EURONEXT DERIVATIVES MARKETS

LONDON NOTICE No. 3182

ISSUE DATE: 29 July 2009
EFFECTIVE DATE: 30 July 2009

OFFER AND SALE OF EQUITY AND INDEX OPTIONS IN THE UNITED STATES

REVISED DISCLOSURE DOCUMENT

Executive Summary

This Notice informs Members that the Exchange has issued a revised Disclosure Document in light of the implementation of the NYSE Liffe Clearing arrangements on 30 July 2009.

1. Introduction

1.1 This Notice informs Members of the London market that the Exchange has issued a revised Disclosure Document. Members should promptly send a copy of the revised Disclosure Document to clients in the United States who are qualified to trade UK Equity Options and FTSE 100 Index Options which are available on the London market through LIFFE CONNECT® and/or Bclear.

2. Procedure for Offering and Selling Equity and Index Options in the United States

2.1 By virtue of the arrangements which the Exchange has made with the US Securities and Exchange Commission ("SEC"), Members of the London market may offer and sell so-called "Approved Options" to prescribed Entities in the United States ("US Entities") under specified conditions. A list of Approved Options forms Attachment 1 to this Notice.

2.2 The procedure for the sale in the US of Approved Options is set out in General Notice No. 436, issued on 16 June 1992. It is made pursuant to Rule 3.28.3 (Rules, Book II). The procedure requires, among other things, Members to furnish US Entities with a copy of the Disclosure Document entitled "Special Characteristics and Risks of LIFFE Options on Equities and Stock Indices" before selling Approved Options to US Entities. Members are also required to furnish US Entities with such updates of that Document as may be issued by the Exchange from time to time.

2.3 A revised Disclosure Document has been prepared by the Exchange to reflect the implementation of the NYSE Liffe Clearing arrangements on 30 July 2009.

2.4 The revised Disclosure Document forms Attachment 2 to this Notice.

2.5 In respect of US Entities which have previously received the Disclosure Document (and in respect of which Members have complied with the procedure set out in General Notice No. 436), Members are:

(a) required to send promptly to such US Entities the updated Disclosure Document; and

(b) permitted to execute trades on behalf of such US Entities if the Member retains a record to indicate that the amended Disclosure Document has been sent to that US Entity. It is not necessary to obtain written confirmation from the US Entity that the Disclosure Document has been received.

2.6 In respect of a US Entity which has not previously received a copy of the Disclosure Document, Members are required to follow in full the procedure set out in General Notice No. 436 (using the revised Disclosure Document and the list of Approved Options attached to this Notice) before transacting any business in Approved Options with or for such US Entities.

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

Laurence Walton +44 (0)20 7379 2782 lwalton@nyx.com

List of Approved Options for Sale to US Entities as of 28 July 2009

The following Index Options are Approved Options (as defined in General Notice No. 436):

Index Option	TRS Code	Exchange Contracts
FTSE 100 European style exercise	ESX	129E
Flexible FTSE 100 European style exercise	FLX	129F
Flexible FTSE 100 American style exercise	XUK	129F

The options on the following UK company shares (Exchange Contracts No. 201 and No. 201F (and for the purpose of UK Stock Contingent Trades, Exchange Contract No. 211)) are Approved Options (as defined in General Notice No. 436):

Company (Lot size 1000 shares)	Share Par Value
3i Group plc	73.8636p
Admiral Group plc	0.1p
Anglo American plc	$0.54945
Antofagasta plc	5p
Arm Holdings plc	0.05p
Associated British Foods plc	5.68p
AstraZeneca plc	$0.25
Aviva plc	25p
BAE Systems plc	2.5p
Barclays plc	25p
Barratt Developments PLC	10p
BG Group plc	10p
BHP Billiton plc	$0.5
BP plc	$0.25
British Airways plc	25p
British American Tobacco plc	25p
British Land Company plc	25p
British Sky Broadcasting Group plc	50p
BT Group plc	5p
Cable & Wireless plc	25p
Cadbury Plc	10p
Cairn Energy plc	6.15385p
Capita Group plc	2.0667p
Carnival plc	$1.66
Centrica plc	6.1728p
Colt Telecom Group SA	€1.25
Compass Group plc	10p
Diageo plc	28.93518p
DSG International plc	2.5p
Enterprise Inns PlC	2.5p
Eurasian NaturalResources Corporation	$0.2
Experian Plc	$0.1
GlaxoSmithKline plc	25p
HBOS plc ex event	25p
Hammerson PLC	25p
Home Retail Group plc	10p
HSBC Holdings plc	$0.5
ICAP plc	10p
Imperial Tobacco Group plc	10p
Intercontinental Hotels Group	13.61702p

Company (Lot size 1000 shares)	**Share Par Value**
International Power plc	0.5p
Invensys plc	10p
iShares FTSE 100 Exchange Traded Fund	N/A
ITV plc	10p
Johnson Matthey plc	100p
Kazakhmys plc	20p
Kingfisher plc	15.7143p
Ladbrokes plc	28.33333p
Land Securities Group plc	10p
Legal & General Group plc	2.5p
Liberty International PLC	50p
Lloyds Banking Group plc	25p
Logica Plc	10p
London Stock Exchange Group plc	6.918605p
Lonmin plc	$1
Man Group plc	$0.03428571
Marks & Spencer Group plc	25p
Mitchells & Butlers plc	8.54167p
Morrison (WM) Supermarkets plc	10p
National Grid plc	11.39535p
Next plc	1p
Old Mutual plc	10p
Party Gaming Plc	0.015p
Pearson plc	25p
Persimmon plc	10p
Prudential plc	5p
Randgold Resources Ltd	$0.05
Reckitt Benckiser Group Plc	10p
Reed Elsevier plc	14.4397p
Rentokil Initial plc	1p
Rio Tinto plc	10p
Rolls-Royce Group plc	20p
Royal Bank of Scotland Group plc	25p
Royal Dutch Shell plc-A shs	€0.07
Royal Dutch Shell plc-B shs	€0.07
RSA Insurance Group Plc	27.5p
SABMiller plc	$0.1
Sage Group plc (the)	1p
Sainsbury (J) plc	28.5714p
Scottish & Southern Energy plc	50p
Severn Trent plc	97.89p
Shire plc	5p
Smith & Nephew plc	$0.2
Smiths Group plc	37.5p
Standard Chartered plc	$0.5
Standard Life plc	10p
Tate & Lyle plc	25p
Taylor Wimpey plc	01p
Tesco plc	5p
Thomson Reuters Plc	25p
Tomkins plc	$0.09
Tullow Oil plc	10p
Unilever plc	3.11p
United Utilities plc	5p
Vedanta Resources plc	$0.1
Vodafone Group plc	$0.1142857
Whitbread plc	76.7974p
William Hill plc	10p

Company (Lot size 1000 shares)	**Share Par Value**
Wolseley plc	25p
WPP Group plc	10p
Xstrata plc	$0.5

Attachment 2 to London Notice No. 3182

Special Characteristics and Risks of

LIFFE Options on Equities and Stock

Indices

For Limited Distribution in the United States Only to Qualified Broker-Dealers
and Qualified Institutions

LIFFE Administration and Management
10th Floor,
20 Broad Street,
New York

Registered office:
Cannon Bridge House
1 Cousin Lane
London EC4R 3XX
United Kingdom

July 2009

This document is intended for distribution only to "Qualified Broker-Dealers" and "Qualified Institutions" in the United States. To be Qualified each such entity must have had prior actual experience in the US domestic options markets. In addition, such entities must meet the same qualifications as a "qualified institutional buyer" under Rule 144A of the US Securities and Exchange Commission ("SEC") or as an entity excluded from the definition of "US person" by Rule 902(k)(2)(vi) of Regulation S of the US Securities Act of 1933 (the "Act").

The definitional qualification means, in general, that a Qualified Broker-Dealer must be registered as such with the SEC and must in the aggregate own and invest on a discretionary basis at least $10 million of securities (as defined and provided in Rule 144A). A Qualified Institution must come within the categories of non-broker-dealer entities defined as qualified institutional buyers in Rule 144A and must in the aggregate own and invest on a discretionary basis at least $100 million in securities (as defined and provided in Rule 144A). Alternatively, a Qualified Institution must, as provided in Rule 902(k) (2)(vi) of Regulation S under the Act, be a specified international organisation.

Members of The London International Financial Futures and Options Exchange ("LIFFE") will be advised that they may execute opening options transactions with or for a person located in the United States only if that person is a Qualified Broker-Dealer or a Qualified Institution, acting for its own account or the accounts of other Qualified Broker-Dealers or Qualified Institutions or managed accounts of non-US persons within the meaning of Rule 902(k)(2)(i) of Regulation S under the Act. Appropriate documentation will be required for this purpose.

LIFFE is governed by rules and trading procedures which are contained in a Rule Book and NYSE Liffe Trading Procedures. The Rule Book stipulates the arrangements for the trading and clearing of contracts. Copies of the Rule Book and NYSE Liffe Trading Procedures are available for inspection at the representative office of LIFFE Administration and Management ("LIFFE A&M") in New York City. The address is 10th Floor, 20 Broad Street, New York, 10005. The most recently published annual report of NYSE Euronext, which is the ultimate parent of LIFFE A&M, will also be obtainable from that office. A representative in the office will be available to Qualified Broker-Dealers and Qualified Institutions during normal business hours in New York to respond to inquiries of a general or specific nature concerning LIFFE, but not to give advice or receive or direct orders concerning options traded on LIFFE.

This document describes the arrangements for trading, clearing and settling LIFFE Options on equities and stock indices in the normal course of business. In addition, LIFFE, Euroclear UK and Ireland Limited (the operator of the CREST settlement system) and LCH.Clearnet Limited (provider of certain services to LIFFE in respect of clearing) have powers for dealing with emergency situations. These are set out in their respective rule books.

CONTENTS

LIFFE options have not been registered under the US Securities Act of 1933 or any State securities law. Neither the options nor this document have been approved or disapproved by the SEC or any State securities commission. This document is not a solicitation of orders for transactions on LIFFE, nor does it constitute investment advice.

INTRODUCTION

The London International Financial Futures and Options Exchange ("LIFFE") is one of the largest financial and equity derivatives markets in the world. Equity and Index Options have been available for trading on LIFFE since March 23, 1992, following the merger of LIFFE with the London Traded Options Market ("LTOM"). LIFFE has been operating since September 1982 whilst LTOM opened in April 1978 as a market administered by the London Stock Exchange. LIFFE is operated by LIFFE Administration and Management ("LIFFE A&M" or "the Exchange"), a wholly-owned subsidiary of LIFFE (Holdings) plc.

LIFFE (Holdings) plc is ultimately owned by NYSE Euronext.

LIFFE A&M is a Recognised Investment Exchange ("RIE") under the Financial Services and Markets Act 2000. Recognition as an RIE has been granted to LIFFE A&M by the Financial Services Authority (the "FSA"), the designated agency under the Financial Services and Markets Act 2000. LIFFE A&M operates a central order book and wholesale trading facilities through the LIFFE CONNECT® electronic trading platform as "trading services", subject to the oversight of the FSA. In addition, more recently LIFFE A&M launched Bclear as a transaction processing service which is also subject to FSA oversight.

Transactions effected through LIFFE CONNECT® are conducted on-exchange. In relation to Bclear, transactions are conducted off-exchange and are then brought to LIFFE A&M for trade confirmation, administration and clearing pursuant to the Rules of the London International Financial Futures and Options Exchange, as interpreted or implemented by Notices (the "LIFFE Rules"). Once LIFFE A&M has confirmed a transaction which has been reported via Bclear[1] such transaction is replaced by novation by LIFFE Contract which is a legal contract in standard terms issued by LIFFE A&M and subject to LIFFE Rules.

LIFFE A&M acts as central counterparty to all transactions effected on LIFFE CONNECT® or confirmed via Bclear. In doing so, it performs certain clearing functions itself and outsources other functions to its appointed Clearing Services Provider, LCH.Clearnet Limited ("LCH Clearnet"), as explained further on page 38.

