

## **LONDON NOTICE No. 3208**

ISSUE DATE: 23 October 2009  
EFFECTIVE DATE: 1 December 2009

### **SHORT TERM INTEREST RATE (“STIR”) FUTURES CONTRACTS**

### **LIQUIDITY PROVIDER SCHEMES FOR INDIVIDUALS**

#### **Executive Summary**

This Notice informs Members of three new Liquidity Provider Schemes for individuals in the Three Month Euro (EURIBOR), Three Month Sterling (Short Sterling) and Three Month Swiss Franc (Euroswiss) Interest Rate Futures Contracts. The new Schemes will replace the existing Liquidity Provider Schemes for individuals in these STIR Futures Contracts.

#### **1. Introduction**

1.1 Currently, the Exchange operates three Liquidity Provider Schemes in its Euribor, Short Sterling and Euroswiss Futures Contracts, in which individuals can participate:

- (a) the Individual Liquidity Provider (“ILP”) Scheme in the Euribor, Short Sterling and Euroswiss Futures Contracts;
- (b) the Euribor Futures Contract STIR Liquidity Provider (“SLP”) Scheme; and
- (c) the Short Sterling Futures Contract SLP Scheme.

1.2 This Notice informs Members that the Exchange has determined to consolidate the existing STIR Futures Liquidity Provider Schemes for individuals in respect of Euroswiss, Euribor and Short Sterling Futures Contracts and will replace the existing Schemes as shown below:

- (a) consolidating the Euribor SLP and ILP Schemes for individuals into one Scheme which shall be referred to as the Euribor Liquidity Provider Scheme (the “**Euribor LP Scheme**”);
- (b) consolidating the Short Sterling SLP and ILP Schemes for individuals into one Scheme which shall be referred to as the Short Sterling Liquidity Provider Scheme (the “**Sterling LP Scheme**”); and
- (c) replacing the existing ILP Scheme for the Euroswiss Futures Contract with the Euroswiss Liquidity Provider Scheme (the “**Euroswiss LP Scheme**”) which, in addition to offering lower Exchange transaction fees for “back” months (as the ILP Scheme for Euroswiss Futures Contracts offers), will also include a volume discount element on Exchange transaction fees. The new Euroswiss LP Scheme will be

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structured in the same way as the Euribor and Sterling LP Schemes and will operate from **1 December 2009 to 30 November 2010 inclusive**.

## **2. Qualifying Business**

2.1 For each of the three LP schemes detailed in section 1.2, “Qualifying Business” is business which satisfies the following criteria:

- (a) executed in the relevant STIR Futures Contracts to which the scheme applies;
- (b) assigned to a person registered by the Exchange as an Individual LP on the relevant Scheme; and
- (c) proprietary business of the Individual LP and not client business.

## **3. Summary of Other Terms and Conditions**

3.1 In general terms, an Individual LP is an individual who, through his trading activity (involving behaviour such as price improvement and the facilitation of order flow), supports and enhances the liquidity of LIFFE’s STIR Futures Contracts. A typical example of such behaviour is the frequent submission of orders into the LIFFE CONNECT® central order book to attract and satisfy customer order flow. Specifically, the Exchange defines an Individual LP as:

- (a) an individual whose principal activities include trading futures on a discretionary basis for his own account, or for the proprietary account of an employer in which he has an interest;
- (b) whose trading activity contributes to price discovery and satisfies the futures order flow of other market participants; and
- (c) who can demonstrate that they have met the appropriate volume threshold requirement in any calendar month during the six month period prior to the application date.

3.2 The volume threshold requirements for Individual LP applications differ between contracts, and are as follows:

- (a) 20,000 lots of proprietary business in any one calendar month in the Euribor Futures Contract; and
- (b) 8,000 lots of proprietary business in any one calendar month in the Short Sterling Futures Contract; and
- (c) 2,000 lots of proprietary business in any one calendar month in the Euroswiss Futures Contract.

## **4. Application Process**

4.1 The application forms for the Euribor LP Scheme, the Sterling LP Scheme and the Euroswiss LP Scheme are available from Account Managers. Those individuals wishing to apply for LP status should complete the form and submit it to their Account Manager. The Exchange’s decision as to whether applications should be approved for LP status shall be final and binding.

4.2 Scheme Terms and Conditions are attached to the application form. The Exchange advises every applicant to ensure that they have read and understood those Terms and Conditions, as the Terms and Conditions and applicable Notices govern participation in the Schemes.

