

LONDON NOTICE No. 3189

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SHORT TERM INTEREST RATE (“STIR”) OPTIONS

INTRODUCTION OF AN END USER SCHEME FOR NEW MARKET PARTICIPANTS

Executive Summary

This Notice provides details of an End User Scheme to be introduced in the Short Term Interest Rate (“STIR”) Options Contracts for New Market Participants (the “STIR Options End User Scheme”) and invites applications from New Market Participants.

1. Introduction

- 1.1 This Notice provides details of a new End User Scheme for New Market Participants in the Three Month Euro (EURIBOR) Interest Rate Options and Mid-Curve Options Contracts and the Three Month Sterling (Short Sterling) Interest Rate Options and Mid-Curve Options Contracts (the “STIR Options End User Scheme”) (the “Scheme”) and invites applications.
- 1.2 The STIR Options End User Scheme will come into effect on Tuesday **1 September 2009** and will be open to applications up to and including **31 December 2009**.

2. Benefits of the STIR Options End User Scheme

- 2.1 Under the terms of the STIR Options End User Scheme, an approved End User who has registered its unique TRS account reference with the Exchange will be eligible for the following benefits in respect of “Qualifying Business” under the Scheme:
 - (a) a full Exchange transaction fee rebate on market assigned business executed in STIR Options; and
 - (b) a full Exchange transaction fee rebate on any STIR futures executed as a Delta Neutral strategy trade using the Recognised Strategy functionality.
- 2.2 An approved End User may only participate in the Scheme for a maximum of six months, or until the End User’s Qualifying Business in STIR Options has reached one million lots, whichever occurs first.

3. Qualifying Business

- 3.1 “Qualifying Business” is business which satisfies the following criteria:

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- (a) business executed in Euribor Options, Euribor Mid-Curve Options (One Year and Two Year), Short Sterling Options, and Short Sterling Mid-Curve Options (One Year and Two Year);
 - (b) either proprietary trading or hedging business of the approved End User, but not market making business, i.e. where users respond to requests for quotes by providing two-way quotes; and
 - (c) assigned to an approved End User.
- 3.2 Whilst registered on the Scheme, approved End Users are excluded from participation in any other Exchange liquidity provision, market making or other similar scheme or arrangement in respect of STIR Options.

4. Eligibility for the Scheme

- 4.1 The Scheme is open only to New Market Participants in STIR Options Contracts. For the purpose of the Scheme, a New Market Participant is defined as a trading firm which is new to LIFFE STIR Options Contracts and has little or no previous experience of trading LIFFE's STIR Options Contracts. A New Market Participant need not be a Member of LIFFE, but may not be an individual.

5. Application Process

- 5.1 Members who wish to apply to register themselves or their clients as End Users in the Scheme **should contact their Account Manager for an application form** and a copy of the Terms and Conditions. The Exchange advises every applicant to ensure that they have read and understood those Terms and Conditions as the Terms and Conditions and applicable Notices govern participation in the Scheme. The Exchange's decision as to whether applications should be approved for End User status shall be final and binding.
- 5.2 Ultimately, it is the responsibility of the applicant to ensure that all information included on the application form is complete and correct. Incorrect information will affect and possibly lengthen the application process and could affect the payment of Exchange transaction fee rebates.
- 5.3 Members will be required to confirm that, to the best of their knowledge, the End User is a New Market Participant to LIFFE's STIR Options Contracts and has little or no previous experience of trading LIFFE's STIR Options Contracts.

6. Identification of Qualifying Business

- 6.1 The Qualifying Business of the approved End User will be identified through a single unique entry in the User Specified field (a LIFFE CONNECT[®] field which translates into a single Account Reference in the Trade Registration System ("TRS")) used exclusively by the End User and solely for its activity in that capacity.
- 6.2 It is essential that submitted Account References are accurate as a simple error will result in Qualifying Business not being identified. For example, if Account Reference "ABC1" was submitted as "ABC", no Qualifying Business would be identified and no transaction fee rebates would be made.
- 6.3 Applicants should be aware that after a LIFFE CONNECT[®] trade enters TRS, the Account Reference field can be amended through TRS post trade processing. For example, allocation can be made to a different Account Reference. As such, applicants should ensure that they submit in their application the final Account Reference of their trades for the Exchange to identify Qualifying Business accurately.

- 6.4 The Exchange stresses that any underpayment of transaction fee rebates resulting from inaccurate application/registration details will not be corrected retrospectively by the Exchange.
- 6.5 If an approved End User decides to make changes to the trading and/or clearing arrangements which were detailed in the application, particularly those used by the Exchange to identify Qualifying Business (e.g. clearer, Member and Account Reference details), it is the responsibility of the End User to provide the Exchange with formal notification of such amendments in a timely manner, ideally in advance. Failure to do so could result in inaccurate registrations and transaction fee rebates not being received.

7. Billing arrangements for the End User Incentive Scheme

- 7.1 Exchange transaction fees will be billed to clearing members shortly after the end of each month on the basis of 22 pence per lot per side for all STIR Options, and 25 pence per lot per side for all STIR Futures Contracts executed as a delta neutral trade using the Recognised Strategy functionality. Fees paid in respect of “Qualifying Business” will be rebated to clearing members in the following month on the basis of the relevant Exchange transaction fee, e.g. fees arising from transactions in September will be paid in October and rebated in November.

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

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