Two basic types of options are referred to in this document: LIFFE options on individual stocks that are traded on the London Stock Exchange ("UK Equity Options") and LIFFE options on stock indices ("Index Options"). LIFFE's Index Options currently comprise standardized and flexible options on the FTSE 100 Index ("UK Index Options"). Options on other types of underlying stocks or stock indices may be made available in the future to US Entities to whom this document is made available.

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[1] References in this document to transactions "reported" via Bclear should be read in the context of applicable LIFFE Rules, where such term refers to the notification of an existing off-exchange transaction. Such term does not refer to the reporting of transactions as used in the United States.

UK Equity Options and UK Index Options are available for trading within LIFFE CONNECT® and are also capable of being reported via Bclear.

UK Equity Options are currently available for trading on LIFFE CONNECT® between the hours of 8.01am and 4.30pm London time on UK business days. The standardized FTSE 100 Index Options are currently available for trading on LIFFE CONNECT® between the hours of 8:02am and 4:30pm London time. (Trading hours may be changed from time to time.) Bclear reporting hours for standardized and flexible UK Equity Options and standardized and flexible FTSE 100 Index Options are currently 8:00am and 5:00pm London time.

All transactions creating or closing positions in such options are executed and settled in London by members of LIFFE. LIFFE options are dematerialised (certificateless) transactions and positions are evidenced by statements from LIFFE A&M, LIFFE clearing members and advices and statements by members to clients (customers).

Prices on LIFFE CONNECT® for UK Equity and UK Index Options are publicly quoted through quote vendors. All UK Equity Options and UK Index Options are bought and sold in the same currency as the underlying securities (usually British pounds sterling). UK Equity Options and UK Index Options are not fungible or interchangeable with options that are traded on any other market. Thus, any UK Equity and UK Index Options position registered with LIFFE A&M by a clearing member of the Exchange can be closed only by executing an equal and opposite transaction on LIFFE CONNECT® or submitting an equal and opposite transaction through Bclear or exercised by the clearing member giving an Exercise Notice to LCH.Clearnet.

The purpose of this document is to introduce experienced and sophisticated US registered broker-dealers and large US institutions to the special aspects, requirements and risks involved in trading UK Equity Options and UK Index Options. The potential risks which apply generally to all aspects of options transactions are assumed to be known to readers of this document. Accordingly, such entities considering LIFFE should have had actual prior experience in options investment in US markets and therefore be familiar with the risks of all options investments and American-style and European-style options.

This document does not suggest or recommend any types of investment strategy. It is limited to a descriptive overview of:

(a) LIFFE CONNECT® and Bclear;

(b) the foreign options transactions that may be effected through each of those services and the risks peculiar to such foreign options transactions; and

(c) the post-trade processing, central counterparty and settlement arrangements applicable to such foreign options transactions (these are the same for all LIFFE options, whether they have been effected through LIFFE CONNECT® or Bclear).

The Exchange has developed and lists a range of futures and options on futures related to money market and fixed interest rate instruments, commodities and individual stock and stock index futures, which fall outside the scope of this document.

TRADING FACILITIES AND THE BCLEAR SERVICE

This section describes LIFFE's trading facilities (i.e. LIFFE CONNECT®) and its transaction processing service, Bclear.

LIFFE CONNECT®

On 30 November 1998, trading in LIFFE's UK Equity Options migrated from the Exchange's trading floor in the City of London to LIFFE's automated trading platform, LIFFE CONNECT®. LIFFE's standardized FTSE 100 Index Options migrated to LIFFE CONNECT® on 2 May 2000.

LIFFE currently makes available for trading on LIFFE CONNECT® UK Equity Option contracts on approximately 90 equity securities of large UK companies as well as Index Option contracts on the FTSE 100 Index. In 2007, daily trading volume of Equity Option contracts averaged 19,565 compared with 22,698 during 2006. In relation to standardized FTSE 100 Index Option contracts, the average daily trading volume in 2007 was 30,092 compared with 26,283 in 2006.[2] At the end of 2007, aggregate open interest for all UK Equity Options was 5,911,852 and for standardized FTSE 100 Options was 2,541,711. At the end of 2006, the comparable figure for UK Equity Options was 3,080,466 and for standardized FTSE 100 Index Options was 2,369,771.[3]

The LIFFE CONNECT® central order book operates in an anonymous, order-driven environment with orders being matched by the LIFFE CONNECT® Trading Host according to the algorithm specified in the NYSE Liffe Trading Procedures. In order to participate in the market, members require a Trading Application which links to the Trading Host. Some members have developed their own bespoke trading applications, whilst others use systems developed or provided by third party software vendors.

Trading of Equity and Index Options on LIFFE CONNECT® is conducted by members who hold the appropriate trading rights**,** who have one or more "responsible persons" registered to them, and who meet other conditions which the Exchange may prescribe. Responsible persons are required to meet requirements stipulated by the Exchange. All orders are submitted under the user name of a responsible person. Each responsible person is required to have the authority to adjust or withdraw any order, whether from clients or from colleagues within the same firm, which is submitted to the market under his user name. Members are required to record order details as specified by the Exchange and such records must be retained by the member for a period of five years. Members are required to make such records available to the Exchange if requested.

[2] The statistics regarding average daily trading volume do not include over-the-counter transactions reported to the Exchange via Bclear.
[3] Statistics regarding open interest include over-the-counter transactions reported via Bclear and accepted by the Exchange.

In the absence of a regulatory scheme which would allow foreign exchanges to place securities trading facilities in the US, market users in the US will not themselves have direct access to the LIFFE CONNECT® system for the trading of UK Equity Options and UK Index Options. Access to the market will be through Exchange members and only those members located outside the United States will be able to input orders to LIFFE CONNECT® in respect of UK Equity Options and UK Index Options.

Orders may be submitted at any time during the period from the market Pre-Opening (beginning at 6.03 am London time for UK Equity Options) until the Market Close at 4.30pm London time. Trading begins at the Market Opening (8.00am London time) and continues until the Market Close. (Trading hours may be changed from time to time.)

Further information about LIFFE CONNECT® is available from the Exchange.

Option Classes, Expiry Months and Series

UK Equity and UK Index Options listed on LIFFE, with the exception of flexible Options, are traded on LIFFE CONNECT® in both puts and calls ("classes"), with several standardized durations ("expiry months") and several standardized exercise prices ("series"). Flexible Options may be listed as puts or calls and, subject to parameters set by LIFFE A&M, have an investor-specified duration ("expiry date") and an investor-specified exercise price.

UK Equity Option Primary Market Makers

Since 2 July 2007, LIFFE has operated a Primary Market Maker ("PMM") Scheme and a Primary Liquidity Provider ("PLP") Scheme for all UK Equity Options. The most liquid classes (currently 20) known as the Target Group, have PLPs and PMMs and the remaining classes (currently 68) known as the non-Target Group have PMMs only. The two schemes run in parallel and members are able to participate in a scheme by agreeing to meet minimum size and spread obligations established by LIFFE. Members are able to apply to be a PMM or PLP within LIFFE CONNECT® in respect of one or more class. Each category has pre-determined obligations and benefits. These are set out below:

- PLP Target Group obligations:

    - Ensure that for each assigned class continuous bids and offers are maintained by the PLP in the LIFFE CONNECT® Trading Host in all series with a remaining lifetime of up to and including 13 months.
    - Ensure that the continuous bids and offers meet the maximum spread and minimum size requirements established by LIFFE at the beginning of the scheme (and reviewed periodically by LIFFE).
    - Ensure that the bids and offers remain present in the order book for 90% of the trading period.

- PLP Target Group benefits:

    - An Individual Trading Mnemonic (“ITM”) will be enabled with Market Making Order (“MMO”) functionality which allows a PLP to submit 65 quotes per message.
    - Delta protection will be enabled on MMO orders at the LIFFE CONNECT® Trading Host level to help the PLP to manage his risk efficiently.
    - Transaction fee rebates will be provided on the basis of PLP performance in the registered classes in which he quotes in that capacity.

- PMM Target Group obligations:

    - Ensure that continuous bids and offers are maintained by the PMM in the LIFFE CONNECT® Trading Host in 10% of all series of a class (subject to a PMM being required to quote in a maximum of 50 series per class).
    - The PMM can select these series in the Near the Money area from series with a maximum remaining lifetime of 13 months.
    - Ensure that continuous bids and offers meet the maximum spread and minimum size requirements established by LIFFE at the beginning of the scheme, (and reviewed periodically by LIFFE).
    - Ensure that bids and offers remaining present in the order books for 90% of the trading period.

- PMM Target Group benefits:

    - A PMM ITM will be enabled with MMO functionality which allows a PMM to submit 7 quotes per message.
    - Delta protection will be enabled on MMO orders at the LIFFE CONNECT® Trading Host level to help the PMM to manage his risk efficiently.
    - Transaction fee rebates will be provided against the PMM performance criteria in his registered classes.

- PMM Non-Target Group obligations:

    - Ensure that continuous bids and offers are maintained by the PMM in the LIFFE CONNECT® Trading Host in 10% of all series of a class (subject to a PMM being required to quote in a maximum of 50 series per class).
    - The PMM can select these series in the Near the Money area with a maximum remaining lifetime of 9 months.
    - Ensure that continuous bids and offers meet the maximum spread and minimum size requirements established by LIFFE at the beginning of the scheme, (and reviewed periodically by LIFFE).
    - Ensure that bids and offers remain present in the order book for 80% of the trading period.

- PMM Non-Target Group benefits:

    - A PMM ITM will be enabled with MMO functionality which allows a PMM to submit 7 quotes per message.
    - Delta protection will be enabled on MMO orders at the LIFFE CONNECT® Trading Host level to help the PMM to manage his risk efficiently.
    - Transaction fee rebates will be provided on the basis of the PMM performance in which he acts in that capacity.

Full details of the PLP and PMM Schemes, including the lists of Target and Non-Target Group classes together with the obligations and benefits in relation to each UK Equity Option, are published by Notice and on the NYSE Liffe[4] website (www.nyx.com/liffe).

FTSE 100 Index Option Primary Market Makers and Designated Market Makers

Since 2 July 2002, the Exchange has operated a Primary Market Maker ("PMM") Scheme in the FTSE 100 Index Option. The PMM Scheme runs in parallel with a Designated Market Maker ("DMM") Scheme with a joint objective to enhance both on-screen and wholesale liquidity.

Members are able to participate in the schemes by applying to the Exchange and by agreeing to meet minimum size and spread obligations established by LIFFE.

- FTSE 100 Index Options: PMM obligations:
    - Ensure that continuous bids and offers are maintained by the PMM in the LIFFE CONNECT® Trading Host in 10% of all series subject to quoting in a maximum of 50 series.
    - The PMM can select these series in the Near the Money area with a maximum remaining lifetime of 9 months.
    - Ensure that continuous bids and offers meet the maximum spread and minimum size requirements established by LIFFE at the beginning of the scheme. (and reviewed periodically by LIFFE).
    - Ensure that bids and offers remaining present in the order books for 90% of the trading period.

- FTSE 100 Index Options: PMM benefits:
    - A PMM ITM will be enabled with MMO functionality which allows 7 quotes per message.
    - Delta protection will be enabled on MMO orders at the LIFFE CONNECT® Trading Host level to allow the PMM to mange his risk efficiently.
    - Transaction fee rebates will be provided on the basis of PLP performance criteria.

Full details of the PMM Scheme, including the DMM obligations are published by Notice and on the NYSE Liffe website (www.nyx.com/liffe).

FTSE 100 Index Options: DMM Scheme

Since 1 April 2003, the Exchange has operated a DMM Scheme in the standardized FTSE 100 Index Option. DMMs were invited to apply for DMM status by agreeing to meet the following fixed obligations as determined by LIFFE:

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[4]NYSE Liffe is the brand name for (1) the European derivatives business of NYSE Euronext, comprising the derivative markets in Amsterdam, Brussels, Lisbon, London (i.e. LIFFE) and Paris, and (2) the US Futures business of NYSE Euronext.

