Contract in the ~~terms~~Terms of an *Exchange Contract* pursuant to LIFFE Rule 10.5.2, if the ~~discharged contract~~Discharged Contract which it has replaced was made for the account of or for a direct client of the ~~LIFFE clearing member~~Clearing Member (including, without limitation, the *Participating Exchange clearing member* ~~Clearing Member~~ party to that ~~discharged contract~~Discharged Contract or a ~~LIFFE non-clearing member~~Non-Clearing Member who has a ~~clearing agreement~~Clearing Agreement with the ~~LIFFE clearing member~~Clearing Member which is in full force and effect and which relates to ~~contracts~~Contracts in the ~~terms~~Terms of such *Exchange Contract*), or for the account of or for a client of that direct client, there shall, by virtue of this LIFFE Rule (or by virtue of LIFFE Rule 9.4.3(h) or LIFFE Rule 9.4.3(i), as the case may require), ~~arise a contract in the terms~~10.5.3, arise a Contract in the Terms of the same *Exchange Contract* for the same number of ~~lots~~Lots and the same ~~delivery month or expiry month and exercise price~~Delivery Month or Expiry Month and Exercise Price (as applicable) between the ~~LIFFE clearing member~~Clearing Member and the direct client under which:
- (i) the ~~LIFFE clearing member~~Clearing Member shall be in the place of the ~~Clearing House~~Exchange acting as CCP; and
  - (ii) the direct client shall be in the place of the ~~LIFFE clearing member~~Clearing Member.
- (b) Subject to LIFFE Rule 10.5.3(c), if the contract to which a ~~LIFFE non-clearing member~~Non-Clearing Member has become a party pursuant to paragraph (a) of this LIFFE Rule 10.5.3 is for the account of or for a client of the ~~LIFFE non-clearing member~~Non-Clearing Member, a further such contract shall arise pursuant to this paragraph (b) or pursuant to LIFFE Rule 9.4.3(i), as the case may require, in the terms of the same *Exchange Contract* for the same number of ~~lots~~Lots and the same ~~delivery month or expiry month and exercise price~~Delivery Month or Expiry Month and Exercise Price (as applicable) under which:

- ~~(i) the LIFFE non-clearing member shall be in the place of the LIFFE clearing member; and~~
- ~~(ii) the direct client of the LIFFE non-clearing member shall be in the place of the LIFFE non-clearing member.~~
- ~~(c) A contract in the terms~~
- ~~(i) the LIFFE Non-Clearing Member shall be in the place of the LIFFE Clearing Member; and~~
- ~~(ii) the direct client of the LIFFE Non-Clearing Member shall be in the place of the LIFFE Non-Clearing Member.~~
- ~~(c) A Contract in the Terms of an Exchange Contract shall not arise pursuant to LIFFE Rule 10.5.3(a) between a ~~LIFFE clearing member and a direct client of the LIFFE clearing member~~Clearing Member and a direct client of the LIFFE Clearing Member referred to in such LIFFE Rule or, pursuant to LIFFE Rule 10.5.3(b), between a ~~LIFFE non-clearing member and a direct client of the LIFFE non-clearing member~~Non-Clearing Member and a direct client of the LIFFE Non-Clearing Member referred to in such ~~LIFFE~~ Rule, if the direct client is in default and the ~~LIFFE clearing member or the LIFFE non-clearing member~~Clearing Member or the LIFFE Non-Clearing Member (as applicable) has agreed with such client that in such event a contract will not arise between them pursuant to LIFFE Rule 10.5.3(a) or LIFFE Rule 10.5.3(b) (as applicable).~~

## 10.6 Transfer Prices

10.6.1 *Linked Exchange Contracts other than Option Contracts* comprised in a *Clearing Member's Day Position Balances* shall be transferred at the *Daily Settlement Price* (or the equivalent for a *Participating Exchange*) for the *Delivery Month* of such *Linked Exchange Contracts*. *Linked Exchange Contracts* which do not form part of a *Clearing Member's Day Position Balances* shall, subject to LIFFE Rule 10.6.3 below, be transferred at the price at which they were entered into and, unless LIFFE Rule 10.6.3 applies, no *Daily Settlement Amounts* shall be payable in respect of such *Linked Exchange Contracts* under the *LIFFE Rules*. *Option Contracts* comprised in a *Clearing Member's Day Position Balance* shall be transferred with effect that no *Premium* shall be payable under the *Contracts in the Terms of a Participating Exchange Contract* which arise pursuant to LIFFE Rule 10.4.3, but without prejudice to the obligation of the *Buyer* to pay the *Premium* due under each *Discharged Contract*.

10.6.2 If LIFFE Rule 10.8.1 applies and the transfer is delayed, all *Linked Exchange Contracts* (other than *Option Contracts*) which are subsequently transferred pursuant to LIFFE Rule 10.6.1 above after the *Business Day* on which they were registered by the *Exchange* shall, subject to LIFFE Rule 10.6.3 below, be transferred at the price referred to in LIFFE Rule 10.6.1 above. *Option Contracts* which are subsequently transferred pursuant to LIFFE Rule 10.6.1 above after the *Business Day* on which they were registered by the *Exchange* shall, subject to LIFFE Rule 10.6.3 below, be transferred with effect that no *Premium* shall be payable under LIFFE Rule 10.6.1 under the *Contracts in the Terms of a Participating Exchange Contract* which arise pursuant to LIFFE Rule 10.4.3, but without prejudice to the obligation of the *Buyer* to pay the *Premium* due under each *Discharged Contract*.

10.6.3 If Contracts in the Terms of Linked Exchange Contracts are to be transferred pursuant to LIFFE Rules 10.4 and 10.5 above pursuant to LIFFE's trade correction procedures, such Contracts may be transferred at a different price to the price specified in LIFFE Rule 10.6.1 above.

~~10.6~~10.7 **Default affecting transfer**

~~10.6.4~~10.7.1 If a LIFFE ~~clearing member~~Clearing Member party to a Member Link Agreement has been ~~declared a defaulter~~Declared a Defaulter pursuant to LIFFE Rule 9.2.1 or 9.2.2, or if any other event specified in the Member Link Agreement for this purpose occurs in relation to the LIFFE ~~clearing member~~Clearing Member then, as the case may be:

- (a) any and all ~~contracts~~Contracts in the ~~terms~~Terms of Linked LIFFE Contracts subject to that Member Link Agreement shall not be transferred in accordance with LIFFE Rule 10.4, but shall remain subject to the LIFFE Rules ~~and to the Regulations~~; and
- (b) any and all ~~contracts in the terms of Linked Participating Exchange Contracts subject to that~~Contracts in the Terms of Linked Participating Exchange Contracts subject to that Member Link Agreement shall not be transferred in accordance with LIFFE Rule 10.5, but shall remain subject to the Participating Exchange Rules of the relevant Participating Exchange.

~~10.6.2~~10.7.2 If a Participating Exchange ~~clearing member~~Clearing Member party to a Link Clearing Agreement with a LIFFE ~~clearing member~~Clearing Member is a Defaulter (as defined in such agreement), or if any other event specified in the Link Clearing Agreement for this purpose occurs in relation to the Participating Exchange ~~clearing member~~Clearing Member, with the consequence that the terms of such agreement apply to prohibit the transfer under such agreement of all ~~contracts in the terms of Linked LIFFE~~Contracts in the Terms of Linked LIFFE Contracts covered by such agreement or all ~~contracts in the terms~~Contracts in the Terms of Linked Participating Exchange Contracts covered thereby, or both, as the case may be, then, subject to the terms of the Link Clearing Agreement:

- (a) any and all ~~contracts~~Contracts in the ~~terms~~Terms of Linked LIFFE Contracts subject thereto to which the ~~LIFFE clearing member~~LIFFE Clearing Member is party shall not be transferred under such agreement, but shall remain subject to the LIFFE Rules ~~and to the Regulations~~; and
- (b) any and all ~~contracts in the terms~~Contracts in the Terms of Linked Participating Exchange Contracts subject thereto to which the ~~Participating Exchange clearing member~~Participating Exchange Clearing Member is party shall not be transferred under such agreement, but shall remain subject to the Participating Exchange Rules of the relevant Participating Exchange.

~~10.6.3~~10.7.3 Subject to LIFFE Rule ~~10.6.4~~10.7.4, if a Participating Exchange ~~clearing member~~Clearing Member party to a Trade Allocation Agreement with a LIFFE ~~clearing member~~Clearing Member is a Defaulter (as defined in such agreement), with the consequence that the terms of such agreement apply to prohibit the transfer under the agreement of any and all contracts covered by such agreement upon the Exchange ~~or the Clearing House~~ becoming aware that such Participating Exchange ~~clearing member is a defaulting~~ Participating Exchange ~~clearing member, all such contracts shall, subject to LIFFE Rules 10.6.1 and~~

~~40.6.2~~40.6.2Clearing Member is a defaulting Participating Exchange Clearing Member, all such contracts shall, subject to LIFFE Rules 10.7.1 and 10.7.2, nevertheless be transferred in accordance with the terms of the applicable *Link Clearing Agreement* to which the ~~LIFFE clearing member~~Clearing Member is party.

