

LONDON NOTICE No. 3177

ISSUE DATE: 24 July 2009
EFFECTIVE DATE: 27 July 2009

OPTIONS ON LONG GILT FUTURES CONTRACT

APPLICATION OF THE GUARANTEED CROSS FUNCTIONALITY

Executive Summary

This Notice informs Members of the introduction of the Guaranteed Cross functionality in relation to Options on the Long Gilt Futures Contract (the “Long Gilt Options Contract”).

1. Introduction

1.1 Following increased market activity in the Long Gilt Options Contract, the Exchange has determined that in order to provide further support for its development, the Guaranteed Cross (“GTX”) functionality will be made available for the Long Gilt Options Contract **with effect from 27 July 2009**.

2. GTX Functionality

2.1 Attachment 1 to this Notice provides an explanation of the GTX functionality within the context of the Trading Procedures governing pre-negotiation and cross transactions, whilst Attachment 2 contains an update to Annexe One of the NYSE Liffe Trading Procedures in relation to the application of the GTX functionality.

2.2 An updated copy of Annexe One to the NYSE Liffe Trading Procedures will be made available on the NYSE Euronext website (www.nyx.com/liffe) and in the London Market Handbook in due course.

2.3 The Exchange remains committed to continuing to improve and develop its products and to offering its Members the most efficient and effective market place for the trading of Bond Derivatives Contracts. Members who wish to suggest new ideas and initiatives for the future development of the Exchange’s Bond Derivatives should contact Fixed Income Derivatives at NYSE Liffe.

For further information relating to this Notice, Members should contact:

Fixed Income Derivatives

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The **Euronext Derivatives Markets** comprise the markets for derivatives operated by Euronext Amsterdam, Euronext Brussels, Euronext Lisbon, Euronext Paris and LIFFE Administration and Management, referred to respectively as the Amsterdam, Brussels, Lisbon, Paris and London markets. Euronext is part of the NYSE Euronext group.

**SUMMARY OF TRADING PROCEDURES GOVERNING PRE-NEGOTIATION AND
CROSS TRANSACTIONS FOR LONG GILT OPTIONS**

This note is provided for ease of reference and contains a summary of the relevant Trading Procedures. Members are advised to familiarise themselves with the definitive Trading Procedures which are contained in Part One of the NYSE Liffe Trading Procedures (Trading Procedure 3.4)

1. Members are able to procure matching business for an order through pre-negotiation within the Member, with other Members or with clients. Where there is a bid and an offer in the Central Order Book for the relevant contract month/series or strategy, matching business may be entered to the Trading Host without delay between the submission of the buy and sell orders.
2. Where there is no bid and/or no offer, an RFQ must be submitted and a prescribed delay observed (“the RFQ Period”) before matching business may be submitted. The prescribed delay is ten seconds in the case of Long Gilt Options. Having observed the relevant RFQ Period, the matching business must be submitted as soon as practicable and in any case within thirty seconds of the end of the RFQ Period.
3. For Long Gilt Options, Members will have the flexibility (as they currently do for Euribor and Short Sterling Options) to choose between:
 - (a) submitting matching business to the Central Order Book; and
 - (b) submitting it using the Guaranteed Cross facility. This facility enables Members to submit matching orders to the Trading Host which do not interact with orders in the Central Order Book, but whose price is constrained by the Central Order Book prices.
4. Where matching business is to be submitted as a Guaranteed Cross, such trade must be:
 - (a) within the best bid and offer in the relevant Central Order Book; or
 - (b) for designated contracts, where the spread between the best bid and offer is at the minimum price movement for the Contract concerned, the Guaranteed Cross may be executed at such bid or offer price, providing the volume of the Guaranteed Cross satisfies a specified minimum volume threshold (the minimum volume thresholds for Long Gilt Options are set out in Attachment 2 to this Notice); or
 - (c) where a bid but no offer, or an offer but no bid, exists in the Central Order Book, better than such bid or offer; and
 - (d) in any event, at a price which represents a fair value for the trade.

ANNEXE ONE TO THE NYSE LIFFE TRADING PROCEDURES
(Additions are shown underlined)

Guaranteed Cross Transactions

As specified in Part One Trading Procedure 3.4.7 (b), for designated contracts pre-negotiated matching business may be executed using the Guaranteed Cross Facility.

Business executed in this manner is subject to the pricing parameters set out in Part One Trading Procedure 3.4.8. The tables below specify which products may be traded using the Guaranteed Cross Facility and the volume threshold which applies to Guaranteed Crosses where the price is at the best bid or offer (which is only permissible when the bid/offer spread is at the minimum price movement for the Contract concerned, i.e. it is at “one tick”).

Product	Guaranteed Cross available	Volume threshold for crossing in a “one tick” market
Euro (EURIBOR) Options	Yes	Please see details below
Euro (EURIBOR) Mid-Curve Options	Yes	Please see details below
Short Sterling Options	Yes	Please see details below
Short Sterling Options Mid-Curve Options	Yes	Please see details below
<u>Long Gilt Options</u>	<u>Yes</u>	<u>Please see details below</u>
All other products	No	n/a

Euro (EURIBOR) Options	Outrights in white months	3,000
	Outrights in red months	1,000
	Strategies involving white months	5,000 in aggregate
	Strategies involving red months	2,000 in aggregate
Euro (EURIBOR) One Year Mid-Curve Options	Outrights in all months	1,000
	Strategies involving all months	2,000 in aggregate
Euro (EURIBOR) Two Year Mid-Curve Options	Outrights in all months	500
	Strategies involving all months	1,000 in aggregate
Short Sterling Options	Outrights in white months	2,000
	Outrights in red months	1,000
	Strategies involving white months	3,000 in aggregate
	Strategies involving red months	2,000 in aggregate
Short Sterling One Year Mid-Curve Options	Outrights in all months	1,000
	Strategies involving all months	2,000 in aggregate

Short Sterling Two Year Mid-Curve Options	Outrights in all months	500
	Strategies involving all months	1,000 in aggregate
<u>Long Gilt Options</u>	<u>Outrights in all months</u>	<u>100</u>
	<u>Strategies involving all months</u>	<u>200 in aggregate</u>