For 90% of each trading session (that is, contract opening through to close), the DMM is required to quote two way competitive prices and order sizes, either:

(a) over the telephone; or

(b) through answering electronic Requests For Quote ("RFQs") on LIFFE CONNECT®.

DMMs are required to choose one of the two methods set out above for the duration of the DMM Scheme. The chosen method may be changed from time to time if notified, in advance, to the Exchange in writing.

DMMs are required to meet the obligations in all expiry months and series listed.

Full details of the DMM Scheme are published by Notice and on the NYSE Liffe website (www.nyx.com/liffe)

Placing of Orders

Orders by customers may generally be placed with member brokers for execution either "at market" or at, or better than, a certain price (a limit order). An instruction to "deal at market" means that the member broker will attempt to buy or sell the required number of option contracts for the customer at the best market price currently available. Customers may further specify that an order should only be matched if a minimum volume can be achieved or that it should only be matched if the entire order can be traded. In addition, orders may be entered on the basis that they are Good 'Til Cancelled ("GTC") or that they should be matched on an Immediate or Cancel ("IC") basis.

At the end of the trading day, all orders on LIFFE CONNECT® – with the exception of GTC orders – will be withdrawn automatically from the central order book. Prior to the conclusion of the "session end" period, traders may, in addition, withdraw any GTC orders which they do not wish to remain in the market on the following day.

LIFFE CONNECT® continuously generates price limits in real-time, and rejects orders submitted outside the limits (i.e. bids at a price above the "limit bid" and offers at a price below the "limit offer"). For UK Equity and Index Options, LIFFE A&M calculates a theoretical fair value price for each series. The fair value will generate a spread, the range of which is determined from the applicable option delta value. The spread range is then employed by the Trading Host as the price limit for the option series concerned.

Attempts to enter orders priced outside the prevailing price limits will be rejected by the Trading Host – unless overridden by Exchange Officials - and the responsible person submitting the order will be informed accordingly.

Members may execute cross transactions through LIFFE CONNECT®. Provided orders are entered in accordance with the crossing procedures promulgated by the Exchange, business transacted through LIFFE CONNECT® may be pre-negotiated within the same member, with other members or with clients. Those crossing procedures stipulate that members and responsible persons must ensure that, when pre-negotiating a client order and/or when executing client business by way of a cross transaction, they act with due skill, care and diligence; and that the interests of the client or clients are not prejudiced. Pre-negotiated business will be transacted at the best bid and offer available in the market.

Members may transact those strategy trades which have been recognized by LIFFE. Details of such strategy trades are contained in the Annexe to the NYSE Liffe Trading Procedures, a copy of which may be found on the NYSE Liffe website (www.nyx.com/liffe). Such strategy trades include Stock Contingent Trades (see below).

Stock Contingent Trades

Members who are eligible to trade in UK Equity Options may enter strategy trades which involve the simultaneous execution of transactions in options and the underlying stocks. Members may enter a number of different types of Stock Contingent Trades involving various combinations of options against stock. As noted above, details are contained in the Annexe 2 to the NYSE Liffe Trading Procedures, a copy of which may be found on the NYSE Liffe website (www.nyx.com/liffe).

Both the UK Equity Option contracts and the underlying company security components of these Stock Contingent Trades must be executed on behalf of the same client or on behalf of the same house account.

Members who are eligible to trade in UK Index Options may also transact volatility trades either for their own account or for their customers. In this case, a volatility trade entails the making of an Index Futures contract simultaneously, and in combination, with one or more UK Index Option contracts (i.e. the FTSE 100 Index Futures Contract with the standardized or flexible FTSE 100 Index Option Contract). The FTSE 100 Index Futures Contract has been approved for sale to US customers.

Block Trade Facility

The Exchange offers a Block Trade Facility (“the Facility”) for both UK Equity Options and Index Options. This Facility is designed to encourage new large order business to the Exchange that would otherwise not be executed on-exchange, whilst ensuring that price discovery on LIFFE’s electronic trading mechanism remains robust. The Facility permits members (and their wholesale clients) to enter into transactions in large size at a price negotiated between the parties without requiring prior exposure of the transaction to the Exchange’s electronic trading mechanism. Block Trades are subject to NYSE Liffe’s Trading Procedures which specify requirements regarding minimum order size thresholds, fair market value pricing and transaction reporting to LIFFE.

The Facility is restricted to members and, pursuant to customer suitability requirements stipulated by the relevant regulatory agency, those customers with sufficient knowledge, experience and understanding of the Exchange and its contracts and the implications of using the Facility.

On each occasion of quoting a Block Trade price, the member must make it clear to the wholesale client that the price being quoted is a Block Trade price. The price of a Block Trade must represent the fair market value for that trade, that is the price considered by the member to be the best available for a trade of that kind and size. When negotiating a Block Trade price, a member and a client should, in particular, take into account the prevailing price and volume available on the electronic system, the liquidity of the electronic market and general market conditions. Block Trades must be reported to the Exchange within five minutes of the time of trade in relation to trades which are not contingent on a transaction in another instrument, unless there are exceptional market circumstances. If a trade is contingent on a transaction in another instrument, or if there are exceptional market circumstances, trades must be reported within 15 minutes. Where a trade is authorized by the Exchange, trade details will be published to the market as soon as possible thereafter.

Visibility of Quotes and Transactions

A range of information on UK Equity Options and UK Index Options is made available via LIFFE's own systems and a large number of licensed Quote Vendors.

The information that is made publicly available on each series of UK Equity Options and standardized Index Options is shown below.

1. Exercise price and expiry month
2. Current bid and offer premium prices within the LIFFE CONNECT® central order book
3. Premium price of last trade
4. Aggregate open interest at the close of LIFFE the previous day
5. Previous day's volume in numbers of contracts
6. Previous day's closing premium bid and offer prices
7.* Current quotation for the underlying security
8.* "Settlement Price", for collateral purposes (and exercise of American-style options), calculated by LIFFE from price of underlying security or index
9. Current matched volume
10. Limit Orders - price and size in the LIFFE CONNECT® central order book
11.* Index values and change on day

Note: Items marked with an asterisk (*) are not provided to Quote Vendors by LIFFE A&M. That information is received by Quote Vendors from the London Stock Exchange or the relevant index provider.

Trading Halts

Trading in one or more options may be suspended if events threaten the orderly conduct of business. Such events may include a LIFFE CONNECT® technical failure or an act of God or another event outside the Exchange's control. Furthermore, trading in a UK Equity Option may be suspended if trading in the underlying security has been suspended. Similarly, trading in UK Index Options may be halted if market conditions or other circumstances prevent or interrupt timely calculation of the relevant Index.

An announcement of a trading halt will be made as soon as practicable on LIFFE CONNECT® or on the display systems of LIFFE's licensed Quote Vendors or on both. Trading will begin again when, in the opinion of two Exchange Officials, business may be resumed on an orderly basis. No open position may be closed or a new position opened while trading in an option is suspended. When trading in an underlying security has been suspended, option exercise notices may still be submitted. Investors should note that trading may be resumed on LIFFE before or after any suspension on the London Stock Exchange has ended.

Handling of LIFFE CONNECT® Technical Failures

In the event of a failure of either a Trading Application associated with a particular ITM or a link to the Trading Host, the Host will attempt to transfer any extant orders to a nominated replacement ITM within the member. If there are no replacements nominated, or if none is logged-on, all relevant orders (with the exception of GTC orders) will be withdrawn from the central order book. The Trading Host will confirm the deletion of orders from the order book when the trader re-connects and asks for "retrieve orders".

In the event of a failure of this sort, the trader may also withdraw GTC orders, if he so wishes, by telephoning designated Exchange officials.

In the event of failure of the Trading Host, the Trading Application will receive a "system error" message and all non GTC orders will be withdrawn. Designated Exchange Officials will decide whether to re-open the market on the same day.

BCLEAR

The Exchange makes available to its members various OTC derivatives processing services, including Bclear. Bclear provides a means by which an OTC options transaction in respect of equity securities may be replaced with an equivalent standardized on-exchange options contract. Appendix One sets out the OTC trades in UK Equity Options and Index Options which are eligible for submission via Bclear by LIFFE members and affiliates and their authorized customers in the United States. Bclear accepts only completed transactions and is not a matching system for orders.

Parties wishing to use the Bclear service negotiate and agree to the terms of an OTC options transaction (the "OTC Trade") on a product within the scope of Bclear. Products within the scope of Bclear must conform to the requirements of LIFFE's contract specifications for the listed product, which generally provide for flexible terms. For example, LIFFE contracts may be American-style or European-style exercise, have flexible terms regarding the exercise price and expiration date (subject to Exchange –

determined parameters) and may be physically settled (UK Equity Options) or cash settled (UK Equity Options and UK Index Options).

Trades must satisfy the applicable minimum volume threshold for the product (e.g. the current threshold is 250 contracts for UK Equity Options and 500 contracts for FTSE 100 Index Options). Details of all minimum volume thresholds applicable for UK Equity Option and UK Index Option contracts on Bclear are also shown in Appendix One.

Access to Bclear is available to members of LIFFE (including authorized affiliates of members). A LIFFE member may request that its customer be permitted to submit trades directly to Bclear. Any trades so submitted must be authorized by the relevant LIFFE member before they are subjected to the Exchange's trade confirmation checks and accepted or rejected as appropriate.

A LIFFE member may trade for its own account or it may act on behalf of a non-member customer or it may act in each capacity. The LIFFE member or its authorized customer (or in the case where more than one LIFFE member is party to the OTC Trade, the LIFFE member as agreed between the parties) will submit specific trade information regarding the OTC Trade to LIFFE and LIFFE will either accept or reject the trade. Trade details are required to be submitted as soon as practicable and, in any event, the details of a trade entered into during Bclear business hours must be submitted within one hour of the time the trade was entered into or by the close of the Bclear service on that day, whichever is earlier. Trades entered into outside of Bclear business hours must be submitted within one hour of the Bclear service next becoming available.

If the Exchange confirms an OTC Trade, the trade is replaced by a LIFFE contract, subject to LIFFE Rules, and having LIFFE A&M as the central counterparty. Please see the section entitled the "Contractual basis of LIFFE business" on page 16 for further details. The Exchange is not obligated to accept a trade that is submitted to Bclear and may reject a trade for a number of reasons. For example, the trade may be rejected if it does not meet the applicable contract requirements, if LIFFE does not consider the trade to have been entered into at a fair value or if it does not satisfy the applicable minimum volume threshold. If a trade is rejected, the trade will be cancelled by the parties to the trade unless they agree to remain bound by its terms, albeit as an OTC contract.

For the avoidance of doubt, Bclear is totally distinct from LIFFE CONNECT® because LIFFE CONNECT® is an order matching system whilst Bclear is a mechanism to submit completed OTC transactions to the exchange. OTC trade submissions via Bclear are accomplished in any one of three ways: (1) through a secure, web-based application that members access via their own internet connections; (2) through the Bclear API, which members can integrate with their own in-house systems; or (3) through Cscreen, which has a direct link to Bclear. Cscreen is an electronic bulletin board for posting indications of interest in the over-the-counter derivatives market. Cscreen does not provide for the matching of trades.

Contracts confirmed through Bclear that have become Exchange contracts upon acceptance by the Exchange may share the same standardized economic characteristics as those available for trading through LIFFE CONNECT®, as well as contracts that may subsequently made available for trading through LIFFE CONNECT®. In each case, such contracts will be fungible with those available for trading through LIFFE CONNECT®. This arrangement is designed to maximize the efficiencies of post-trade administration and clearing and to realize the regulatory benefit of netting-out outstanding financial exposures wherever desirable.

The counterparties to an OTC Trade which is to be submitted for confirmation within Bclear may choose whether or not they wish the trade details to be published upon confirmation. Information about trades that are confirmed and published on Bclear is made available on a dedicated website hosted by a third party. The information is available at http://bcleartrades.euronext.co.uk. The information that is made publicly available on each published trade is shown below:

1. Name of contract
2. Contract code
3. Expiry month
4. Call or Put
5. Strike Price
6. Time of trade
7. Trade price
8. Reported trade's volume in numbers of contracts

Trade submission hours

The trade submission hours on Bclear for UK Equity Options and UK Index Options are currently 8.00am to 5.00pm London time.