~~40.6.4~~10.7.4 If a *Participating Exchange* ~~clearing member~~Clearing Member is party to a *Trade Allocation Agreement* with a ~~LIFFE clearing member~~Clearing Member and a *Participating Exchange non-clearing member* and such ~~Participating Exchange clearing member is a Defaulter (as defined in such agreement), with the consequence that the terms of such agreement apply to prohibit the transfer of all contracts covered by such agreement upon the Exchange or the Clearing House becoming aware that such Participating Exchange clearing member is a defaulting Participating Exchange clearing member, all contracts covered by the agreement shall, subject to LIFFE Rules 10.6.1 and 10.6.2, nevertheless be transferred to a Participating Exchange clearing member~~Non-Clearing Member and such Participating Exchange Clearing Member is a Defaulter (as defined in such agreement), with the consequence that the terms of such agreement apply to prohibit the transfer of all contracts covered by such agreement upon the Exchange becoming aware that such Participating Exchange Clearing Member is a defaulting Participating Exchange Clearing Member, all contracts covered by the agreement shall, subject to LIFFE Rules 10.7.1 and 10.7.2, nevertheless be transferred to a Participating Exchange Clearing Member which is party to an applicable *Link Clearing Agreement* with the ~~LIFFE clearing member~~Clearing Member.

#### 10.7.5

~~40.6.5~~—(a) If a *Participating Exchange non-clearing member*Non-Clearing Member party to a *Link Clearing Agreement* with a ~~LIFFE clearing member~~Clearing Member and a *Participating Exchange clearing member*Clearing Member is a *Defaulter* (as defined in such agreement) with the consequence that the terms of such agreement apply to prohibit the transfer in accordance with the agreement of some or all contracts covered by such agreement upon the ~~Exchange or the Clearing House~~ becoming aware that such ~~Participating Exchange non-clearing member is a defaulting Participating Exchange non-clearing member~~Non-Clearing Member is a Defaulting Participating Exchange Non-Clearing Member, such contracts as are permitted to be transferred under the agreement shall be so transferred to the ~~Participating Exchange clearing member~~Participating Exchange Clearing Member for the account of the ~~LIFFE clearing member~~Clearing Member. Those contracts which are prohibited by the terms of such agreement from being transferred under the agreement shall not be transferred and shall remain registered with the ~~Clearing House~~Exchange acting as CCP and subject to the ~~LIFFE Rules and to the Regulations~~.

(b) If a *Participating Exchange non-clearing member*Non-Clearing Member party to a *Trade Allocation Agreement* with a ~~LIFFE clearing member~~Clearing Member and a *Participating Exchange clearing member*Clearing Member is a *Defaulter* (as defined in such agreement) with the consequence that the terms of such agreement apply to prohibit the transfer in accordance with the agreement of some or all contracts covered by such agreement upon the ~~Exchange or the Clearing House~~ becoming aware that such ~~Participating Exchange non-clearing member is a defaulting Participating Exchange non-clearing member~~Non-Clearing Member is a Defaulting Participating Exchange Non-Clearing Member, such contracts as are permitted to be transferred under the agreement shall be so transferred to the ~~Participating Exchange clearing member~~Participating Exchange Clearing Member.

for the account of the ~~LIFFE clearing member~~Clearing Member. Those contracts which are prohibited by the terms of such agreement from being transferred under the agreement shall, subject to LIFFE Rules ~~10.6.1 and 10.6.2~~, ~~be transferred to a Participating Exchange clearing member~~10.7.1 and 10.7.2, be transferred to a Participating Exchange Clearing Member which is party to a *Link Clearing Agreement* with the ~~LIFFE clearing member~~Clearing Member.

- (c) If ~~contracts~~Contracts in the ~~terms~~Terms of a *Linked LIFFE Contract* are transferred under a *Member Link Agreement* pursuant to paragraph (a) or (b) of this LIFFE Rule ~~10.6.5~~10.7.5 following a *Participating Exchange non-clearing member*Non-Clearing Member party to such agreement becoming a ~~defaulting Participating Exchange non-clearing member~~, ~~contracts in the terms~~Defaulting Participating Exchange Non-Clearing Member, Contracts in the Terms of such *Linked LIFFE Contract* to which the ~~LIFFE clearing member~~Clearing Member and the *Participating Exchange non-clearing member*Non-Clearing Member are party, which are on the same terms (except that such contracts may or may not be at the same price) as the relevant contracts transferred under the *Member Link Agreement*, shall not be discharged upon such transfer and shall remain ~~contracts~~Contracts in the ~~terms~~Terms of a *Linked LIFFE Contract* and subject to the ~~LIFFE Rules~~and to the Regulations.

~~10.6.6~~10.7.6 LIFFE Rules 10.3.1, ~~10.6.1, 10.6.2, 10.6.4, and 10.6.5~~10.7.1, 10.7.2, 10.7.4, and 10.7.5 shall not prevent:

- (a) a ~~contract~~Contract in the ~~terms~~Terms of a *Linked LIFFE Contract* from being entered into, or from having been deemed to have been entered into, by a ~~LIFFE member~~Member which is a ~~defaulter~~Defaulter or in relation to which there occurs any other event specified for this purpose in the *Member Link Agreement* to which it is party, or from being closed-out, transferred or otherwise discharged pursuant to a direction given by the *Exchange* ~~or by the Clearing House~~ under the ~~LIFFE Rules or the Regulations (as the case may be)~~ following a ~~LIFFE member~~Member party thereto becoming a ~~defaulter~~Defaulter; or
- (b) if a *Participating Exchange member* is a ~~defaulting~~Defaulting *Participating Exchange member*Member, a ~~LIFFE member~~Member from closing out, transferring to a ~~LIFFE member~~Member or otherwise achieving a discharge of one or more contracts in the terms of a *Linked LIFFE Contract* to which the ~~LIFFE member~~Member is party with the *Participating Exchange Member* or any other client or accepting an ~~allocation~~Allocation of a ~~contract~~Contract in the ~~terms~~Terms of a *Linked LIFFE Contract* for the purpose of closing out any contract to which it is party with the ~~defaulting~~Defaulting *Participating Exchange member*Member or any other client.

~~10.6.7~~10.7.7 If a ~~LIFFE clearing member~~Clearing Member party to a *Link Clearing Agreement* has been ~~declared a defaulter pursuant to LIFFE Rules 9.2.1 or 9.2.2 or a Participating Exchange clearing member party to a Link Clearing Agreement is a Defaulter (as defined in such agreement), or if any other event specified in the relevant Link Clearing Agreement occurs in relation to either of them and as a consequence LIFFE Rule 10.6.1 or LIFFE Rule 10.6.2 applies so that contracts in the terms~~Declared a Defaulter pursuant to LIFFE Rules 9.2.1 or 9.2.2 or a Participating Exchange Clearing Member party to a Link Clearing Agreement is a Defaulter (as defined in such agreement), or if any other event specified in the relevant Link Clearing Agreement occurs in relation to either of them and as a

consequence LIFFE Rule 10.7.1 or LIFFE Rule 10.7.2 applies so that Contracts in the Terms of an Exchange Contract which would have arisen pursuant to LIFFE Rule 10.5.2 and, as the case may be, LIFFE Rule 10.5.3 have not arisen as a consequence of such default, the Exchange may direct that contracts shall arise pursuant to this LIFFE Rule:

- (i) ~~(a) — between a LIFFE clearing member~~Clearing Member (other than the ~~defaulter~~Defaulter) and a direct client and, as the case may be, between a ~~LIFFE non-clearing member~~LIFFE Non-Clearing Member and a direct client;
- (ii) ~~(b) — between a LIFFE clearing member party to a Link Clearing Agreement with the Participating Exchange clearing member who is in default and his direct client, as the case may be, and a LIFFE non-clearing member and his direct client,~~between a LIFFE Clearing Member party to a Link Clearing Agreement with the Participating Exchange Clearing Member who is in default and his direct client, as the case may be, and a LIFFE Non-Clearing Member and his direct client,

in the same terms, but at a price determined by the Exchange, as the contracts which would have arisen under LIFFE Rule 10.5.2 and, as the case may be, LIFFE Rule 10.5.3 but for such default.

~~10.6.8~~ ~~If a Participating Exchange clearing member~~10.7.8 If a LIFFE Clearing Member party to a Link Clearing Agreement ~~is~~ ~~a~~ has been Declared a Defaulter pursuant to LIFFE Rules 9.2.1 or 9.2.2 or a Participating Exchange Clearing Member party to a Link Clearing Agreement is a Defaulter (as defined in such agreement), or if any other event specified in the relevant Link Clearing Agreement occurs in relation to ~~such Participating Exchange clearing member~~either of them and as a consequence LIFFE Rule ~~10.6.2~~10.7.1 or LIFFE Rule 10.7.2 applies so that ~~contracts in the terms~~Contracts in the Terms of a Linked LIFFE Contract to which the ~~LIFFE clearing member party to a Link Clearing Agreement~~Clearing Member party to a Link Clearing Agreement with the ~~Participating Exchange clearing member~~Clearing Member cannot be transferred and remain subject to the ~~Rules and the Regulations, the LIFFE Rules, the~~ Exchange may (i) direct that such contracts be settled at the price at which ~~a contract in the terms of the relevant Participating Exchange Contract for the same number of lots and delivery month or expiry month and exercise price~~ a Contract in the Terms of the relevant Participating Exchange Contract for the same number of Lots and Delivery Month or Expiry Month and Exercise (as applicable) has been closed-out, transferred or otherwise settled, or (ii) acting as CCP and without prejudice to the Default Rules or any other powers in this Section 10, for the purposes of facilitating the transfer of Linked LIFFE Contracts under one or more Links, either enter into Contracts on the Terms of Linked LIFFE Contracts (“Default Management Contracts”) as principal with one or more Members who agrees to enter into such contracts (“Nominated Members”) on identical terms to those registered with the Exchange in the name of the Defaulter, or implement the provisions of LIFFE Rule 10.7.11.