4.3 Ultimately, it is the responsibility of the applicant to ensure that all information included on the application form is complete and correct. Incorrect information will affect and possibly

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

- 4.4 Applications submitted near to the end of a month may not be approved until the following calendar month. Only volume assigned to the Individual LP on and after the first trading day of the calendar month following the month the application was approved will be Qualifying Business.
- 4.5 For the avoidance of doubt, an individual holding LP status in one contract (e.g. Euribor Futures Contract) must apply separately for LP status in a different contract (e.g. Sterling and/or Euroswiss Futures Contracts).

## **5. Identification of Qualifying Business**

- 5.1 Once an individual has been registered as an LP, his Qualifying Business will be identified through a single unique entry into the User Specified field (a LIFFE CONNECT<sup>®</sup> field that translates into a single Account Reference in the Trade Registration System (“TRS”)) used exclusively by the LP and solely for his activity in that capacity.
- 5.2 It is essential that submitted Account References are accurate as a simple error will result in Qualifying Business not being identified. For example, if Account Reference “ABC1” was submitted as “ABC”, no Qualifying Business would be identified and no transaction fee rebates would be rewarded.
- 5.3 Applicants should be aware that after a LIFFE CONNECT<sup>®</sup> trade enters TRS, the Account Reference field can be amended through TRS post trade processing. For example, allocation can be made to a different Account Reference. As such, applicants should ensure that they submit in their application the final Account Reference of their trades for the Exchange to identify Qualifying Business accurately.
- 5.4 **The Exchange stresses that any underpayment of transaction fee rebates resulting from inaccurate application/registration details will not be corrected retrospectively by the Exchange.**
- 5.5 If a registered LP decides to make changes to the trading and/or clearing arrangement which were detailed in the application, particularly those used by the Exchange to identify Qualifying Business (e.g. clearer, Member and Account Reference details), it is the responsibility of the LP to provide the Exchange with formal notification of such amendments in a timely manner, ideally in advance. Failure to do so could result in inaccurate registrations and no transaction fee discounts being received.
- 5.6 The Exchange advises any registered Euribor, Sterling or Euroswiss LPs wishing to amend such details to do so, where possible, at or near the beginning of a calendar month. This will maximise an LP’s ability to receive volume discounts by avoiding Qualifying Business for the month concerned being “split” (e.g. where an LP is registered at the Exchange under two different Account References or clearers, the previous one and the new one).

## **6. Existing Registered ILPs and SLPs**

- 6.1 Any individual who is currently registered with the Exchange as either an ILP or SLP will automatically qualify as an Individual LP for the new Euribor, Sterling and Euroswiss LP Schemes, as appropriate.

## **7. Billing Arrangements**

- 7.1 In relation to the Euribor, Sterling and Euroswiss Futures Contracts, Exchange transaction fees will be billed (as they are currently) to Clearing Members at the beginning of the

following calendar month. This initial bill is calculated on the basis of 25p per lot, per side for all delivery months. The Exchange will then calculate the rebates on Qualifying Business for approved Individual LPs and make rebates to Clearing Members during the following calendar month. For example, rebates for Qualifying Business transacted in December 2009 will be calculated in January 2010 for payment to Clearing Members at the beginning of February 2010.

7.2 In the event that any business which may give rise to a benefit under the terms of the LP Scheme may also qualify as business undertaken by the LP giving rise to a benefit under any other Exchange liquidity provision, market making or other similar scheme or arrangement (regardless of whether such scheme or arrangement is an “incentive scheme” within the FSA’s guidance), the Exchange reserves the right in its absolute discretion to take one or more of the following actions:

- (a) not to credit any further rebates otherwise due under the Scheme;
- (b) to re-charge some or all of the discounted transaction fees made under the Scheme; and
- (c) to terminate the LP Agreement by notice to the parties with immediate effect.

## **8. Net Exchange transaction fees and LP Calculators**

8.1 A full list of the net Exchange transaction fees for individual traders registered on the Euribor LP Scheme, Sterling LP Scheme and Euroswiss LP Scheme is contained in the Attachment to this Notice. The net transaction fees will continue to be given effect by way of rebate in the usual manner.

8.2 Interested parties are reminded that calculators have been designed to indicate the financial benefits available through the LP Schemes in the Euribor, Sterling and Euroswiss Futures Contracts. These calculators, in Microsoft Excel format, are available on the NYSE Euronext website ([www.nyx.com/liffe](http://www.nyx.com/liffe)).