There are days on which LIFFE will be closed when US businesses are open, and vice versa, because of differing national holidays. In addition, the days on which LIFFE is closed may vary from year to year. A current list of Exchange holidays is available on NYSE Liffe website at www.nyx.com/liffehours.

CONTRACTUAL BASIS OF LIFFE BUSINESS

In the case of trades executed through LIFFE CONNECT® and those confirmed via Bclear, the contractual basis of such business is the same. In each case, members of LIFFE are required by LIFFE Rules to transact business in LIFFE contracts in the legal capacity of a principal. When a customer's order is executed, the requirement that the member executing the transaction contracts as a principal means that such member is the counterparty to the customer on the one hand and, on the other hand, counterparty to the member with whom the trade was conducted on the market. The second of these two contracts (i.e. that created on the market between the two members) will be subject to immediate novation. This means that where a customer has dealt through a non-clearing member of LIFFE, there will arise in real time a chain of linked, or "back-to-back", contracts through to the central counterparty as follows:

(i) between customer and non-clearing member;

(ii) between non-clearing member and clearing member; and

(iii) between clearing member and LIFFE A&M.

The non-clearing member's customer therefore obtains no contractual relationship with anyone other than the non-clearing member. (The treatment of customer funds and property is explained on page 17 below.) The only difference between the Bclear process and the process by which UK Equity Option and UK Index Option contracts are formed on LIFFE CONNECT® is in the creation of the initial contract. With LIFFE CONNECT®, the initial trade is executed on the Exchange, whereas with Bclear, the initial contract is an OTC Trade, which is executed away from the Exchange and then presented to the Exchange for confirmation.

TRADING FOR CUSTOMERS

Broker Responsibilities

Members of LIFFE acting as brokers for customers may also be trading for their own account. Under the requirements of the FSA, brokers must pay due regard to the interests of their customers. There are express rules which require firms to execute customer orders and own account orders fairly and in due turn. The effect of this is to require brokers to give precedence and priority to customer orders over contemporaneous orders for their own account.

LIFFE members are subject to regulation under LIFFE Rules in their market activities and, for UK-based members, in their customer-relationships by the FSA. Firms regulated by the FSA are required to operate under rules concerning the segregation of client funds and the safe custody of client assets. Broadly equivalent requirements apply in respect of members of LIFFE who are resident entities in other jurisdictions.

Treatment of Customer Funds and Property

Firms authorized by the FSA under the Financial Services and Markets Act 2000 (including all relevant LIFFE members) are subject to the FSA rules, including the rules relating to client assets and client money contained in the Client Assets Sourcebook (“CASS”). Although the application of the CASS rules varies according to the type of firm and the activities involved, the general objective is to impose a statutory trust upon all client money and thereby to protect customers’ cash assets in the event of the insolvency of the firm. Under the provisions in CASS, “client money” is money which a firm holds in connection with investment business with or for a customer, or which a firm elects to treat as client money. (Note that EU firms doing business in the UK by virtue of a European passport are subject to the client money rules of their home State. However, implementing measures made under the EU’s Markets in Financial Instruments Directive (“MiFID”) provide a minimum standard for such rules within the EU.)

CASS 4.3.34R requires client money to be paid into a segregated client bank account (i.e., segregated from the money of the firm) with an approved bank. A firm owes a duty of care to a client when deciding where to place client money and must take reasonable steps to ensure that the banks with which it chooses to place client money are appropriate for that purpose.

In certain circumstances, the FSA rules permit a member to agree with a customer that its money is not segregated from that of the firm (CASS 4.1.8 - 4.1.14). Where the client is an eligible counterpary or a professional client (i.e. not a private customer), the firm may rely upon written acknowledgement from that customer that the money will not subject to the protections under the client money rules and as a consequence the money will not be segregated from the firm's own money and the customer will rank only as a general creditor of the firm.

Non-cash collateral is handled differently. Its treatment in the event of the insolvency of the firm will depend on the terms on which it has been lodged with that firm (and, where relevant, on the terms that the firm has lodged it with others, such as a custodian or clearing house). CASS 6 imposes detailed custodianship requirements in respect of a client's investment~~s~~, including giving to the member the responsibility for safekeeping of documents of title and certificates and requiring the registration of investments in the customer's name or in another name in circumstances as specified in the CASS rules. A number of disclosures must also be made to the customer in certain circumstances in order that the customer understands the custodian arrangements.

Broker Insolvency

A compensation scheme has been established under the Financial Services and Markets Act 2000 (and the FSA's Compensation Sourcebook) under which certain "eligible claimants" are able to claim compensation in the event that a firm defaults and is unable to meet the client's claims upon it. On the basis that the compensation scheme is generally available to private customers, it is unlikely to be available to a US Qualified Broker-Dealer or Qualified Institution.

Default

Both LIFFE A&M and its Clearing Services Provider LCH.Clearnet have default rules, as required by the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001. If a clearing member appears to LIFFE A&M or LCH.Clearnet to be unable, or to be likely to become unable, to meet its obligations under LIFFE contracts, it may be declared a defaulter by LIFFE A&M or LCH.Clearnet. Where LCH.Clearnet has declared a clearing member to be a defaulter, LIFFE A&M will automatically do so too[5]. Upon a declaration of the default of a clearing member by LIFFE A&M, LCH.Clearnet will be responsible for managing the clearing member default in its capacity as LIFFE A&M's Clearing Service Provider and will be the direct counterparty to LIFFE A&M in respect of the positions of such defaulting clearing member. Contracts between such clearing member and its non-clearing members and clients will be dealt with under the Exchange's default rules. A default by a non-clearing member will also be dealt with under the Exchange's rules.

The Exchange's default rules permit the Exchange to direct that open contracts to which a defaulting member is party be dealt with in one of a number of ways including, for example, off-set against

[5] If LIFFE A&M declares a default but LCH.Clearnet does not, LCH.Clearnet is nevertheless bound by the terms of the Clearing Relationship Agreement (CRA) between LIFFE A&M and LCH.Clearnet. Although LCH.Clearnet may continue to clear for the member on other markets LCH.Clearnet would nevertheless effectively treat the member as a defaulter for LIFFE purposes pursuant to the CRA. Under the CRA, LCH.Clearnet would have discretion to manage the default using powers under the section of the LCH.Clearnet Rulebook dealing with LIFFE, which are broadly equivalent to LCH.Clearnet's normal default rules. Also, under the CRA LCH.Clearnet would use all reasonable endeavours to assist LIFFE A&M by calculating the net sum arrived at once the default is dealt with and which LIFFE A&M would be required to certify to the FSA. It is acknowledged by LCH.Clearnet that the circumstances in which LIFFE A&M had declared a member in default but LCH.Clearnet had not, would be rarely, if ever, encountered in practice.

matching contracts to which the defaulter is party, closing-out through trading out on the market, transfer to another member or invoicing back.

SPECIAL FACTORS IN INVESTING ABROAD IN LIFFE CONTRACTS

In addition to the general risks inherent in buying and writing traded options, importantly including market supply and demand effects on the liquidity of particular options series, special risk factors are present and should be considered in transacting in options abroad. These factors include differences in the currency, differences in time zones, differences in settlement periods and procedures, differences in market features and certain differences in option features. Whilst there are features of its operation and self-regulation which LIFFE has in common with US options exchanges and while LIFFE options are American-style in exercisability (with the exception of index options), there are differences. Significant differences in market, contract and settlement features are developed in separate sections of this document. Additional significant factors are referred to below.

Currency Exchange Rates

As all UK Equity Options and FTSE 100 Index Option premiums, settlements and exercises are payable in British pounds sterling, a US transactor should take into account the exchange rate between US dollars and British pounds sterling. Any movement in the US dollar buying and selling rates for such currencies may alter profit and loss profiles for any LIFFE options position or strategy. If US dollars or dollar-denominated securities are used as margin for written positions, an exchange rate change may also affect the amount of margin required. It should especially be noted that written put option contracts will, on allocation, be required to be satisfied by payment for the underlying security in British pounds sterling.

The high and low currency exchange rates for the US dollar/British pounds sterling over recent years have been as follows:

US$/GBP	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
High	$1.5100	$1.6133	$1.7943	$1.9550	$1.9325	$1.9815	$2.1101	$2.0335
Low	$1.3682	$1.4044	$1.5463	$1.7481	$1.7049	$1.7199	$1.9225	$1.4392

Calculation of the equivalent US dollar value of the British pounds sterling exercise price of a LIFFE option and the current British pounds sterling market price on the London Stock Exchange of the security underlying the LIFFE option would permit comparison with a quoted ADR price, if any, in the US for that security.

Time Zones and Holidays

The LIFFE CONNECT® trading hours for UK Equity Options are currently 8.01am to 4.30pm London time, while FTSE 100 Index Options currently trade from 8.02am until 4.30pm London time. The trading hours of the London Stock Exchange for the securities underlying such options are currently from 8.00am to 4.30pm London time. Such hours may be changed in accordance with the rules of the relevant market. The Block Trade Facility is available during the normal trading hours of the contract concerned. The reporting hours on LIFFE for eligible products within the Bclear service are currently 8.00am to 5.00pm London time.

US investors should take time zone differentials into account when timing investment decisions and when making required premium or margin payments. The overlap of opening of US markets and the LIFFE trading hours will vary depending on the time of year (standard or daylight saving time in the US and the UK) and in which US time zone the investor is located. Greenwich Mean Time is five hours ahead of Eastern Standard Time; that is, 9.00am Eastern Standard Time in New York is 2.00pm Greenwich Mean Time in London. London does not always switch from Greenwich Mean Time to British Summer Time, or back, on the same date that New York switches from Eastern Standard to Eastern Daylight Saving Time, or back.

For US investors the time periods allowed by brokers for payment of premium or provision of margin may be abbreviated by the time zone differential, since deadlines are stated in London time throughout. In this connection, allowance may also have to be made for the time needed for US-UK communication. An effect of the time zone difference is that if the US markets were to fall during their afternoon, UK Equity Options and Index Options positions could not be closed out until the next morning London time.

There are days on which LIFFE will be closed when US businesses are open, and vice versa, because of differing national holidays. In addition, the days on which LIFFE is closed may vary from year to year. A current list of Exchange holidays is available on the NYSE Liffe website www.nyx.com/liffehours.

UK EQUITY OPTIONS

Underlying Securities

The UK Equity Options traded on and reported to LIFFE will be subject to regular review by LIFFE A&M. Those available within LIFFE CONNECT® are physical delivery options and have American-style exercise. Such options are also capable of being reported via Bclear, along with cash settled American-style exercise options, physical delivery European-style exercise options and cash settled European-style exercise options.

UK Equity Options have been introduced on stocks usually drawn from the most highly capitalized securities traded on the London Stock Exchange. All stocks underlying LIFFE's UK Equity Options are traded on the Stock Exchange Electronic Trading Service ("SETS"). SETS is the London Stock Exchange's electronic order driven trading platform for all FTSE 100 Index constituent stocks (and a number of smaller stocks). SETS was introduced on 20 October 1997 to replace the old quote driven system known as "SEAQ". SETS trades are published immediately.

Trades in excess of eight times Normal Market Size[6] may be executed away from SETS by means of a Worked Principal Agreement. This enables the principal to offset market risk prior to trade publication. Details of such trades are published when 80% of the risk has been offset or by the end of the trading day, whichever is earlier.

Other trades executed on the Stock Exchange but away from the central order book are reported and published within three minutes.

SETS trades, and those executed by means of Worked Principal Agreements, currently settle on a T+3 basis.

It should be noted that most London Stock Exchange listed stocks of British companies, including those on which LIFFE trades options, have a market price of lower than £15 per share, the average price being around £5 (500p).