10.7.9 Default Management Contracts with one or more Nominated Members shall (in aggregate) be for the same number of Lots as the number of Lots of those Contracts on the terms of Linked LIFFE Contracts which remain registered with the Exchange as CCP after taking steps pursuant to the Default Rules or these Link Rules (or the relevant Participating Exchange has taken steps (if any) under its rules) to achieve a discharge of the Defaulter’s rights and liabilities under or in respect of such contracts

(or any Registered Exchange Contract with the CSP arising pursuant to the Default Rules), and shall be transferred to the relevant Participating Exchange pursuant to LIFFE Rule 10.4 and thereby discharged. Upon such transfer, the Exchange and the Nominated Member shall become party to new Contracts in the Terms of Linked LIFFE Contracts which shall be subject to the LIFFE Rules and in the same terms and for the same number of Lots as the Default Management Contracts save that the Exchange, where party to a Default Management Contract as a seller, shall be a buyer under the replacement contract and vice versa. Such new contracts shall not be transferred pursuant to LIFFE Rule 10.4, but shall be performed in accordance with the LIFFE Rules and the terms of any written agreement to which the Exchange and the Nominated Member is a party for the purposes of LIFFE Rule 10.7.8 and 10.7.9.

10.7.10 In addition to the powers set out in LIFFE Rules 10.7.8 and 10.7.9, but subject to the Default Rules and the provisions of the agreement with the applicable Participating Exchange, the Exchange shall have the right to take such action as it feels in its absolute discretion is appropriate in the interests of the Market.

10.7.11 If the terms of the agreement with the applicable Participating Exchange require it, the Exchange shall, following the occurrence of an event referred to LIFFE Rule 10.7.1(a) or 10.7.2(a) become party to one or more contracts (each a "Default Contract") with the Participating Exchange, which shall be on the same terms and for the same number of Lots as the number of Lots of the affected Contracts in the Terms of Linked LIFFE Contracts which remain open after the Exchange has taken steps pursuant to the Default Rules or pursuant to these Link Rules with respect to such affected contracts (or any Registered Exchange Contract with the CSP arising pursuant to the Default Rules), except that each Default Contract shall be subject to the relevant Participating Exchange Rules and not subject to the LIFFE Rules. The Exchange shall have the right to take such action and by such means as the Exchange in its absolute discretion determines to close-out, transfer or otherwise achieve the discharge of each Default Contract pursuant to the relevant Participating Exchange Rules or the terms of any agreement concluded between the Exchange and such Participating Exchange and to close-out, transfer or otherwise achieve a discharge of the affected Contracts in the Terms of Linked LIFFE Contracts pursuant to the Default Rules or these Link Rules.

10.7.12 If the terms of the applicable agreement with a Participating Exchange require it, following the occurrence of an event referred to LIFFE Rule 10.7.1(a) or 10.7.2(a), Contracts on the Terms of Participating Exchange Contracts registered with the relevant Participating Exchange in the name of the relevant Participating Exchange Member or a member of the Participating Exchange party to a Member Link Agreement with the LIFFE Member and which form part of such member of the Participating Exchange's Day Position Balances shall not be transferred pursuant to LIFFE Rule 10.7.2 and the Participating Exchange (as a Member of the Exchange) shall become party to one or more Contracts in the Terms of Participating Exchange Contracts (each a "Default Contract") with the Exchange. Each such Default Contract shall be on the same terms and for the same number of Lots as such Contracts on the Terms Participating Exchange Contracts, except that each Default Contract shall be subject to the LIFFE Rules and not subject to the relevant Participating Exchange Rules. The Participating Exchange shall have the right to take such action and by such means as the Participating Exchange in its absolute discretion determines to close-out, transfer or otherwise achieve the discharge of each Default Contract pursuant to the LIFFE Rules or the terms of any agreement concluded between the Exchange and the relevant Participating

Exchange, provided that, without prejudice to the Default Rules, the Exchange shall also have the right to take such action and by such means as the Exchange in its absolute discretion determines to close-out, transfer to another Member, or (if they cannot be so transferred) otherwise achieve a discharge of each such Default Contract, and may take such action whether or not the Participating Exchange is a Defaulter.

## 40.7.10.8

### Impossibility of transfer

#### 10.8.1

~~40.7.1~~ (a) If it is impossible for any reason (other than for a reason referred to in LIFFE Rule ~~40.6~~10.7), including, without limitation, as a result of any applicable legal or regulatory prohibition or restriction or any action taken by the Exchange pursuant to LIFFE Rule 4.16 or by a *Participating Exchange*:

- (i) for ~~contracts~~Contracts in the ~~terms~~Terms of a *Linked LIFFE Contract* registered with the ~~Clearing House~~Exchange acting as CCP to be transferred in accordance with LIFFE Rule 10.4; or
- (ii) for ~~contracts~~Contracts in the ~~terms~~Terms of a *Linked Participating Exchange Contract* registered with a *Participating Exchange* (solely in its capacity as a clearing house) to be transferred in accordance with LIFFE Rule 10.5,

in each case, in accordance with any procedures from time to time agreed between the Exchange, ~~the Clearing House~~ and (where applicable) the *Participating Exchange* and by such time or times on such day referred to in the applicable *Member Link Agreements*, then (as the case may be) details of such ~~contracts~~Contracts in the ~~terms~~Terms of such *Linked LIFFE Contracts* will not be transmitted, or such contracts will not be transferred, pursuant to LIFFE Rule 10.4, or such contracts in the terms of such *Linked Participating Exchange Contracts* will not be transferred pursuant to LIFFE Rule 10.5, until the next day on which it is possible for such transmission or transfer to occur under the relevant *Link*.

- (b) *Contracts* in the ~~terms~~Terms of a *Linked LIFFE Contract* to which paragraph (a) of this LIFFE Rule ~~40.7.1~~10.8.1 applies shall remain registered with the ~~Clearing House~~Exchange and subject to the ~~LIFFE Rules and to the Regulations~~.
- (c) *Contracts* in the ~~terms~~Terms of a *Linked Participating Exchange Contract* to which paragraph (a) of this LIFFE Rule ~~40.7.1~~10.8.1 applies shall remain subject to the *Participating Exchange Rules* of the relevant *Participating Exchange*.

#### 40.7.210.8.2

If, in the circumstances referred to in LIFFE Rule ~~40.7.1~~10.8.1 (and without prejudice thereto), ~~contracts~~Contracts in the ~~terms~~Terms of *Linked LIFFE Contracts* or ~~contracts~~Contracts in the ~~terms~~Terms of *Linked Participating Exchange Contracts* cannot or may not be transferred in accordance with LIFFE Rule 10.4 or LIFFE Rule 10.5, as the case may be, and the circumstances preventing such transfer continue so that the relevant *Link* is suspended for an indefinite period or terminated:

- (a) each such ~~contract~~Contract in the ~~terms~~Terms of *Linked LIFFE Contracts* which cannot or may not be transferred shall remain registered with the ~~Clearing House~~Exchange acting as CCP and subject to the ~~LIFFE Rules and to the~~

~~Regulations~~ and shall be performed in accordance with its terms or may be closed-out or otherwise discharged, in accordance with the LIFFE Rules ~~and the Regulations~~; and

- (b) each such ~~contract~~Contract in the ~~terms~~Terms of *Linked Participating Exchange Contracts* which cannot or may not be transferred shall remain subject to the *Participating Exchange Rules* of the relevant *Participating Exchange*.

#### ~~40.8~~10.9

#### **Disputes**

##### ~~40.8.4~~10.9.1

Subject to LIFFE Rule ~~40.8.2~~10.9.2, any dispute or difference arising from or in relation to a ~~contract~~Contract in the ~~terms~~Terms of a *Linked LIFFE Contract* (including any dispute as to whether a contract has been made or is in the terms of a *Linked LIFFE Contract*) which has not been resolved shall be dealt with in accordance with the *LIFFE Rules*.

##### ~~40.8.2~~10.9.2

If a *Member Link Agreement* requires any dispute or difference arising from or in relation to a ~~contract~~Contract in the ~~terms~~Terms of a *Linked LIFFE Contract* which has not been resolved to be dealt with otherwise than in accordance with LIFFE Rule ~~40.8.4~~10.9.1, any such dispute or difference shall be dealt with in accordance with the terms of the applicable *Member Link Agreement*.

#### ~~40.9~~10.10

#### **Termination or suspension of Member Link Agreements**

~~40.9.1~~—If a *Member Link Agreement* is at any time terminated or, if permitted by its terms, suspended such termination or suspension shall not affect any ~~contract~~Contract in the ~~terms~~Terms of an *Exchange Contract* which shall have arisen pursuant to a transfer in accordance with LIFFE Rule 10.5 prior to such termination or suspension.