For further information in relation to this Notice, Members should contact their Account Manager or:

Fixed Income Derivatives

+44 (0)20 7379 2222

stirs@liffe.com

**Euribor Futures – Net Exchange transaction fees for an individual trader registered as a Euribor Liquidity Provider (“LP”).**

<b>WHITE DELIVERY MONTHS</b>		<b>RED DELIVERY MONTHS</b>		<b>GREEN DELIVERY MONTHS</b>		<b>BLUE DELIVERY MONTHS</b>	
Quarters 1 to 4 including serial months		Quarters 5 to 8		Quarters 9 to 12		Quarters 13 to 16	
Monthly Volume	Fee per lot per side	Monthly Volume	Fee per lot per side	Monthly Volume	Fee per lot per side	Monthly Volume	Fee per lot per side
0-20,000	<b>25p</b>	0-3,000	<b>20p</b>	0-1,200	<b>15p</b>	0-400	<b>10p</b>
20,001-200,000	<b>18p</b>	3,001-22,500	<b>15p</b>	1,201-9,000	<b>11p</b>	401-3,000	<b>7p</b>
200,001-400,000	<b>14p</b>	22,501-45,000	<b>12p</b>	9,001-18,000	<b>9p</b>	3,001-6,000	<b>6p</b>
400,001-600,000	<b>10p</b>	45,001 – 67,000	<b>9p</b>	18,001-27,000	<b>7p</b>	6,001-9,000	<b>5p</b>
>600,000	<b>6p</b>	>67,000	<b>6p</b>	>27,000	<b>5p</b>	>9,000	<b>4p</b>

Note: Under the terms of the Euribor LP Scheme the net Exchange transaction fee for “gold” delivery months (quarters 17 to 20) is zero.

The average transaction fees per lot for an Individual LP trading Euribor Futures are shown below:

<b>WHITE DELIVERY MONTHS</b>		<b>RED DELIVERY MONTHS</b>		<b>GREEN DELIVERY MONTHS</b>		<b>BLUE DELIVERY MONTHS</b>	
Monthly Volume	Average Fee	Monthly Volume	Average Fee	Monthly Volume	Average Fee	Monthly Volume	Average Fee
34,957	<b>22p</b>	3,746	<b>19p</b>	1,598	<b>14p</b>	599	<b>9p</b>
46,590	<b>21p</b>	4,992	<b>18p</b>	2,395	<b>13p</b>	1,195	<b>8p</b>
69,826	<b>20p</b>	7,482	<b>17p</b>	4,777	<b>12p</b>	4,180	<b>7p</b>
139,304	<b>19p</b>	14,926	<b>16p</b>	11,372	<b>11p</b>	9,577	<b>6p</b>
234,707	<b>18p</b>	27,455	<b>15p</b>	19,568	<b>10p</b>	19,105	<b>5p</b>
312,812	<b>17p</b>	41,148	<b>14p</b>	28,165	<b>9p</b>		
422,981	<b>16p</b>	54,308	<b>13p</b>	37,538	<b>8p</b>		
507,493	<b>15p</b>	69,692	<b>12p</b>				
617,115	<b>14p</b>	83,617	<b>11p</b>				
705,211	<b>13p</b>	104,495	<b>10p</b>				
822,648	<b>12p</b>	139,268	<b>9p</b>				
987,013	<b>11p</b>	208,729	<b>8p</b>				

**Short Sterling Futures** – Net Exchange transaction fees for an **individual trader** registered as a **Sterling Liquidity Provider (“LP”)**.

<b>WHITE DELIVERY MONTHS</b>		<b>RED DELIVERY MONTHS</b>		<b>GREEN DELIVERY MONTHS</b>		<b>BLUE DELIVERY MONTHS</b>	
Quarters 1 to 4 including serial months		Quarters 5 to 8		Quarters 9 to 12		Quarters 13 to 16	
Monthly Volume	Fee per lot per side	Monthly Volume	Fee per lot per side	Monthly Volume	Fee per lot per side	Monthly Volume	Fee per lot per side
0-8,000	<b>25p</b>	0-1,500	<b>22p</b>	0-750	<b>15p</b>	0-250	<b>10p</b>
8,001-80,000	<b>15p</b>	1,501-22,500	<b>15p</b>	751-9,000	<b>11p</b>	251-3,000	<b>7p</b>
80,001-200,000	<b>12p</b>	22,501-45,000	<b>12p</b>	9,001-18,000	<b>9p</b>	3,001-6,000	<b>6p</b>
200,001-300,000	<b>9p</b>	45,001-67,000	<b>9p</b>	18,001-27,000	<b>7p</b>	6,001-9,000	<b>5p</b>
>300,000	<b>6p</b>	>67,000	<b>6p</b>	>27,000	<b>5p</b>	>9,000	<b>4p</b>

Note: Under the terms of the Sterling LP Scheme the net Exchange transaction fee for “gold” delivery months (quarters 17 to 20) is zero.