The London Stock Exchange sometimes lists for trading equity securities that are new; they are being initially publicly offered and distributed in the UK. In some cases during this period, LIFFE may list options on these securities. LIFFE may restrict its members, or the issuer may prohibit underwriters, from entering into transactions in such options under LIFFE Rules with US entities during and for some period after such distributions.

[6] Normal market size will generally result in a transaction involving in excess of £250,000.

Expiry Months and Dates

For the majority of UK Equity Options traded on LIFFE CONNECT®, the maximum life is nine months. However, those UK Equity Options in the "Target Group" of UK Equity Options on the top 20 UK stocks have a maximum life of two years. The expiry dates are arranged on a quarterly cycle. The cycle is: March-June-September-December.

The expiry date of a UK Equity Option on LIFFE CONNECT® is currently set as the third Friday of the expiry month.

Trading in an Equity Option can occur during an expiry day until the usual time for close of business.

For each UK Equity Option within LIFFE CONNECT®, multiple series intervals are applicable per expiry month. The around the money series have smaller series intervals in comparison to the deeper in- and out-of-the-money series. In this way, LIFFE A&M seeks to create more diversity between the series available for trading. A minimum number of series per expiry month is introduced depending on the remaining lifetime of the expiry month. The minimum number of in-the-money ("ITM"), at-the-money ("ATM") and out-of-the-money ("OTM") series to be introduced initially for short-term, mid-term and long-term expiry months is as follows[7]:

- short-term - 1, 2 and 3 months - 3 ITM + 1 ATM + 3 OTM
- mid-term - 6, 9 and 12 months - 2 ITM + 1 ATM + 2 OTM
- long-term - 18, 24 and 36 months - 1 ITM + 1 ATM + 1 OTM

The exercise price of each such series is fixed in accordance with the following scale:

Interval Scheme denominated in Pence						
Range	Exercise Prices			Interval Scales in pence		
				Scale A	Scale B	Scale C
1	1	-	< 50	1	2	4
2	50	-	<100	2	4	8
3	100	-	< 250	5	10	20
4	250	-	< 500	10	20	40
5	500	-	< 1000	20	40	80
6	1000	-	< 2000	50	100	200
7	2000	-	< 4000	100	200	400
8	≥ 4000			200	400	800

[7] The option series whose price differs the least from the price of the underlying is considered to be the at the money series. There will be no at the money series in a situation where the market price of the underlying security is exactly halfway between two series.

Subsequent to an expiry month being initially listed on LIFFE CONNECT®, the minimum number of series per expiry month will be as follows:

≤ 3 months to expiry
For expiry months with a remaining lifetime of up to and including 3 months:
At least 7 series

- 3 series around the money: Interval Scale A	1^{st} ITM+ATM+1^{st} OTM
- 4 series: Interval Scale B	2^{nd} ITM+3^{rd} ITM+ 2^{nd} OTM+3^{rd} OTM

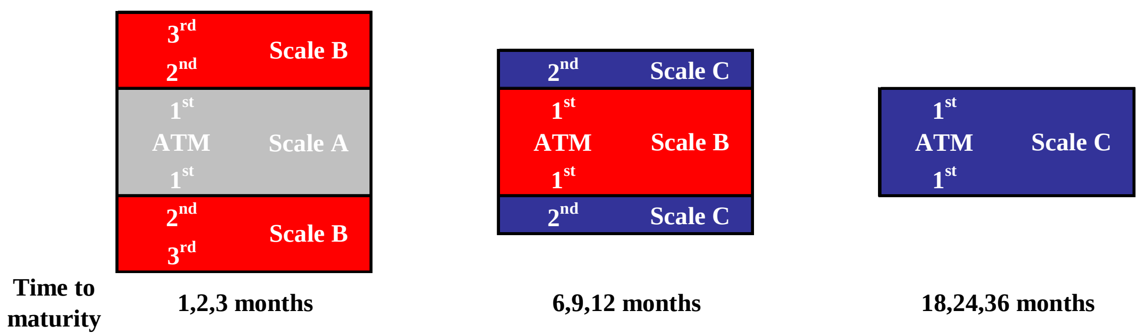
> 3 to ≤ 12 months to expiry
For expiry months with a remaining lifetime exceeding 3 months and up to and including 12 months:
At least 5 series

- 3 series around the money: Interval Scale B	1^{st} ITM+ATM+1^{st} OTM
- 2 series: Interval Scale C	2^{nd} ITM+2^{nd} OTM

> 12 months to expiry
For expiry months with a remaining lifetime exceeding 12 months:
At least 3 series

- 3 series around the money: Interval Scale C	1^{st} ITM+ATM+1^{st} OTM

The following tables provide a summary of the exercise prices per expiry month at time of listing:



A price established on a trading day (T) will be the reference used to determine the introduction of additional series on the next trading day (T+1) to have at least the minimum number of in- and out-of-the-money series listed.

The Exchange may apply an alternative scale of exercise price intervals to specified individual Equity Option contracts if appropriate. Such alternative scales are notified by means of a Notice.

In relation to Bclear, the exercise price is configurable by the member, subject to parameters established by LIFFE A&M which are published by Notice and on the NYSE Liffe website (www.nyx.com/liffe).

Special Features of Flexible Options

It should be noted that:

(i) a flexible UK Equity Option cannot be introduced with the same expiry day and exercise price as an existing standardized American-style exercise, physical delivery UK Equity Option; and

(ii) when a standardized American-style exercise, physical delivery UK Equity Option contract is listed with the same exercise price and expiry date as an existing flexible Option series, the existing flexible Option series will be novated into the corresponding American-style exercise, physical delivery UK Equity Option contract series.

Contract Size

While the premium for an Equity Option is quoted in pence per share, the minimum unit of trading in UK Equity Options is one contract, which normally represents the options on 1,000 shares of the underlying security. Occasionally, it is necessary to adjust the size of existing option contracts to reflect changes in the capitalisation of companies concerned.

All orders in UK Equity Options should refer to the number of contracts and not to the number of shares of the underlying security to which the option contracts relate; e.g. an order for options on 5,000 shares of the underlying security, where each contract represents options on 1,000 shares, should be placed as an order for 5 contracts. Orders cannot be executed in fractions of a contract.

Corporate Actions Policy

LIFFE A&M's methodology for handling the consequences of Corporate Actions is based on the principle that, when the shares underlying an Equity Option (which has not been exercised) become ex entitlement, options on such shares should be amended to reflect in economic terms (as far as practicable) a holding equivalent to the ex entitlement shares and the relevant entitlement, and may be effected as follows:

- by altering the exercise prices and the lot size of UK Equity Options; or
- by substituting the underlying shares in a proportion determined by the ex entitlement holding with the new underlying shares; or
- by settling (closing) UK Equity Options at their respective Fair Value.

As a general matter, contract adjustments are not made to reflect payment of normal dividends, whether cash or scrip. However, where a dividend is identifiable as a "special dividend" outside the normal pattern of payments, it will be treated as a capital event leading to adjustment of the option exercise price and contract size. Full details of the Exchange's Corporate Action Policy are published via Notice and on the NYSE Liffe website (www.nyx.com/liffe).

Position Limits

LIFFE A&M imposes no limits on the number of UK Equity Option contracts which any individual or single group of investors may hold. However, the number of contracts held by any one investor or group of investors in respect of a particular UK Equity Option must (pursuant to the Companies Act 1985) be disclosed to the relevant UK authority unless the holding of such contracts either alone or in conjunction with a holding of the underlying shares is less than 3% of the relevant share capital of the issuer.

Premiums

Premiums on UK Equity Options are currently quoted in pounds sterling. Please refer to the Lists of Contract Details for Exchange Contract No. 201 and No. 201F (www.nyx.com/liffe) for information about the minimum price increment for each option. For UK Equity Options traded on LIFFE CONNECT®, the premium is the only variable factor, all other terms of the options contract being pre-determined. The premium is expressed as an amount per option on a single share of the underlying equity. It is payable to LCH.Clearnet by the buying clearing member in full in cash pounds sterling, with respect to each options contract (usually of 1,000 shares), by 10.00am London time on the business day following the trade. Such premium will be made available by LCH.Clearnet to the selling clearing member by 1.30pm London time on that day.

Exercise by Holders

If the holder of an option wishes to exercise the right to buy or sell the underlying security at the specified price (or to receive cash settlement in the case of certain flexible UK Equity Options), the holder should instruct its broker to ensure that an Exercise Notice is submitted to LIFFE A&M. .An Exercise Notice may be submitted to LIFFE A&M either manually or automatically. Options will only be exercised if an Exercise Notice is submitted to LIFFE A&M. On the Last Trading Day, expiring UK Equity Options that are in-the-money by the amount specified by the Clearing Member in CPS (the Clearing Processing System[8] or, if the clearing member has not so specified, by the amount established as the CPS default setting - will be exercised by an Exercise Notice being sent automatically to LIFFE A&M.

In relation to UK Equity Options with American-style exercise, holders are entitled to exercise UK Equity Options on any LIFFE business day during the option's life. In contrast, UK Equity Options with European-style exercise may only be exercised on the expiry day. If the quotation of an

[8] Two main functions are available through CPS. They are Position Maintenance and Margin Calculation. CPS updates members' positions in "real time" from trade based information delivered through the Trade Registration System. Members of LIFFE are able to interrogate CPS to determine the positions on their accounts for all contracts during the trading day. CPS updates users' historic positions and allows for various transfer and settlement operations in order that members' end of day positions can be reconciled so that the margining process can take place. At the end of the trading day, and once position maintenance activities are complete, a set of processes is initiated to enable CPS to calculate initial and variation margin for all member positions.

underlying security on which LIFFE options are listed is suspended by the London Stock Exchange, the holder of an option may still submit an Exercise Notice.

All exercise instructions need to be given before certain cut-off times on each business day that are established by the LIFFE broker with respect to its clients, because the broker will need to ensure that LIFFE A&M receives the Exercise Notice before 5.20pm (6.00pm on an expiry day) London time. The deadline is strictly observed by LIFFE A&M. The exercise instructions are submitted to LIFFE A&M by the relevant clearing member via a computer terminal. The clearing system allocates the exercise instructions to the open short positions held byLIFFE A&M in the same series by means of a computer program which randomly allocates the clearing members' accounts at LIFFE A&Mwithout discrimination.

Allocation to Writers

By 7.00am London time on the day after timely submission of an Exercise Notice, LIFFE A&M will have randomly allocated a clearing member by way of an Allocation Notice, requesting that it or one of its clients who is an option writer in that series fulfil the terms of the options contract. If a clearing member's customer account is allocated, the clearing member is required, by random non-discriminatory selection, to designate a customer who is a writer to receive the Allocation Notice.

Once a writer has received an Allocation Notice, the writer may not then close its position in that contract by way of a closing purchase but must honour that contract by delivering the underlying security in the case of a call option, or by taking delivery of the underlying security in the case of a put option (or to cash settle in the case of certain flexible UK Equity Options). If, in light of the underlying security price, a writer of an option were to anticipate an allocation and early in the morning purchase an equivalent option to close the open position, the writer may not assume that its obligations as a writer have been extinguished until it receives confirmation from its broker. If the writer has been allocated but not yet informed by its broker, the attempt to close the written position will have resulted in the writer's having purchased an option to open a new position and the writer still having to fulfil the obligations of the written position which was allocated.

LCH.Clearnet is a principal to the clearing members in respect of the equity transactions resulting from the exercise of an option.

Upon receipt of written confirmation from LIFFE A&M by both the clearing member that provided the Exercise Notice and the clearing member that was allocated, both members are required to ensure that details of the resulting equity transactions with LCH.Clearnet are input to CREST for settlement (in relation to physical delivery UK Equity Options). Any stock transactions that result from an Equity Option exercise remain subject to the LIFFE Contract Terms and thus to standard equity settlement procedures via CREST.

Dividends

The holder of a call contract is not entitled to receive any payment of dividend, whether or not in the form of cash, declared on the underlying security. Consequently, no adjustment is made to the terms of LIFFE Equity Option contracts as the result of the underlying security being marked “ex dividend” with respect to normal dividends, although allowance for this may be reflected by changes in the premiums at which contracts trade in the market. It should be noted that in the UK, dividend payments may be more random and hence less predictable than in the US. Many UK companies do not pay dividends on fixed dates each year, are more likely to do so half-yearly than quarterly, and sometimes pay special dividends.