**THE LONDON INTERNATIONAL FINANCIAL FUTURES AND OPTIONS EXCHANGE**

**RULES – BOOK II SECTION 11 – COMPLAINTS**

**11.1 Definitions and interpretation**

11.1.1 In this ~~section~~Section 11 of the *LIFFE Rules*, unless the context otherwise requires:

~~“complaint”~~ means, subject to LIFFE Rule 11.1.2, a complaint arising in connection with the Exchange’s performance of, or failure to perform, any of its regulatory functions;

~~“Complaints Ombudsman”~~ means any person who is independent of the Exchange and who is for the time being appointed by the Board to perform the function of complaints ombudsman pursuant to this section 11 of the LIFFE Rules;

~~“regulatory functions”~~ has the meaning attributed to it in section 291(3) of the Financial Services and Markets Act 2000 as amended from time to time.

complaint = means, subject to LIFFE Rule 11.1.2, a complaint arising in connection with the Exchange’s performance of, or failure to perform, any of its regulatory functions;

Complaints Ombudsman = means any person who is independent of the Exchange and who is for the time being appointed by the Board to perform the function of complaints ombudsman pursuant to this Section 11 of the LIFFE Rules;

regulatory functions = has the meaning attributed to it in Section 291(3) of the Financial Services and Markets Act 2000 as amended from time to time.

11.1.2 For the purposes of this ~~section~~Section 11 of the *LIFFE Rules*, the following do not constitute *complaints*:

~~(a)~~ (a) complaints about the contents of any ~~Rules or any procedures~~rules (including without limitation the LIFFE Rules or Contract Terms or Administrative Procedures made by the Exchange pursuant to the ~~Rules~~LIFFE Rules) or about the contents of the Procedures of the CSP;

~~(b)~~ (b) decisions against which the complainant has a right to appeal to a Disciplinary Panel or an Appeal Panel and complaints about a decision of such ~~Panels~~panels;

- (c) complaints about a decision of the *Board* or a commissioner made pursuant to ~~section~~Section 8 of the *LIFFE Rules*; and
- (d) complaints covered by specific contractual agreements between the *Exchange* and third parties in which alternative dispute resolution arrangements are provided.

## 11.2 Complaints procedure

- 11.2.1 Any *complaint* must be submitted by a ~~member~~Member, whether on his own behalf or on behalf of his client, or by the complainant directly if the complainant desires to the *Market Secretary* in writing in accordance with procedures prescribed by the *Board* from time to time pursuant to LIFFE Rule 11.6.1.
- 11.2.2 Where the complainant is not a ~~member~~Member, the *Exchange* and the *Complaints Ombudsman* shall communicate with the complainant through the complainant's ~~member~~Member unless the complainant specifically requests otherwise in writing to the *Market Secretary*.
- 11.2.3 The *complaint* shall be considered by or on behalf of the *Market Secretary*. If the *complaint* cannot be resolved to the mutual satisfaction of the *Market Secretary* and the complainant, the *Market Secretary* shall refer the matter to the Membership, Rules & Trading Committee.
- 11.2.4 The Membership, Rules & Trading Committee shall consider the complaint, but if it concludes that it cannot be resolved to the mutual satisfaction of the *Exchange* and the complainant, the complainant may request in writing to the *Market Secretary* that the chairman or the deputy chairman of the Membership, Rules & Trading Committee refer the complaint to the *Complaints Ombudsman*.
- 11.2.5 The *Exchange* shall bear the costs of the *Complaints Ombudsman* in considering the *complaint*.
- 11.2.6 In requesting that the *complaint* be referred to the *Complaints Ombudsman*, the complainant agrees that any recommendation made by the *Complaints Ombudsman* to the *Exchange* shall, if adopted by the *Exchange*, be a full and final resolution of the *complaint* and all associated rights and claims.

## 11.3 Complaints Ombudsman

- 11.3.1 The *Complaints Ombudsman* shall consider a *complaint* referred to him in accordance with procedures prescribed by the *Board* from time to time pursuant to LIFFE Rule 11.6.1.
- 11.3.2 In considering the *complaint*, the *Complaints Ombudsman* shall consider whether or not the performance of, or failure to perform, the specified *regulatory functions* by the *Exchange* amounts to:
  - (a) a failure to act fairly; and/or
  - (b) a failure to perform its *regulatory functions* within a reasonable time; and/or
  - (c) a lack of care or a mistake; and/or

(d) bad faith,

which has had a significant impact upon the complainant.

- 11.3.3 The *Exchange*, the ~~member~~Member or the complainant, as the case may be, shall deal with the *Complaints Ombudsman* in an open and co-operative manner and provide such information as the *Complaints Ombudsman* may consider necessary for consideration of the *complaint*. Such information shall be provided in such form and by such date as the *Complaints Ombudsman* may require. The *Exchange* may, however, in giving the *Complaints Ombudsman* access to such information have regard to the need to maintain the confidentiality of certain kinds of information in accordance with procedures prescribed by the *Board* from time to time pursuant to LIFFE Rule 11.6.1.
- 11.3.4 The *Complaints Ombudsman* may refuse to accept a referral of a *complaint* from the Membership, Rules & Trading Committee, or reject a *complaint* (in full or in part) without full consideration, if he considers, in his absolute discretion, that such *complaint* (or part thereof) does not arise in connection with the *Exchange*'s performance of, or failure to perform, any of its *regulatory functions* or is unfounded, unreasonable, frivolous or otherwise without merit or it is otherwise inappropriate for the *Complaints Ombudsman* to consider the *complaint* or the complainant has failed to comply with LIFFE Rule 11.3.3.
- 11.3.5 If the *Complaints Ombudsman* accepts a referral of a *complaint*, he shall give the complainant, the ~~member~~Member (where the complainant is not a ~~member~~Member and the ~~member~~Member is submitting the complaint on his behalf) and the *Exchange* the opportunity, or require them, to make written representations and to attend (with such other parties as is appropriate) and to give evidence to the *Complaints Ombudsman*. If the complainant, the ~~member~~Member (where relevant) or the *Exchange* (and such other parties as is appropriate) are given the opportunity, or required, to attend they shall be given reasonable notice, confirmed in writing, specifying the date and place of the meeting.
- 11.3.6 Once the *Complaints Ombudsman* has concluded his consideration of a *complaint* pursuant to this LIFFE Rule 11.3 and to procedures prescribed by the *Board* from time to time pursuant to LIFFE Rule 11.6.1, he shall report his findings, in writing, to the complainant, the chairman or deputy chairman of the Membership, Rules & Trading Committee and the Financial Services Authority. Such report shall be confidential and may include, if the *Complaints Ombudsman* thinks it appropriate, having concluded in his considerations pursuant to LIFFE Rule 11.3.2 that there has been a significant impact upon the complainant, recommendations that the *Exchange*:
- (a) makes a compensatory payment to the complainant; or
  - (b) remedies the matter complained of;
- or takes both of those steps.
- 11.3.7 Upon receipt of the report referred to in LIFFE Rule 11.3.6, the Membership, Rules & Trading Committee shall, in its absolute discretion, determine what course of action to take and shall communicate its decision in writing to the complainant. Such decision shall be the final decision of the *Exchange*.
- 11.3.8 If the *Complaints Ombudsman* is unable to consider the *complaint* adequately because of:

- (a) a conflict of interest (for example, where he has or has had some connection with the complainant);
- (b) illness; or
- (c) other unavoidable commitments

the *Complaints Ombudsman* shall notify the Membership, Rules & Trading Committee. On receiving such notification, the Membership, Rules & Trading Committee shall appoint a person, independent of the *Exchange*, to perform the function of *Complaints Ombudsman* pursuant to this ~~section~~Section 11 of the *LIFFE Rules*. A person appointed in this way shall have all the rights, powers and obligations of the *Complaints Ombudsman* and shall perform the functions of *Complaints Ombudsman* in accordance with this ~~section~~Section 11 of the *LIFFE Rules* for the purpose of considering such *complaint*.

#### **11.4 Disclosure of information**

11.4.1 Subject to LIFFE Rule 11.4.2 and LIFFE Rule 11.4.3, all information provided to the *Complaints Ombudsman* in respect of a *complaint* shall be confidential, unless otherwise agreed.

11.4.2 The *Complaints Ombudsman* may at any time disclose such information as he thinks fit to ~~exchange officials~~Exchange Officials or to the chairman or deputy chairman of the Membership, Rules & Trading Committee.

11.4.3 The *Complaints Ombudsman* may at any time disclose to any person or body referred to in LIFFE Rule 2.4 such information concerning or associated with a complainant, a ~~member~~Member, a person connected to a ~~member~~Member or a client of a ~~member~~Member as he thinks fit, whether or not a formal arrangement governing such disclosure exists or a request in respect of such information has been made.

#### **11.5 Exclusion of liability**

11.5.1 The *Complaints Ombudsman* shall not be liable to any complainant, ~~member~~Member or other person for loss (including indirect or consequential loss including, without limitation, loss of profit), damage, injury, whether direct or indirect, arising from any act, omission or negligence on his part or that of his officers, employees, agents or representatives under the LIFFE Rules, save where there is bad faith or a breach of the Human Rights Act 1998 as amended from time to time.