The average transaction fees per lot for an Individual LP trading Short Sterling Futures are shown below:

<b>WHITE DELIVERY MONTHS</b>		<b>RED DELIVERY MONTHS</b>		<b>GREEN DELIVERY MONTHS</b>		<b>BLUE DELIVERY MONTHS</b>	
Monthly Volume	Average Fee	Monthly Volume	Average Fee	Monthly Volume	Average Fee	Monthly Volume	Average Fee
8,884	<b>24p</b>	1,749	<b>21p</b>	999	<b>14p</b>	375	<b>9p</b>
9,994	<b>23p</b>	2,098	<b>20p</b>	1,497	<b>13p</b>	747	<b>8p</b>
11,421	<b>22p</b>	2,622	<b>19p</b>	2,986	<b>12p</b>	3,732	<b>7p</b>
13,323	<b>21p</b>	3,495	<b>18p</b>	10,474	<b>11p</b>	9,352	<b>6p</b>
15,985	<b>20p</b>	5,237	<b>17p</b>	18,969	<b>10p</b>	18,657	<b>5p</b>
19,976	<b>19p</b>	10,448	<b>16p</b>	27,716	<b>9p</b>		
26,623	<b>18p</b>	25,957	<b>15p</b>	36,939	<b>8p</b>		
39,901	<b>17p</b>	38,903	<b>14p</b>				
79,602	<b>16p</b>	53,184	<b>13p</b>				
106,490	<b>15p</b>	68,943	<b>12p</b>				

**Euroswiss Futures – Net Exchange transaction fees for an individual trader registered as a Euroswiss Liquidity Provider (“LP”).**

<b>WHITE DELIVERY MONTHS</b>	
Quarters 1 to 4	
Monthly Volume	Fee per lot per side
0-2,000	<b>25p</b>
2,001-20,000	<b>15p</b>
20,001-40,000	<b>12p</b>
> 40,000	<b>9p</b>

<b>FRONT RED DELIVERY MONTHS</b>	
Quarters 5 & 6	
Monthly Volume	Fee per lot per side
0-400	<b>22p</b>
4001-6,000	<b>15p</b>
6,001-9,000	<b>12p</b>
> 9,000	<b>9p</b>

<b>BACK RED DELIVERY MONTHS</b>	
Quarters 7 & 8	
Monthly Volume	Fee per lot per side
0-400	<b>15p</b>
401-6,000	<b>13p</b>
6,001-9,000	<b>9p</b>
>9,000	<b>6p</b>

Note: Under the Euroswiss LP Scheme the net Exchange transaction fee for “green” delivery months (quarters 9 to 12) is zero.

The average transaction fees per lot for an Individual LP trading Euroswiss Futures are shown below:

<b>WHITE DELIVERY MONTHS</b>	
Monthly Volume	Average Fee
2,500	<b>23p</b>
3,330	<b>21p</b>
4,000	<b>20p</b>
5,000	<b>19p</b>
6,670	<b>18p</b>
10,010	<b>17p</b>
20,000	<b>16p</b>
26,700	<b>15p</b>
40,000	<b>14p</b>
50,000	<b>13p</b>

<b>FRONT RED DELIVERY MONTHS</b>	
Monthly Volume	Average Fee
700	<b>19p</b>
933	<b>18p</b>
1,400	<b>17p</b>
2,790	<b>16p</b>
6,940	<b>15p</b>
9,560	<b>14p</b>
11,950	<b>13p</b>
15,910	<b>12p</b>

<b>BACK RED DELIVERY MONTHS</b>	
Monthly Volume	Average Fee
797	<b>14p</b>
6,193	<b>13p</b>
8,255	<b>12p</b>
10,350	<b>11p</b>
12,935	<b>10p</b>
17,240	<b>9p</b>
25,840	<b>8p</b>