In order to receive the benefit of a dividend, a holder of a call contract must exercise before the underlying security is declared “ex dividend” by the London Stock Exchange. The London Stock Exchange seeks to provide a minimum of three business days’ notice of declaration of a security going ex dividend, but under UK practice the timing of such declarations is within the discretion of the issuer company. To exercise an equity option “cum dividend” for an equity going ex dividend, it is necessary to submit an Exercise Notice prior to the exercise deadline on the last day on which the stock is trading “cum dividend”.

UK INDEX OPTIONS

LIFFE makes available two different options on the FTSE 100 Index. These are the standardized FTSE 100 Index Option with European-style exercise (LIFFE CONNECT® and Bclear) and the flexible FTSE 100 Index Option with European-style exercise or American-style exercise (Bclear only).

The stocks constituting the FTSE 100 Index represent the leading UK equity shares listed on the London Stock Exchange, in terms of capitalisation and liquidity. The FTSE 100 Index reflects the values and risks of a broader and marginally different universe of companies than the aggregate of those for which trading exists in UK Equity Options. Some UK Equity Options are on stocks that are not included in the FTSE 100 Index.

Development of UK Indices

The FT 30 Industrial Share Index was first published in 1935 in response to demand from investors for a yardstick by which to measure the performance of the UK equity market and the behaviour of their portfolios. For more than fifty years it served as the barometer of day-to-day movements in share prices in the UK. It is an unweighted Index.

As equity investment became more sophisticated, the need was felt for a more refined measurement of the market, and in 1962 the Financial Times in collaboration with the Institute of Actuaries developed the "FT Actuaries Share Indices". The resultant "All-Share Index" covers more than 740 different companies divided into six main groups and sub-divided into thirty-five different market sectors. These FT Actuaries Indices are "weighted" i.e. the larger the company the greater the influence on the Index.

The creation of the Financial Times-Stock Exchange 100 Share Index ("FTSE 100 Index") marked a further stage in this process of development. It is a capitalisation weighted index which is representative of the market, and sufficiently compact to be calculated every 15 seconds throughout the trading day.

How the FTSE 100 Index is compiled

The Index is calculated by FTSE International ("FTSE"). It has been published since 3 January 1984, with a base value of 1000.0. The annual high-low range of the FTSE 100 Index in recent years has been:

	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
High	6360.3	5362.3	4491.8	4826.2	5647.2	6260.0	6732.4	6376.6
Low	4219.8	3609.9	3277.5	4283.0	4765.4	5506.8	5858.9	5150.6

With few exceptions, the largest 100 UK-listed companies by market capitalisation are included in the FTSE 100 Index. These leading 100 companies account for approximately 80 per cent[9] of the total market value of all UK equities, so the Index covers a very substantial part of the market and correlates closely to the FT Actuaries All-Share Index.

In accordance with the Ground Rules for the management of the UK Series compiled by the FTSE Actuaries Share Indices Steering Committee, the Europe/Middle East/Africa Indices Committee, composed of market users and representatives from the FTSE International, the London Stock Exchange, and LIFFE A&M, meets periodically to consider any changes in the constituents of the FTSE 100 Index which may be necessary, principally by reason of size and weighting changes.

The performance of a portfolio of stocks, other than one composed of all stocks in the FTSE 100 with appropriate weightings, will not necessarily be mirrored by the performance of such Indices. It may not be possible to purchase a portfolio of stocks constituting the FTSE 100 Index nor to sell such a portfolio, at the Index price.

Calculation of the FTSE 100 Index

The value of the FTSE 100 Index is calculated by FTSE every fifteen seconds by taking actual traded prices of the constituent securities and applying an arithmetical formula. The Index may exist in the following states:

1. Firm

   The Index is being calculated during the Official Market Hours[10] of the London Stock Exchange on actual trades from SETS. No message will be displayed against the Index value.

2. Closed

   FTSE has ceased calculating the Index for the day. The message "CLOSE" will be displayed against the Index value calculated by FTSE.

3. Held

   During Official Market Hours, the Index has exceeded pre-set operating parameters (i.e. the Index level has moved by more than 10% within a given trading session) and real time calculation of the Index has been suspended. The message "HELD" will be displayed against the last Index value calculated by FTSE.

[9] As at 25 May 2006.
[10] Official Market Hours are defined as that period when SETS is open for order execution, i.e. between 08.00 and 16.30 (London Time).

4. Indicative

If there is a system problem or situation in the market that is judged to affect the quality of the constituent prices at any time when the Index is being calculated, the Index will be declared indicative (e.g. normally where a 'fast market' exists in the equity market). The message “IND” will be displayed against the Index value calculated by FTSE.

On the third Friday of each month FTSE International calculates the Expiry Value for expiring FTSE 100 Index Futures and Options. The Expiry Value is derived from an intra-day auction in each of the 100 stocks within the Index, as explained on page 33. During the auction period, an indicative Expiry Index is calculated and published. The Expiry Index effectively indicates the level at which the final settlement price of expiring FTSE 100 Index Options would be set if the intra-day auction were to cease at that moment.

FTSE 100 Index Options may continue to be available for trading when the FTSE 100 Index is “Held” or “Indicative”. Currently, standardized FTSE 100 Index Options are not available for trading when the Index is “Closed”, while flexible FTSE 100 Index Options are available until 5.00pm (London time).

The closing value of the Index is calculated from the official closing auction uncrossing prices published by the London Stock Exchange following the closing auction call. The closing auction call period for all SETS securities runs from 4.30pm to 4.35pm (London time) (specifically, the closing auction call period has a random end time between 4:35:00pm and 4:35:30pm). In addition, the closing auction call period may be extended under certain circumstances in order to reduce the likelihood of unrepresentative prices being generated. During the closing auction, continuous trading is disabled, although London Stock Exchange member firms are able to enter and delete orders. Orders are then matched during the closing auction uncrossing period using the London Stock Exchange’s uncrossing algorithm.

The FTSE 100 Index Option Contract Specification

LIFFE lists two types of FTSE 100 Index Options, a standardized European-style exercise Option and a flexible Option (which may be European-style exercise or American-style exercise). European-style FTSE 100 Index Options are exercisable only on their expiry day, whereas American-style FTSE 100 Index Options are exercisable on any business day up to and including their expiry day.

Each FTSE 100 Index Option represents a notional value of £10 multiplied by the FTSE 100 Index. This means that if the FTSE 100 Index stands at 6000, each contract has an underlying value of £60,000.

Expiry Months and Exercise Prices:

	Standardized FTSE 100 Index Option (European-style)	**Flexible FTSE 100 Index Option (American and European-style)**
Expiry Months/Expiry Days	Eight quarterly months on March, June, September, December cycle plus such additional months that the four nearest calendar months are always available for trading.	Any business day as specified by the counterparties, up to, and including, the business day five years and six months from the date the contract is made.
Exercise Prices	Please see below	Any whole number of index points

For FTSE 100 Index Options within LIFFE CONNECT®, multiple series intervals are applicable per expiry month. The around-the-money series have smaller series intervals in comparison to the deeper in-and-out-of-the-money series. In this way, LIFFE seeks to create more diversity between the series available for trading.

LIFFE will introduce a minimum number of series per expiry month depending on the remaining lifetime of the expiry month. The minimum number of in-the-money (ITM), at-the-money (ATM[11]) and out-of-the-money (OTM) series to be introduced initially will be as follows:

≤ 1 month to expiry
For expiry months with a remaining lifetime of up to and including 1 month:
At least 21 series

- 5 series around the money - Interval Scale A: 1st ITM+2nd ITM+ATM+1st OTM+2nd OTM
- 16 series - Interval Scale B: 3rd ITM until 10th ITM+ 3rd OTM until 10th OTM

> 1 to ≤ 4 months to expiry
For expiry months with a remaining lifetime exceeding 1 month and up to and including 4 months:
At least 21 series

[11] The option series whose price differs the least from the price of the underlying index is considered to be the at-the-money series. There will be no at-the-money series in a situation where the market price of the underlying security is exactly halfway between two series.

- 15 series around the money - Interval Scale B: 1st ITM until 7th ITM+ATM+ 1st OTM until 7th OTM
- 6 series - Interval Scale C: 8th ITM+9th ITM+10th ITM+ 8th OTM+9th OTM+10th OTM

> 4 to ≤ 12 months to expiry
For expiry months with a remaining lifetime exceeding 4 months and up to and including 12 months:
At least 21 series

- 15 series around the money - Interval Scale C: 1st ITM until 7th ITM+ATM+ 1st OTM until 7th OTM
- 6 series - Interval Scale D: 8th ITM+9th ITM+10th ITM+ 8th OTM+9th OTM+10th OTM

> 12 to ≤ 24 months to expiry
For expiry months with a remaining lifetime exceeding 12 months and up to and including 24 months:
At least 21 series

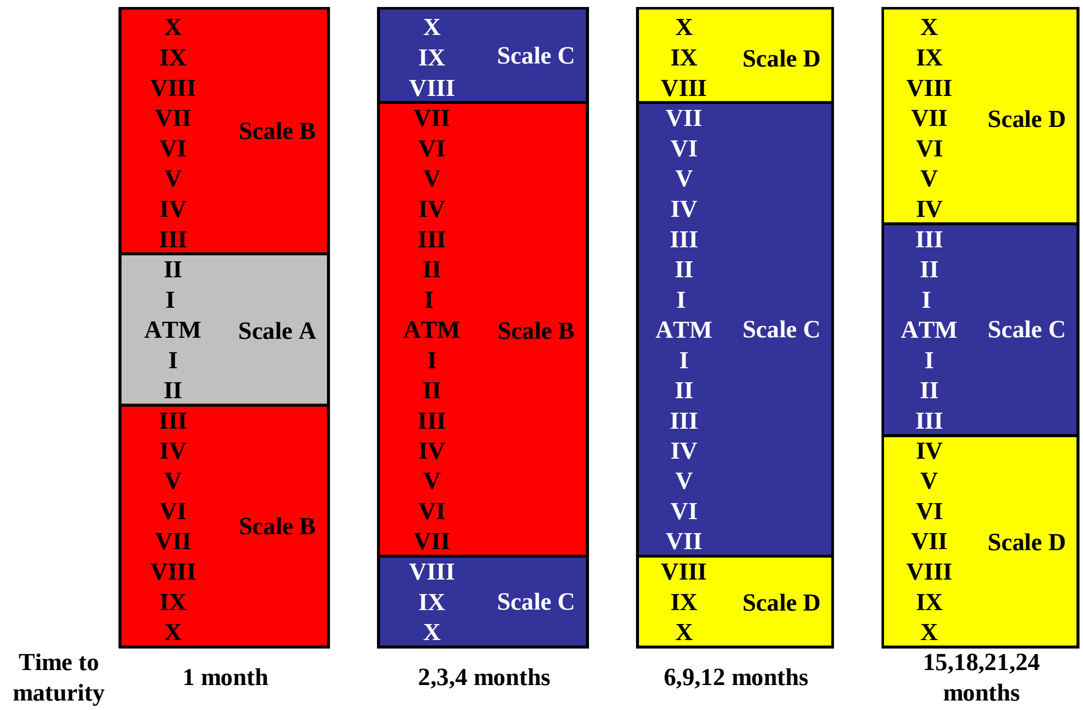
- 7 series around the money - Interval Scale C: 1st ITM+2nd ITM+3rd ITM +ATM+ 1st OTM+2nd OTM+3rd OTM
- 14 series - Interval Scale D: 4th ITM until 10th ITM+ 4th OTM until 10th OTM

The exercise price of each such series is fixed in accordance with the following scheme:

FTSE 100 Index Interval Scheme in Pence			
Interval Scales			
Scale A	Scale B	Scale C	Scale D
25	50	100	200

The following tables provide a summary of the exercise prices per expiry month at time of listing[12]:

[12] Series shown above ATM are OTM calls/ITM puts. Series shown below ATM are ITM calls/OTM puts.