#### **11.6 General**

11.6.1 The *Board* may from time to time implement such procedures in respect of the handling of *complaints* as it deems fit.

**THE LONDON INTERNATIONAL FINANCIAL FUTURES AND OPTIONS EXCHANGE  
RULES — BOOK II**

## SECTION 12 – Bclear Service

### 12.1 Definitions and interpretation

12.1.1 In this Section 12 of the *LIFFE Rules*, unless the context otherwise requires:

~~“Bclear Service” means a service operated by the Exchange which enables members to report OTC Trades to the Exchange for confirmation, administration and clearing;~~

~~“OTC Futures Contract” means an Exchange Contract in the form of a futures contract designated as an OTC Contract for the purposes of this Section 12 of the LIFFE Rules;~~

~~“OTC Trade” means an OTC transaction, consisting of one or more legs, which is eligible pursuant to this Section 12 of the LIFFE Rules to be reported to the Exchange through the Bclear Service and which the parties thereto have determined should be so reported;~~

~~“OTC transaction” means a trade made bilaterally in the OTC market, which in its making was not subject to the Rules;~~

~~“OTC Contracts” means those Exchange Contracts designated by the Exchange in respect of which OTC transactions are eligible to be OTC Trades;~~

~~“OTC Trade Reporting Member” means a member holding the appropriate right(s) entitling him to report for confirmation each of the legs of an OTC Trade.~~

*Bclear Service* = means a service operated by the Exchange which enables Members to report OTC Trades to the Exchange for confirmation, administration and clearing;

*OTC Futures Contract* = means an Exchange Contract in the form of a futures contract designated as an OTC Contract for the purposes of this Section 12 of the LIFFE Rules;

*OTC Trade* = means an OTC transaction, consisting of one or more legs, which is eligible pursuant to this Section 12 of the LIFFE Rules to be reported to the Exchange through the Bclear Service and which the parties thereto have determined should be so reported;

|                                   |   |                                                                                                                                      |
|-----------------------------------|---|--------------------------------------------------------------------------------------------------------------------------------------|
| <u>OTC transaction</u>            | = | <u>means a trade made bilaterally in the OTC market, which in its making was not subject to the LIFFE Rules;</u>                     |
| <u>OTC Contracts</u>              | = | <u>means those Exchange Contracts designated by the Exchange in respect of which OTC transactions are eligible to be OTC Trades;</u> |
| <u>OTC Trade Reporting Member</u> | = | <u>means a Member holding the appropriate right(s) entitling him to report for confirmation each of the legs of an OTC Trade.</u>    |

## 12.2 General

12.2.1 The Bclear Service enables OTC Trade Reporting Members to report an OTC Trade to the Exchange for confirmation, administration and clearing. Pursuant to LIFFE Rule 12.7.6, the Exchange shall be entitled to decline to confirm an OTC Trade which is reported to it in accordance with LIFFE Rule 12.7.

12.2.2 In determining that OTC transactions should be or should become OTC Trades, in reporting such trades and/or by entering into contract(s) under LIFFE Rule 12.3.1, ~~members~~Members shall be bound by the LIFFE Rules in this Section 12 and the following LIFFE Rules:

- (a) Chapters 1, 3 and 8 of Book I of the Rules in their entirety;
- (b) Rules 5103, 5104, 5106/1(ii), 5401 to 5403 and 5701/4 of Book I of the Rules;
- (c) Book II of the Rules in its entirety; and
- (d) Notices issued pursuant to this Section 12 of the LIFFE Rules.

Upon agreeing the terms of an OTC Trade and/or in causing an OTC Trade to be reported to the Exchange, a non-~~member-Client~~Member client shall also be bound by this Section 12 of the LIFFE Rules.

12.2.3 For the avoidance of doubt, and unless the context otherwise requires, references in the LIFFE Rules to activity, functions or services pertaining to the ~~market~~Market shall, in relation to the Bclear Service, be construed as references to activity, functions or services which may be conducted or provided in respect of OTC Trades.

## 12.3 Clearing and registration of contracts

12.3.1 Upon confirmation to an OTC Trade Reporting Member by the Exchange of an OTC Trade reported to it by such ~~member~~Member pursuant to this Section 12 of the LIFFE Rules, there shall arise:

- (a) a ~~contract~~Contract in the ~~terms~~Terms of an Exchange Contract on identical terms (except as to the parties) as the *OTC Trade* or, where the *OTC Trade* consists of a combination of *OTC Contracts*, a ~~contract~~Contract in the ~~terms~~Terms of an Exchange Contract on identical terms (except as to the parties) as the equivalent element of the *OTC Trade* for each element of the *OTC Trade*. Each such ~~contract~~Contract in the ~~terms~~Terms of an Exchange Contract shall be treated as an ~~original contract~~Original Contract for the purposes of LIFFE Rule 4.12 and this ~~LIFFE~~LIFFE Rule 12.3. LIFFE Rule 4.12 shall apply to such ~~original contract~~Original Contract. The *OTC Trade Reporting Member* shall be deemed to have entered into the ~~original contract~~Original Contract with himself as ~~buyer~~Buyer and ~~seller~~Seller; and
- (b) for each person other than the *OTC Trade Reporting Member* who is a counterparty to the *OTC Trade*, a ~~contract~~Contract in the Terms of an Exchange Contract (“the *OTC Client Contract*”) between the *OTC Trade Reporting Member* and the counterparty ~~in the terms of an Exchange Contract~~ on identical terms (except as to the parties) as the *OTC Trade* or, where the *OTC Trade* consists of a combination of *OTC Contracts*, a ~~contract~~Contract in the ~~terms~~Terms of an Exchange Contract on identical terms (except as to the parties) as the equivalent element of the *OTC Trade* for each element of the *OTC Trade*.

12.3.2 On the arising of an ~~original contract~~Original Contract and one or more *OTC Client Contracts* pursuant to LIFFE Rule 12.3.1, the *OTC Trade* to which such contracts relate shall be discharged, by novation, by the ~~original contract~~Original Contract and the *OTC Client Contract(s)*.

12.3.3 If the *Exchange* declines to confirm an *OTC Trade* under LIFFE Rule 12.7.6 which has been reported to it through the *Bclear Service*, LIFFE Rules 12.3.1 and 12.3.2 shall not apply and such *OTC Trade* shall lapse unless the parties thereto agree to remain bound by the *OTC transaction*Transaction to which the *OTC Trade* relates.

## 12.4 Designation of OTC Contracts

12.4.1 *OTC Contracts* and the permissible strategies comprising combinations of *OTC Contracts* which shall be eligible to be *OTC Trades* shall be designated by *Notice*. Such designations may specify the minimum number of ~~lots~~Lots necessary for an *OTC transaction* to qualify as an *OTC Trade* (“*minimum volume requirements*”). Different *minimum volume requirements* may be specified for different *OTC Contracts* and for each of the permissible strategies.

## 12.5 Reporting rights

12.5.1 The *Exchange* shall stipulate by *Notice* which ~~members~~Members, or class or classes of ~~members~~Members, shall have the right to report their own and other parties’ *OTC Trades*.

12.5.2 Each *OTC Trade* confirmed through the *Bclear Service* and the consequent ~~original contract~~Original Contract shall be binding on the *OTC Trade Reporting Member* through whose ITM such trade was reported and such ~~member~~Member shall be responsible for the trade and the contract under the LIFFE Rules.

## 12.6 Business days and hours

12.6.1 An *OTC Trade* may only be reported on the ~~business days~~*Business Days* and during the business hours specified by *Notice*. Different ~~business days~~*Business Days* and business hours may be specified for different *OTC Contracts*.

## 12.7 Reporting procedures

12.7.1 Only an *OTC Trade Reporting Member* may report *OTC Trades* to the *Exchange* for confirmation. Where a ~~member~~Member is not permitted by the LIFFE Rules or is unable to report an *OTC Trade*, he must ensure that he has arrangements in place with another appropriately authorised ~~member~~Member to report *OTC Trades* before he becomes party to or organises any such *OTC Trade*. Where an *OTC Trade* has been entered into between or organised by two ~~members~~Members, the trade shall be reported by the *OTC Trade Reporting Member* agreed by such ~~members~~Members.

12.7.2 *Members* should ensure that the price of any *OTC Trade* that is reported to the *Exchange* represents a fair value for that trade.