A price established on a trading day (T) will be the reference used to determine the introduction of additional series on the next trading day (T+1) to have at least the minimum number of in- and out-of-the-money series listed.

Premiums: For the FTSE 100 Index Options, the premium for each series is quoted in Index points. Thus a quote of, say, 30 Index points would represent a total consideration per contract of £300 (plus commission). The minimum permitted price fraction is 1/2 of an Index point.

Special Features of Flexible Options

It should be noted that:

(i) a flexible Option cannot be introduced with the same expiry day and exercise price as an existing standardized European-style exercise FTSE 100 Index Option; and

(ii) when a standardized European-style exercise FTSE 100 Index Option contract is listed with the same exercise price and expiry date as an existing flexible Option series, the existing flexible Option series will be novated into the corresponding standardized European-style exercise FTSE 100 Index Option contract series.

Calculation of Index Value for Exercise of FTSE 100 Index Options

The expiry day (known as the “Last Trading Day”) for the standardized FTSE 100 Index Option is the third Friday of the expiry month. On that day, an intra-day auction is held on the London Stock Exchange which is used to derive the price of each component stock in the FTSE 100 Index. The intra-day auction begins at 10.10.00am (London time) and ends at a random time between 10.15.00am and

10.15.30am (London time) unless pre-set price parameters are breached (in which case the auction in the stock(s) in question is extended until 10.29.30am (London time) at the latest).

The prices derived from the intra-day auction are used to determine the Expiry Value of the FTSE 100 Index on which the final settlement price (known as the "Exchange Delivery Settlement Price" or "EDSP") of the standardized FTSE 100 Index Option is based. Trading in expiring series ceases as soon as reasonably practicable following determination of the Expiry Value.

The same process is applied to those flexible FTSE 100 Index Options which have an expiry date of the third Friday of the month. For those flexible FTSE 100 Index Options which have an expiry date other than the third Friday of the month, the EDSP will be determined by reference to the prices of constituent stocks derived through the closing auction on the London Stock Exchange. On such days, trading in the expiring series of the flexible FTSE 100 Index Option ceases at 4.30pm (London time).

Exercise, Assignment and Settlement of the FTSE 100 Index Option

Exercise entitles the holder to cash settlement only, in pounds sterling, of an amount equal to £10 times the difference between the EDSP and the exercise price of the contract. Standardized FTSE 100 Index Options, and those flexible FTSE 100 Index Options with European-style exercise, may only be exercised on the relevant expiry day (Last Trading Day). In contrast, those flexible FTSE 100 Index Options with American-style exercise may be exercised on any business day, up to and including the relevant expiry day. If the holder wishes to exercise an option, the holder should instruct its broker to ensure that an Exercise Notice is submitted to LIFFE A&M. An Exercise Notice may be submitted to LIFFE A&M either manually or automatically. Options will only be exercised if an Exercise Notice is submitted to LIFFE A&M. On the Last Trading Day, expiring FTSE 100 Index Options that are in-the-money by the amount specified by the clearing member in CPS (the Clearing Processing System) – or, if the clearing member has not so specified, by the amount established as the CPS default setting - will be exercised by an Exercise Notice being sent automatically to LIFFE A&M.

When a FTSE 100 Index Option contract is exercised, a writer of the same series is randomly allocated overnight. Settlement of the cash consideration then takes place the day after the day of submission of the Exercise Notice (whether effected manually or by automatic exercise).

Position Limits

There are no position limits for any of the option contracts traded on LIFFE.

TAXATION AND TRANSACTION COSTS

Before engaging in UK Equity and UK Index Options transactions, US entities should consult their own tax advisors with respect to UK and US federal, state and local tax considerations relevant to them. The following discussion does not purport to be exhaustive or applicable to particular circumstances and only refers to the tax regime applicable at the date of publication of this document.

This discussion is not intended to be and cannot be used for the purpose of avoiding penalties. This discussion was written to support the promotion or marketing of the products discussed herein.. U.S. entities should seek advice based on their particular circumstances from an independent tax advisor.

UK Taxes

Advice has been received from external accountants that US resident investors are not liable for UK income, capital gains, corporation or value added (VAT) taxation on transactions in LIFFE options, unless their options dealings are transacted in the UK through a permanent establishment in the UK, or are associated with such an establishment's trade. A US resident's transactions in LIFFE options through a UK broker who acts for the non-resident as part of its normal business would not alone establish a taxable presence of the US resident in the UK.

There is no stamp duty/Stamp Duty Reserve Tax (or other transfer tax) payable on transactions in UK Equity and Index Options. If the underlying security is bought by exercise of a call option or sold by exercise of a put option, stamp duty/Stamp Duty Reserve Tax will be payable by the purchaser, unless registered as an options intermediary under UK legislation, on the transfer of the underlying security. When the settlement of the underlying security transfer is conducted through the CREST system, the applicable stamp duty/Stamp Duty Reserve Tax is automatically collected and paid to Her Majesty's Revenue and Customs ("HMRC"). Please see page 42 for an explanation of the CREST system.

US Taxes

Income tax considerations in the US may significantly affect the profitability of options transactions, including those effected abroad. The rules governing federal income taxation of options transactions, domestic and foreign, by US entities are complex and often depend upon an investor's particular situation. In this connection, advice has been received from US counsel that LIFFE options held by US entities will not be subject to the mark-to-market provisions of Section 1256 of the Internal Revenue Code (the "Code") or treated as "qualified covered call options" for purposes of the provisions of the Code governing straddles, because LIFFE currently is not designated by the Secretary of the Treasury as a "qualified board or exchange" for those purposes. The position would change if LIFFE were so designated in the future, and US transactors should take that into account. In addition, the acquisition and disposition of pounds sterling by investors whose "functional currency" is the US dollar may be subject to the provisions of the Code governing transactions in foreign currency.

Transaction costs

The transaction costs borne by investors include brokers' commissions that reflect charges for opening and closing positions and for exercise. LIFFE does not impose minimum or maximum commission rates, which are a matter to be decided between the member broker and customer. LIFFE charges an exchange fee for contracts traded on LIFFE CONNECT® (currently 25 pence per contract for UK Index Options, and 37 pence per contract for UK Equity Options). In each case, the Exchange charges a clearing fee of 3 pence per contract. The Exchange also charges an exercise fee (currently 20 pence per contract) to the exercisor only plus a £3 CREST "per transaction" charge for UK Equity Option delivery. LIFFE members generally pass these charges on to clients.

Bclear transactions fees and fee caps for UK Equity Options and Index Options are shown below:

UK Equity Options

		Fee Caps per Transaction			
Fee per contract		Proprietary Business		Client Business	
Exchange Fee	Clearing Fee	Exchange Fee	Clearing Fee	Exchange Fee	Clearing Fee
£0.25	£0.03	£60	£15	£120	£30

UK Index Options

		Fee Caps per Transaction			
Fee per contract		Proprietary Business		Client Business	
Exchange Fee	Clearing Fee	Exchange Fee	Clearing Fee	Exchange Fee	Clearing Fee
£0.22	£0.03	£600	£150	£1,200	£300

For transactions with multiple legs, each leg is charged separately, up to the fee cap (i.e. for these purposes, each leg is treated as a separate transaction).

CLEARING AND SETTLEMENT

LIFFE A&M is a self-clearing RIE. It performs certain clearing functions itself and outsources others to its Clearing Services Provider, LCH.Clearnet. LCH.Clearnet is a Recognised Clearing House under the Financial Services and Markets Act 2000.

The clearing services that it provides to LIFFE A&M in its capacity as a Clearing Services Provider are as follows:

(a) to manage LIFFE clearing members' protected payments system accounts with LCH.Clearnet and to make cash calls on and cash payments to LIFFE clearing members through the protected payments system;

(b) to undertake and manage the settlement and delivery of transactions;

(c) to receive from LIFFE clearing members (in the form of cash or other permitted collateral), cover in respect of initial margin (including any intra-day margin) as principal in order to collateralise obligations undertaken by LCH.Clearnet in respect of a LIFFE clearing member position on default;

(d) to receive from or pay to LIFFE clearing members (or otherwise to net or set-off against other amounts owing to or payable by LCH.Clearnet), as the case may be, amounts in respect of variation margin arising under LIFFE contracts; and

(e) to manage LIFFE clearing member defaults.

LIFFE A&M is central counterparty to all trades on the LIFFE market and LCH.Clearnet is not in normal circumstances a contractual counterparty to LIFFE contracts, notwithstanding that it collects and pays premiums, variation margin and other cash payments as principal on a net basis and is liable as principal in respect of delivery obligations arising under LIFFE contracts. However, in the event of a LIFFE clearing member default, the positions of the defaulting member automatically novate to LCH.Clearnet as counterparty under the LIFFE default rules, and LCH.Clearnet becomes an intermediate counterparty between the defaulter and LIFFE A&M to enable continuing performance by LIFFE A&M to the market. To facilitate this novation, LCH.Clearnet is a special member of the LIFFE market and LIFFE A&M is a special member of LCH.Clearnet. LCH.Clearnet collects initial margin in its own name in respect of LIFFE business. A tripartite clearing membership agreement between LIFFE A&M, LCH.Clearnet and each clearing member provides for the default novation provisions, and reflects the split of other functions between LIFFE A&M and LCH.Clearnet. Amongst other things, that agreement clarifies that:

(i) LIFFE A&M's rights/obligations to receive/pay a daily settlement to market amount are extinguished from the point that LCH.Clearnet makes up the clearing member's accounts to reflect such amount in a net financial position of the member vis a vis LCH.Clearnet across all markets for which LCH.Clearnet clears its business; and

(ii) rights/obligations in relation to deliveries and payments therefor that would otherwise arise between LIFFE A&M and the clearing member under individual contracts are discharged and performed instead between the clearing member and LCH.Clearnet as principal.

Upon a clearing member being declared a defaulter, .As explained above, LCH.Clearnet will become the counterparty to a defaulting clearing member and LIFFE A&M. LCH.Clearnet will be responsible for managing the financial consequences of the default.

The sequence of financial protections to be applied by LCH.Clearnet in the event of a clearing member default is as follows:

1. Defaulter's initial Margin (including excess collateral posted).

2. Defaulter's Default Fund[13] contribution.

3. Up to £20 million of LCH.Clearnet's capital and reserves.

4. Remainder of Default Fund.

5 Remainder of LCH.Clearnet's capital and reserves.

Each member's Default Fund contribution is assessed every three months on the basis of that member's initial margin and (in the case of exchange traded derivatives) trading volumes over the preceding three months. The Default Fund is mutual in nature, in the sense that any loss faced by LCH.Clearnet as a result of a default which cannot be met from the defaulter's margin cover at LCH.Clearnet or from his contribution to the Default Fund will be met by the Default Fund generally. Customers of a defaulting clearing member will have no contractual relationship with LCH.Clearnet, but are protected to the extent of their client agreement and any segregation arrangements in place with that member. LCH.Clearnet uses a stress testing model to ensure that its post-default financial backing is of appropriate size. The stress testing model assesses the adequacy of initial margin requirements and the £582 million Default Fund on the basis of extreme price movements in all contracts for which LCH.Clearnet provides clearing services.

Trade Registration

Once an options trade has been executed in LIFFE CONNECT® or confirmed within Bclear, it is immediately registered with the Exchange and subject to immediate novation as described on page 16 (Contractual Basis of LIFFE Business). A message will be sent automatically to the trader(s) who have executed/submitted the trade to notify them of such execution/confirmation. At the same time, for both LIFFE CONNECT® and Bclear, the details of the trade are transmitted automatically to LIFFE's Trade Registration System ("TRS"), which is a real-time matching system.

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[13] This fund is a single fund used in respect of all the markets and services, for which LCH.Clearnet provides clearing services, i.e. the London Stock Exchange, LIFFE, the London Metal Exchange, RepoClear, SwapClear and SWX Europe.

TRS provides members with the facility to perform the following post trade administration functions:

- Allocation of Trades: When a trade has been undertaken on a brokerage basis on behalf of another member, TRS provides a facility for the allocation process to take place through a 'give-up' transaction.

- Assignment of Trades: TRS provides a facility to enable members to assign trades to one of a number of specific account types. This process allows trades to be assigned to the correct clearing account prior to clearing processing being undertaken at the end of the day.

In addition, TRS also gives users a wide range of enquiry and trade report functions.

The day after a trade is made the clearing member buyer will pay premium to LCH.Clearnet, by 10:00am London time, and LCH.Clearnet will pay the premium to the clearing member seller by 1:30pm London time. While no direct link then remains between the buyer and seller in the original trade, for every current holder of an options contract there is a current writer with a corresponding open position.

When a holder exercises a contract, LIFFE A&M appoints, by a process of random selection, a clearing member who is, or has a customer who is, a writer of a contract in the same series, to deliver or to receive shares or to cash settle in accordance with the terms of the contract. LCH.Clearnet becomes a principal to each resulting equity delivery contract; for example, the clearing member exercisor of a put option will deliver the shares to LCH.Clearnet's account within CREST (the UK equity settlement system), and LCH.Clearnet will deliver the shares to the selected writer.

As the counterparty to every clearing member LIFFE A&M removes counterparty risk between clearing members.
LIFFE A&M is not counterparty to trades with customers. Behind contracts between LIFFE A&M and a clearing member there may exist further "back-to-back" contracts; for example, if a customer buys an option the clearing member is the seller to the client and the buyer from LIFFE A&M (once the trade has been registered). These customer contracts are subject to LIFFE Rules, but LIFFE A&M is not a party to them.

Clearing Members

LIFFE has two types of clearing members: Individual Clearing Members who clear and settle business for their own account or, in the case of broker-dealers, on behalf of their customers; and General Clearing Members who, in addition, clear and settle business on behalf of other LIFFE members. All trades of non-clearing members must be cleared through a specific clearing member.

All clearing members must also be members of LCH.Clearnet and all are subject to standards of capital adequacy[14]. Clearing members must also satisfy LIFFE A&M and LCH.Clearnet that they have adequate systems and controls to clear and settle trades.

Clearing members undertaking business for clients are subject to UK client money rules or, if they are authorized outside the UK, similar rules of the relevant regulator. In the European Union, those rules are governed by the Markets in Financial Instruments Directive. Most LIFFE clearing members are UK-authorized. They are required to segregate customer funds except in instances where the investor, if permitted to do so, contracts out of the segregation requirement. Each clearing member may have two accounts with LCH.Clearnet: one for segregated customer business (the “Client margin account”), and one for all house and non-segregated client business (the “House margin account”). Neither LCH.Clearnet nor the clearing members can offset liabilities on the House margin account with credits arising on the Client margin account.

Time of Settlement

All trades on LIFFE are transacted for settlement by payment of premium and initial deposit of margin by the writer, by 10.00am London time on the business day after the day of trade. Member brokers will require their customers to provide them with the agreed premium, and if writers with margin, before that time. Although a minimum margin is established by LIFFE A&M a member may increase this for customers at its discretion.

On the business day after the day of trade, LIFFE A&Mmakes available to all clearing members statements showing their transactions for the previous day with details of premiums payable and receivable, together with fees and margin requirements. Any payment due must be made to LCH.Clearnet by 10.00am London time and monies payable by LCH.Clearnet will be available to clearing members from 1.30pm. Sterling, dollar and euro transactions are processed with same day value the next business day. Similar arrangements apply in the case of Net Liquidation Value (NLV) payments, which are discussed below.

LCH.Clearnet has established procedures for settlement and margin collection for all of the currencies in which LIFFE contracts are denominated. It is mandatory for clearing members to maintain appropriate currency accounts at LCH.Clearnet approved banks for all contracts they clear. In addition, LCH.Clearnet has formal multi-currency overdraft and borrowing facilities with a number of major banks.

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[14] In practice capital requirements are set by LCH.Clearnet rather than by LIFFE A&M. Clearing members will, however, also be subject to capital adequacy requirements set by their regulators.

Margin Maintenance

Margin provided to LCH.Clearnet by or on behalf of writers is required to be maintained. LCH.Clearnet revalues the margin position on at least a daily basis to take account of changes or volatility in the market price of the underlying UK security or Index and in LCH.Clearnet's valuation of margin collateral provided in the form of securities. All clearing members must provide LCH.Clearnet with margin cover to cover the risk on their total net positions for each account. Margin is also called on equity delivery contracts resulting from the exercise of UK Equity Options. LCH.Clearnet revalues the margin requirements each night using the London SPAN method. London SPAN (Standard Portfolio Analysis of Risk) was adapted from the Chicago Mercantile Exchange's margining system, which is designed to match margin to risk. London SPAN does this by simulating how a portfolio would react to changing market conditions. Understanding London SPAN is published by LCH.Clearnet and is available from the LCH.Clearnet website at (www.lchclearnet.com). The initial margin requirement for the portfolio is the largest loss identified under these various market conditions that might reasonably occur, taking into account risk offsets within the portfolio, including those between index options and index futures. Initial margin is refunded when the position is closed. It is designed to protect LCH.Clearnet in the management of a clearing member's default against the worst likely loss from one or two days' move in the market. Net Liquidation Value ("NLV") is the value of the portfolio at closing market prices. It represents the income or expenditure which would be associated with closing out an Equity or Index Option. This figure is added to initial margin to give the total margin requirement. During the day LCH.Clearnet monitors market prices and clearing members' positions and may call for additional margin payments. LCH.Clearnet's margin requirements are only applicable to clearing members. Brokers set the margin requirements applicable to their customers.

Margin Collateral

Arrangements for the provision of margin cover are a matter for negotiation between the customer, broker and clearing member.

LCH.Clearnet accepts a variety of collateral types from clearing members in respect of their margin liabilities. These apply to both initial margin and NLV payments (both of which LCH.Clearnet holds as principal in view of its responsibilities in the management of a clearing member's default). Members may meet margin requirements by cash payments in the following currencies: sterling, US dollars, yen, Swiss francs, and euro. In addition, LCH.Clearnet will accept an extensive range of collateral including approved bank guarantees, certain UK treasury bills, UK gilts, sterling and US dollar certificates of deposit, German, Italian and Spanish government bonds and UK equities. Any such securities must be charged to LCH.Clearnet by the clearing member in accordance with LCH.Clearnet procedures. Any UK equities charged to LCH.Clearnet as collateral must be registered in the name of a UK depository company approved by LCH.Clearnet. Where customers charge UK equities to clearing members or other brokers, without intending those securities to be charged by a clearing member in favour of LCH.Clearnet, the parties may make such arrangements as they wish for the collateral.

To avoid frequent changes in the amount of collateral provided, clearing members may lodge cover with LCH.Clearnet in excess of the minimum. LCH.Clearnet pays interest to clearing members on balances lodged. Interest payments are made at the London Deposit Rate. This is currently the overnight London Inter-Bank Bid Rate (LIBID) minus 25 basis points.

With the customer's permission, equities belonging to a client may be "passed through" the customer's broker to the clearing member and to LCH.Clearnet. Any securities over which LCH.Clearnet has a security interest will be used to cover the clearing member's liabilities to LCH.Clearnet; these liabilities are not the same as, and may be significantly larger than, the customer's liabilities to its broker and in the event of a default such securities may be sold by LCH.Clearnet without reference to the customer. Where a customer only permits a security interest in such equities, in favour of its direct counterparty (the broker or clearing member), the clearing member may need to provide other forms of margin cover to LCH.Clearnet.

Certificateless Transactions

No certificates of ownership are issued to holders of LIFFE options contracts. LIFFE A&M maintains a daily record of contracts held and written, and every member firm of LIFFE is required to keep a continuous record of the option contracts held or written by its customers. Transactions in LIFFE options are evidenced by contract notes (advices) and periodic statements issued by members to their customers.

While LIFFE members are subject to general regulatory oversight by LIFFE A&M and most by the FSA, neither LIFFE A&M nor LCH.Clearnet is responsible for inaccuracies or omissions in advices or statements rendered to customers by member firms.

Because option contracts held or written by customers, as well as the day-to-day margin requirements, are in the books of the member through which the original transactions were made, further transactions should be made through the firm which executed the opening purchase or sale. A customer may request the transfer of its open option positions from one firm to another by issuing to both the transferring firm and the receiving firm a written instruction to transfer its account.

UK EQUITY SETTLEMENT SYSTEM

Settlement of LIFFE Options Transactions

For both buy and sell transactions in LIFFE options, premiums are payable or receivable on the business day following the trade. Exercise of UK Index Options, and certain flexible UK Equity Options, is for cash only settlement, which takes place on the business day following exercise. Such settlements of opening and closing transactions in all LIFFE options and of exercise of UK Index Options are conducted with LCH.Clearnet. None of these involves the UK equity settlement system.

Equity Settlement Period

Under three-day rolling settlement, T+3, introduced on 5 February 2003, all securities transactions must be settled three business days after the date of the trade. Equity transactions arising as a result of the exercise of an equity option are settled four days after the Exercise Notice is received by LCH.Clearnet.

CREST

CREST is the electronic settlement system for shares and other corporate securities in the UK and Ireland. It is owned and operated by Euroclear UK and Ireland Limited, which is a Recognised Clearing House under the UK Financial Services and Markets Act. 2000. CREST provides for the simultaneous exchange of payment and securities. Shares of companies and other corporate securities that are settled through CREST are fully dematerialised; that is, they exist only in electronic form and no certificates exist anywhere for such shares or securities. That said, if a shareholder requires physical certificates he is able to obtain them, through his broker, by using the CREST Courier and Sorting Service ("CCSS"). The CCSS takes receipt of, and dispatches, physical certificates in respect of share transactions being settled through CREST. Certificates received in this way will be passed by CCSS to the registrar for the securities in the case of sales by a person who has physical certificates. The registrar will pass securities to the CCSS in cases where the purchaser has requested a physical certificate. The CCSS matches the certificates with electronic instructions entered into CREST (see below).

The process of settlement begins with the parties to a transaction sending their electronic instructions to CREST as soon as possible after dealing. In the case of the exercise of a UK Equity Option, LCH.Clearnet will be the principal in CREST both to the exercising clearing member and to the clearing member which has been selected as the writer of the UK Equity Option. CREST matches each party's electronic instructions. Once this has been done, CREST checks that the seller has adequate stock available to deliver and that the buyer has adequate credit available to pay. If the necessary conditions are satisfied, the transaction will be settled. If not, CREST will continue to check throughout that day and continually thereafter until it is possible to settle the transaction. All transactions are settled gross in CREST and are not netted.

The legal basis for these arrangements is provided by the UK Uncertificated Securities Regulations 2001.

Additional Information

Information is available on both the NYSE Liffe (www.nyx.com/liffe) and the LCH.Clearnet (www.lchclearnet.com) websites.

APPENDIX ONE

Bclear

The following are eligible products for submission by US members, affiliates and authorized customers:

Standardized physical delivery UK Equity Options (American-style exercise) and flexible physical delivery and cash settled UK Equity Options (American-style exercise and European-style exercise).

Standardized cash settled FTSE 100 Index Options (European-style exercise) and flexible cash settled FTSE 100 Index Options (American and European-style exercise)

Minimum volume thresholds

UK Equity Options submitted to Bclear are subject to the following minimum volume thresholds:

Country	Standardized[15]	Flexible
UK	250	1

UK Index Options submitted to Bclear are subject to the following minimum volume thresholds:

Index	Standardized Index Options[16]	Flexible Index Options
FTSE 100	500	100

[15] Standardised UK Equity Options are those which have the same economic characteristics (i.e. underlying share, exercise price, expiry date, exercise style and settlement style) as those available on LIFFE CONNECT®.

[16] Standardised Index Options are those which have the same economic characteristics (i.e. underlying index, exercise price, expiry date, exercise style and settlement style) as those available on LIFFE CONNECT®.