12.7.3 The *Exchange* requires ~~members~~Members to maintain a robust audit trail in relation to *OTC Trades* to which they are party, or which they have organised or which they have reported or are due to report through the *Bclear Service*. When a ~~member~~Member accepts an *OTC Trade* order he must record its details on an order slip. Where a ~~member~~Member employs an electronic system for order routing through which it receives an *OTC Trade* order, such details must be recorded electronically. The following details, as applicable, in respect of an *OTC Trade* order must be recorded and such order slip must be time stamped on receipt and again on organisation:

~~(a)~~ (a) identity of individual submitting the *OTC Trade* to the *Exchange*;

~~(b)~~ (b) *OTC Contract* concerned;

~~(c)~~ (c) ~~expiry month~~ Expiry Month(s)/date(s) or ~~delivery month~~ Delivery Month(s);

~~(d)~~ (d) ~~exercise price(s)~~;

(d) Exercise Price(s);

~~(e)~~ (e) class – call(s) and/or put(s);

~~(f)~~ (f) price for each element of the trade;

~~(g)~~ (g) number of ~~lots~~ Lots for each element;

~~(h)~~ (h) strategy trade code

and, in addition, for delta neutral/stock contingent *OTC Trade* orders, as applicable:

~~(i)~~ (i) *OTC Futures Contract*/underlying stock concerned;

~~(j)~~ (j) ~~delivery month~~ Delivery Month of the *OTC Futures Contract*;

~~(k)~~ (k) price of the *OTC Futures Contract* or the underlying shares (as the case may be);

~~(l)~~ (l) number of ~~lots~~ Lots of the *OTC Futures Contract* or number of shares (as the case may be); and

~~(m)~~ (m) delta.

All information recorded by a ~~member~~ Member pursuant to this LIFFE Rule 12.7.3 must be retained by the ~~member~~ Member for not less than five years.

- 12.7.4 An *OTC Trade Reporting Member* must submit to the *Exchange* the details of the *OTC Trade* described in LIFFE Rule 12.7.3(b) to (m), as applicable, as soon as practicable. In any event, the details of the *OTC Trade* must be submitted by the *OTC Trade Reporting Member* within one hour of the time at which the *OTC Trade* was entered into. *OTC Trades* shall be reported by the means specified by *Notice*. *Members* must not delay the reporting of *OTC Trades*.
- 12.7.5 The time limit for the submission of *OTC Trades* commences as soon as there is verbal agreement on the terms of the *OTC Trade*.
- 12.7.6 The *Exchange* will check the validity of the details of an *OTC Trade* submitted by the *OTC Trade Reporting Member*. If the *Exchange*, following consultation where it deems necessary with the ~~Clearing House~~ CSP, is satisfied that all such details are valid and that the *OTC Trade* has been entered into at a fair value (to be determined by the *Exchange* at its absolute discretion), it will confirm the *OTC Trade* to the *OTC Trade Reporting Member* via the ITM through which it was submitted. If the details of an *OTC Trade* are not valid or the *Exchange* determines that it has not been entered into at a fair value, the *Exchange* shall decline to confirm the trade and shall notify the *OTC Trade Reporting Member* accordingly.
- 12.7.7 Details of both the buying and the selling sides of the trade will be submitted to ~~Trade Registration~~ trade registration and matched under the *OTC Trade Reporting Member's* mnemonic.
- 12.7.8 Confirmation of an *OTC Trade* does not preclude the *Exchange* from instigating action pursuant to Section 5 of the *LIFFE Rules*.
- 12.8 Publication arrangements**
- 12.8.1 Publication arrangements in respect of *OTC Trades* shall be specified by *Notice*.

## SECTION 13 - CLEARING

### 13.1A Functions performed by the CSP

13.1A.1 The Exchange may from time to time appoint the CSP to perform certain functions set out in this Section 13 as specified from time to time in the relevant Clearing Membership Agreement.

13.1A.2 The discharge by the Exchange, the CSP and a Clearing Member of the obligations set out in this section 13 shall take place in accordance with the provisions of the relevant Clearing Membership Agreement, and references to “the Exchange” in the remainder of this Section 13 shall, in such context, be deemed to be references to the CSP.

### 13.1 Contract Formation, Registration and Performance

13.1.1 Members are referred to LIFFE Rule 4.12, which deals with contract formation and registration.

13.1.2 The Exchange (acting as CCP), and all other persons party to Contracts in the Terms of Exchange Contract, shall perform all of their obligations thereunder in accordance with the Contracts Terms and Administrative Procedures.

### 13.2 Accounts

13.2.1 Financial accounts (including, where requested, financial accounts in respect of client business) shall be opened, operated and managed between each Clearing Member and the CSP in accordance with the Procedures of the CSP.

13.2.2 Amounts standing to the credit of a Clearing Member’s accounts may be applied by the CSP towards the payment of any sum whatsoever due by the Clearing Member to the Exchange whether or not arising under these LIFFE Rules, save that no amounts standing to the credit of such accounts shall be applied in or towards payment or satisfaction of all or any of the Clearing Member’s liabilities to the Exchange on any one or more of the Clearing Member’s financial accounts in respect of client business.

13.2.3 Debit balances due to the Exchange on any account opened in respect of a Clearing Member are payable by such Clearing Member on demand and interest may, at the Exchange’s discretion, be charged on debit balances remaining unpaid (whether or not demand for payment is made) on a basis and at a rate determined from time to time by the Exchange.

13.2.4 The Exchange may at its absolute discretion alter the basis of calculating interest rates and such alteration shall be effective in respect of all current and future business on the date notified to Clearing Members in accordance with the Procedures of the CSP.

### 13.3 Designation

13.3.1 A Clearing Member shall designate the account of the Clearing Member in which a contract shall be registered in the manner and form and by the time prescribed by the LIFFE Rules. If the Clearing Member fails to so designate an account, the Exchange may determine in which account of the Clearing Member the contract shall be entered.

#### 13.4 Clearing Information

13.4.1 The Exchange shall make available to a Clearing Member in the manner and by the time prescribed by the Exchange, such details of Registered Exchange Contracts registered in that Clearing Member's name, and Cover furnished by that Clearing Member.

#### 13.5 Margin and Cover for Margin

13.5.1A Subject to the agreement between the Exchange and the CSP, the Exchange may from time to time set minimum levels of Initial Margin and appoint the CSP to collect and hold Cover on the Exchange's behalf and/or on behalf of the CSP.

13.5.1 The Exchange may in accordance with the Procedures of the CSP and/or the relevant Clearing Membership Agreement require a Clearing Member to furnish the Exchange with Cover, and to keep the Exchange furnished with sufficient Cover at all times, in an amount determined by the Exchange, as security for the performance by such Clearing Member of its obligations to the Exchange in respect of all contracts from time to time to be registered in his name as Registered Exchange Contracts pursuant to these LIFFE Rules. The obligation upon a Clearing Member to furnish Cover to the Exchange pursuant to this LIFFE Rule 13.5.1 shall be in addition to any other obligation of the Clearing Member to furnish Cover to the Exchange pursuant to any other of these LIFFE Rules. The Exchange shall retain the rights set out in this paragraph notwithstanding the appointment of a CSP in accordance with LIFFE Rule 13.5.1A and in such circumstances the rights of the Exchange under this paragraph shall be in addition to the similar rights of the CSP.

13.5.2 The Exchange may in accordance with the Procedures of the CSP and/or the Clearing Membership Agreement require a Clearing Member to furnish it with Cover in respect of Initial Margin in circumstances prescribed by the LIFFE Rules and the Procedures of the CSP in respect of any Registered Exchange Contract registered in the Clearing Member's name, such Cover to be furnished by the Clearing Member in such form and manner and by such time or times as may be prescribed by the Procedures of the CSP.

13.5.3 If insufficient monies are standing to the credit of a Clearing Member's account, or if any security deposited by a Clearing Member as Cover is determined by the Exchange in accordance with the Procedures of the CSP or a relevant Clearing Membership Agreement to be insufficient, such Cover as the Exchange requires a Clearing Member to furnish to it pursuant to LIFFE Rules 13.5.1 and 13.5.2 above shall be furnished by the Clearing Member in such form and manner and by such time or times as may be prescribed by the Procedures of the CSP or the relevant Clearing Membership Agreement.

13.5.4 The Exchange may, in its absolute discretion and at any time require a Clearing Member to furnish or deposit other or additional securities or assets as Cover to or with the Exchange in substitution for or addition to any securities or assets deposited with the Exchange pursuant to this LIFFE Rule 13.5 where the securities or assets already deposited are either no longer of sufficient value or are otherwise unacceptable to the Exchange. Such Cover shall be furnished by such Clearing Member on demand in a form prescribed by the Procedures of the CSP and/or the Clearing Membership Agreement, provided that at any time the Exchange shall be entitled to require the

Clearing Member to furnish it with Cover in a specified form and to demand that the Clearing Member replace the whole or part of any security furnished by a Clearing Member pursuant to these LIFFE Rules by Cover in the form of cash. Such Cover may be, at the absolute discretion of the CSP, in a form other than those specified in the Procedures of the CSP, up to an agreed amount, ("Special Cover") subject always to the prior assessment of the CSP as to the appropriateness of such form of collateral in accordance with its standard risk management procedures and to any special arrangements which the CSP may prescribe in each case (including as to valuation and haircut).

13.5.5 The rate of Initial Margin in respect of each Registered Exchange Contract shall be determined from time to time by the Exchange and such rate shall be published from time to time by the Exchange. Subject to LIFFE Rule 13.5.7 below, any alteration of the rate so determined shall take effect on the expiry of such period of notice to Clearing Members. Any such Notice shall be given to Clearing Members in accordance with the Procedures of the CSP.

13.5.6 Notwithstanding LIFFE Rule 13.5.5 above, the Exchange shall be entitled at its absolute discretion, without assigning any reason and without prior notice to a Clearing Member to modify the rate of Initial Margin applicable to a Contract in the Terms of an Exchange Contract, or to call for larger or additional amounts of Cover in respect of Initial Margin to be furnished to it by a Clearing Member at any time. Any Cover called by the Exchange pursuant to this LIFFE Rule 13.5.6 shall be furnished by the Clearing Member on demand and in such form as the CSP may require.

13.5.7 The Exchange shall be entitled at any time to demand immediate provision of Cover for Margin from a Clearing Member in an amount deemed necessary by the Exchange without reference to Daily Settlement Prices in respect of any Registered Exchange Contract in the Clearing Member's name, if, in the opinion of the Exchange, the furnishing of such Cover by the Clearing Member is necessary in the circumstances then prevailing which may be affecting or may in the Exchange's opinion be likely to affect market conditions or the Clearing Member's performance of its obligations under the terms of such Registered Exchange Contracts to which the Clearing Member is party. In this paragraph "immediate provision" means payment to the Exchange within one hour of demand.

13.5.8 If, in respect of Registered Exchange Contracts in a Clearing Member's name, Daily Settlement Prices indicate that Cover which has been furnished by such Clearing Member pursuant to LIFFE Rule 13.5.7 above in respect of such contracts is in excess of Variation Margin, such excess may, or at the Clearing Member's request shall (but only where the excess consists of cash), be released.

13.5.9 If the CSP takes any step or steps under the default rules of the CSP in relation to a Clearing Member, any sum (including without limitation the Price due to be paid by the CSP in respect of the delivery of any property or currency by or on behalf of the Clearing Member) standing to the credit of any of the Clearing Member's accounts shall be treated as Cover.

13.5.10 Cover provided shall not be capable of assignment by any person. Any purported assignment by a Clearing Member (whether by way of security or otherwise) of Cover

provided shall be void. A *Clearing Member* shall not otherwise encumber (or seek to encumber) any *Cover*.

13.5.11 Where the *Exchange* is party to a *Link Agreement* with a *Participating Exchange*:

(a) the *Exchange* may call that *Participating Exchange* for *Cover* in whatever form may be stipulated in the terms of that *Link Agreement*; and

(b) if collateral is provided by such *Participating Exchange* pursuant to such *Link Agreement*, that collateral shall be deemed to be *Cover* for the purposes of these *LIFFE Rules* and the *Default Rules*.

13.5.12 Without prejudice to the provisions of *LIFFE Rule 4.12* or this *LIFFE Rule 13.5*, the *Procedures of the CSP*, or any agreement entered into between the *Exchange* and a *Member* with respect to *Cover* provided or to be provided by such *Member*, the *Exchange* shall be entitled to require a *Member* to furnish *Cover* in an amount to be determined by the *Exchange* as a condition of the *Exchange* agreeing to register original *Contracts on the Terms of Linked LIFFE Contracts* in the name of the *Member* and maintain sufficient *Cover* at all times, in an amount or amounts determined by the *Exchange*, as security for the performance by such *Member* of his obligations to the *Exchange* in respect of such original contracts to be registered or contracts registered with the *Exchange*. In addition, the *Exchange* shall be entitled to require *Cover* in a form and in an amount determined by the *Exchange* from a *Member* as a condition of the *Exchange* agreeing to take any steps pursuant to any trade correction procedures.

13.6 Failure in performance of a *Clearing Member*: substituted obligation

13.6.1 Where a *Clearing Member* fails to perform its obligations under a *Registered Exchange Contract* where delivery is required pursuant to the *Contract Terms and Administrative Procedures*, and by the operation of the *Default Rules* or the default rules of the *CSP* the *Clearing Member's* rights and liabilities in respect of such performance are discharged and there arises in their place an obligation to account as between the *Clearing Member* and the *CSP* and between the *CSP* and the *Exchange* for a settlement amount, then the *Exchange* shall be entitled to substitute an obligation to account for such settlement amount, or proportions thereof pro rata, for its rights and liabilities in respect of performance of *Registered Exchange Contracts* with one or more other *Clearing Members* (such *Registered Exchange Contracts* and such other *Clearing Members* to be selected by the *Exchange* in its absolute discretion) for the same underlying instrument and *Delivery Month*. No *Clearing Member* shall question the settlement amount or any determination made by the *Exchange* under this *LIFFE Rule 13.6.1*.

13.7 Daily Marking to Market and Settlement to Market

Marking to Market

13.7.1 All *Registered Exchange Contracts* are subject to *Marking to Market* by the *Exchange* in accordance with the procedure published by the *Board* from time to time.

## Settlement to Market

13.7.2 Settlement to Market shall take place in respect of all Registered Exchange Contracts (other than those to which Settlement to Market does not apply, as published by the Board in a Notice from time to time) in accordance with the provisions of this LIFFE Rule 13.7.

13.7.3 Subject to LIFFE Rule 13.7.6, Settlement to Market shall take place daily in accordance with the procedure published by the Board from time to time, pursuant to which the Exchange shall effect and register a contract as a Registered Settlement Contract in the name of the relevant Clearing Member and shall forthwith close out each Registered Exchange Contract against the respective Registered Settlement Contract, and shall calculate the Daily Settlement Amount due or owing (if any) in respect of such contract.

13.7.4 Once the Exchange has calculated the relevant Daily Settlement Amounts under LIFFE Rule 13.7.3, the CSP shall make up each relevant Clearing Member's account by crediting or debiting such Daily Settlement Amounts as follows:

(a) any profit arising to the Clearing Member shall be credited to the applicable account of the Clearing Member and, subject to the CSP's right to retain such profit pursuant to the Procedures of the CSP and in respect of a cross-margining participant to the terms of any relevant cross-margining agreement, such profit shall be paid to the Clearing Member on the Clearing Member's request in accordance with the Procedures of the CSP; and

(b) any loss arising to the Clearing Member shall be debited to the applicable account of the Clearing Member and (subject to the Procedures of the CSP) the Clearing Member shall pay the amount of such loss to the CSP forthwith on demand in accordance with the Procedures of the CSP.

The CSP may in its discretion apply any Cover held in the account of the Clearing Member in excess of Initial Margin or other requirements, to the extent such excess Cover is in the form of cash, to settle amounts due in respect of Daily Settlement Amounts referred to in this LIFFE Rule 13.7.

13.7.5 Upon completion of the actions set out in LIFFE Rule 13.7.4 above, the Exchange shall register at the Daily Settlement Price, contracts in the Clearing Member's name as Registered Exchange Contracts on the same terms (except as to Price or Premium), including the Exercise Price where applicable, as the settled Registered Exchange Contracts, provided that (with the exception of those contracts in such Clearing Member's Client Account which shall be treated gross in accordance with LIFFE Rule 13.7.6, below), equal and opposite positions net against each other and no new Registered Exchange Contract shall be registered in respect of such positions.

13.7.6 In effecting Settlement to Market, the Exchange shall settle Registered Exchange Contracts which are for the account of a Clearing Member's Client Account on a gross basis, and shall not apply netting so as to settle out equal and opposite positions.

13.7.7 Notwithstanding LIFFE Rules 13.7.5 and 13.7.6, a Clearing Member may (where otherwise permitted under these LIFFE Rules or its customer documentation) request the Exchange to settle through netting contracts in its Client Account. Such a request,

once made, shall be irrevocable unless the Exchange otherwise consents. Where such a request is made, the Exchange shall as soon as practicable after the close of trading on that Market day (but not necessarily on that day, and provided the necessary documentation has been supplied by the Clearing Member) make up the Clearing Member's account to reflect such request.

13.7.8 In respect of those Registered Exchange Contracts of which settlement through netting might have been requested by a Clearing Member under LIFFE Rule 13.7.7, the Exchange may, if no request for settlement has been received by the cessation of trading for the Delivery Month applicable to those contracts, at any time thereafter proceed as if settlement had been requested and make up and render the Clearing Member's accounts accordingly.

13.7A Contracts not Settled to Market

13.7A.1 Liquidating value shall be credited to and debited from a Clearing Member's financial accounts with the CSP as set out in the Clearing Member's Clearing Membership Agreement and the Procedures of the CSP.

13.8 Exercise of Option Contracts

13.8.1 The Exchange shall be entitled to rely and act upon any form of exercise made in accordance with the relevant Contract Terms and Administrative Procedures and the relevant CPS arrangements without making any enquiry, investigation or check as to whether it complies with the LIFFE Rules or as to the authority of any person purporting to exercise an Option Contract on behalf of a Clearing Member save that the Exchange may reject any notice of exercise (or exercise made in such other prescribed form, as the case may be) if it does not appear to comply with the LIFFE Rules notwithstanding that it may as Buyer have passed on such notice or other prescribed form of exercise to a Seller.

13.9 Delivery arrangements for Registered Exchange Contracts

13.9.1 Notwithstanding the terms of any Contract in the Terms of an Exchange Contract, the Exchange may in their absolute discretion:

(a) direct a Clearing Member who is a Seller under a Registered Exchange Contract to deliver the subject matter of such contract to such Clearing Member as the Exchange may determine, being a Buyer under a Registered Exchange Contract, as the Exchange may appoint; and

(b) direct a Clearing Member who is a Buyer under a Registered Exchange Contract to pay the Price and any other amounts payable pursuant to such contract to such Clearing Member as the Exchange may determine, being a Seller under a Registered Exchange Contract, as the Exchange may appoint;

and delivery or payment in accordance with such direction shall constitute the due performance of such obligations of such Buyer or Seller as the case may be towards the Exchange. Each Clearing Member agrees that it will accept delivery of such subject matter or, as the case may be, payment of the Price, from a Clearing Member directed in accordance with LIFFE Rules 13.9.1(a) or 13.9.1(b) above, in satisfaction of the obligations owed to it by the Exchange to deliver such subject matter or make payment

of the Price and such other amounts under the terms of a Registered Exchange Contract.

13.9.2 If an invoice is not ready when payment becomes due pursuant to this LIFFE Rule 13.9.2, payment shall be made and received on account.

13.9.3 If a Buyer where permitted by the LIFFE Rules, rejects delivery made to it in respect of a Registered Exchange Contract pursuant to the Contract Terms and Administrative Procedures, the Exchange shall be entitled to reject the same as against the Seller from whom it took delivery of the same under the terms of a Registered Exchange Contract, and the Exchange shall not be deemed to have accepted delivery by a Seller which it delivers on to a Buyer until such Buyer has accepted the delivery.

### 13.10 Currency Conversion

13.10.1 For the purpose of exercising any rights under these LIFFE Rules, the Exchange shall be entitled in its discretion to convert monies standing to the debit or credit of a Clearing Member's accounts (including financial accounts in respect of client business) into such other currency or currencies as it thinks fit, such conversion to be effected at such reasonable rate or rates of exchange as the Exchange may determine.

### 13.11 Disclosure

13.11.1 The Exchange shall be entitled to supply any information whatsoever concerning a Clearing Member to any person who has provided or may be contemplating entering into arrangements to provide the Exchange directly or indirectly with stand-by or other finance, insurance cover, guarantee or other financial backing, which the Exchange has been requested or is legally required to disclose to assist such person in relation to the provision of, or continued provision of, such finance, insurance cover, guarantee or financial backing.

### 13.12 Records

13.12.1 A Clearing Member shall not be entitled to the return of any particulars, notices or other documentation (if any) presented to the Exchange pursuant to LIFFE Rules 13.3 and 13.15 to 13.22 inclusive.

### 13.13 Obligation to Make or Take Delivery under Registered Exchange Contracts

13.13.1 Registered Exchange Contracts shall be fulfilled in accordance with the LIFFE Rules. No Registered Exchange Contract shall be for a unit or quantity smaller than one Lot and the amount or quantity tendered shall be as specified in the relevant contract terms and administrative procedures. Where the contract terms of a Registered Exchange Contract so permit, the Exchange may give directions to one or more Clearing Members concerning the performance of such contract and in such case each such Clearing Member shall be bound by and shall comply with any such direction.

13.13.2 Clearing Members shall fulfil their obligations to the Exchange under the terms of such contracts in the manner and by the time prescribed by the LIFFE Rules and the relevant Contract Terms and Administrative Procedures. The Exchange shall fulfil its

obligations as *Seller* or *Buyer*, as the case may be, under the terms of such contracts in accordance with the *LIFFE Rules*.

13.14 Registered Exchange Contracts where Tender is required

13.14.1 This LIFFE Rule 13.14 shall only apply to *Registered Exchange Contracts* where *Tender* is required.

13.14.2 A *Clearing Member*, as *Seller* in respect of a *Registered Exchange Contract* shall give a *Tender* to the *Exchange* as *Buyer*, together with such other documents as may be required by the *Contract Terms and Administrative Procedures* by the time specified in respect of a *Registered Exchange Contract* for a particular *Delivery Month*, and in the form and manner prescribed by the *Contract Terms and Administrative Procedures*. The *Exchange*, as *Seller* in respect of a *Registered Exchange Contract* shall give a *Tender* to the *Buyer*, together with such other documents as may be required by the *Contract Terms and Administrative Procedures* by the time specified in respect of a *Registered Exchange Contract* for a particular *Delivery Month*, and in the form and manner prescribed by the *Contract Terms and Administrative Procedures*.

13.14.3 A *Seller* or *Buyer* shall give to the *Exchange* such additional documents or information required by the *Contract Terms and Administrative Procedures* to be given in respect of a *Registered Exchange Contract* by the time prescribed by the *Contract Terms and Administrative Procedures* and in the form and manner specified therein. The *Exchange* as *Seller* (or *Buyer*) under the terms of a *Registered Exchange Contract* shall give such additional documents or information to the *Buyer* (or *Seller*) under the terms of such contract.

13.14.4 The *Exchange* shall be under no obligation to check a *Tender* or documents received from a *Clearing Member* pursuant to LIFFE Rules 13.14.2 or 13.14.3 above. The passing on by the *Exchange* of such *Tender* or such documents received from a *Seller* (or *Buyer* as the case may be) pursuant to the terms of a *Registered Exchange Contract*, to a *Buyer* (or *Seller* as the case may be) pursuant to the terms of a *Registered Exchange Contract*, shall not constitute acceptance by the *Exchange* of such *Tender* or such documents, and if the *Clearing Member* to whom it passed on such *Tender* or such documents rejects the same where permitted by contract terms and administrative procedures, the *Exchange* shall be entitled to reject the same as against the *Clearing Member* from whom it received such *Tender* or such documents.

13.14.5 Every *Buyer* (not being the *Exchange*) who has a *Registered Exchange Contract* in his name for the applicable or relevant *Delivery Month* shall be bound to accept in fulfillment of the *Exchange's* obligations as *Seller* under LIFFE Rule 13.14.2 any *Tender* or documents complying with the *Contract Terms and Administrative Procedures* which is given to him by the *Exchange*.

13.14.6 Subject to LIFFE Rule 13.14.4, no *Tender* may be withdrawn or substituted by the *Seller* once such *Tender* is received by the *Buyer* except with the consent of such *Buyer* or otherwise in accordance with the contract terms and administrative procedures.

13.14.7 Without prejudice to the provisions of LIFFE Rule 13.15.1, under a *Registered Exchange Contract*:

(a) the Buyer shall be obliged to pay his buying Price to the Exchange as Seller in the manner and by the time prescribed by the contract terms and administrative procedures;

(b) the Exchange as Buyer shall be obliged to pay the Seller his selling Price in the manner and by the time prescribed by the contract terms and administrative procedures;

(c) subject to the Contract Terms and Administrative Procedures any compensation, adjusting payment, or other allowance payable by or to either the Buyer or Seller under the terms of the Registered Exchange Contract shall be paid to or by the Exchange;

13.14.8 Every Tender and accompanying documents (except documents which, in accordance with the Contract Terms and Administrative Procedures a Buyer is obliged to take up and pay for) given by the Exchange as Seller to a Buyer pursuant to LIFFE Rule 13.14.2 shall for the purposes of these LIFFE Rules be deemed to comply with the Contract Terms and Administrative Procedures unless the Buyer notifies the Exchange, by 10.00 hours on the Business Day following the day on which the Tender and accompanying documents were given to him by the Exchange in accordance with the Contract Terms and Administrative Procedures (and unless otherwise set out in such Contract Terms and Administrative Procedures), that the Tender and accompanying documents do not so comply, and the Exchange shall be entitled after receiving such notice, promptly thereafter and notwithstanding that it may do so after 10.00 hours on such Business Day, to notify the Seller from whom it received such Tender and accompanying documents that such Tender and accompanying documents do not so comply.

13.15 [Intentionally left blank]

13.16 Conditions relating to the Exchange's Obligations and Liability in Certain Delivery Contracts

13.16.1 Without prejudice to LIFFE Rule 1.4, this LIFFE Rule 13.16 shall apply to Registered Exchange Contracts where delivery is required pursuant to the Contract Terms and Administrative Procedures.

13.16.2 The Exchange shall not be liable in respect of a claim made against it in respect of a Registered Exchange Contract concerning:

(a) a Tender given by the Exchange; or

(b) any documents accompanying a Tender as required by the contract terms and administrative procedures; or

(c) the performance by the Exchange of its obligations under a Registered Exchange Contract to make delivery or to pay the Price; or

(d) any other dispute or matter arising under the terms of such contract;

unless the conditions set out in LIFFE Rules 13.16.3, 13.16.4, and 13.16.5 below are satisfied.

13.16.3 Save where otherwise set out in the applicable Contract Terms and Administrative Procedures, the relevant Clearing Member shall (without prejudice to his taking any other steps which may be required of or open to him under the LIFFE Rules) give written notice and particulars of his claim to the Exchange not later than 17:00 hours (such time to be of the essence) on the seventh Business Day following the day on which, in accordance with the relevant LIFFE Rules, documents must be taken up and paid for by the Buyer (whether or not a Buyer fulfils such obligation), or if there are no such documents, not later than 17.00 hours (such time to be of the essence) on the seventh Business Day following the last day on which the Buyer, in accordance with the Contract Terms and Administrative Procedures, must take delivery (whether or not the Buyer fulfils such obligation).

13.16.4 Where the relevant Rules provide for arbitration, the Clearing Member shall refer all disputes referred to in LIFFE Rule 13.16.2 above in respect of the contract to arbitration under the relevant Rules, shall give to the Exchange notice of such referral pursuant to the Rules and details of any award made.

13.16.5 The Clearing Member shall promptly provide the Exchange with such further particulars of his claim, as the Exchange may from time to time require in writing.