

## **LONDON NOTICE No. 3483**

ISSUE DATE: 12 August 2011  
EFFECTIVE DATE: 26 September 2011

### **JAPANESE GOVERNMENT BOND CONTRACT**

### **INTRODUCTION OF A LINK ARRANGEMENT WITH THE TOKYO STOCK EXCHANGE**

#### **Executive Summary**

This Notice informs Members that NYSE Liffe, in partnership with the Tokyo Stock Exchange, will be introducing a position transfer arrangement for the Japanese Government Bond (“JGB”) Contract, whereby open positions in London will be transferred to Tokyo and become fully fungible with the TSE 10-year JGB Futures Contract.

#### **1. Introduction**

- 1.1 This Notice informs Members that a revised JGB Contract (the “Contract”) is being launched on NYSE Liffe in partnership with the Tokyo Stock Exchange (“TSE”) under Link Arrangements, such that open positions on NYSE Liffe Clearing in effect will be transferred overnight to the TSE’s clearing house, the Japan Securities Clearing Corporation (“JSCC”). Once positions have been transferred in this way, they will be subject to the Rules of the TSE.
- 1.2 The Contract will be made available for trading on the LIFFE CONNECT<sup>®</sup> Central Order Book, under a new LIFFE contract code (contract code *LFJGB*), on and from Monday 26 September 2011.
- 1.3 The existing JGB Contract (contract code *LFN*), where open positions on LIFFE at the close of a business day are automatically cash settled at the next available opening price of the relevant delivery month on the TSE, will be suspended from close of business Wednesday 21 September 2011, following the cash-settlement of any remaining positions.
- 1.4 This Notice provides Members with information in respect of the Contract, including the following:
  - (a) summary and full legal Contract Specification;
  - (b) details of the Link Arrangements, including Member Link Agreement;
  - (c) operation of Circuit Breakers and Daily Price Limits;
  - (d) trading and transfer Fees;
  - (e) Japanese Yen PPS Accounts; and
  - (f) Member Testing in the LIFFE CTSG Market Environment;

Web site: [www.nyx.com/liffe](http://www.nyx.com/liffe)

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.

## 2. Contract Details

- 2.1 On and from Monday 26 September 2011, the Contract shall be made available on the LIFFE CONNECT<sup>®</sup> Central Order Book under the terms of Exchange Contract No. 185.
- 2.2 The Summary Contract Specification forms Attachment 1 to the Notice. The full Legal Contract Specification forms Attachment 2 to the Notice.

## 3. The Link Arrangements

- 3.1 The Contract will be cleared initially under the normal LIFFE arrangements and marked to market against a LIFFE Daily Settlement Price. Following the clearing process each day, in the normal course of events, each open position will be transferred overnight to the JSCC by way of the closure of the LIFFE Contract and opening of an equivalent contract on the TSE. Positions transferred to the JSCC will be fully fungible with 10-year JGB Futures positions created at the JSCC following trading on the TSE, creating a single pool of open interest at the JSCC. Transferred positions will be subject to the Rules of the TSE. In order to facilitate this arrangement, the Last Trading Day of the Contract will be **two business days** before the Last Trading Day of the equivalent 10-year JGB Futures contract delivery month on the TSE.
- 3.2 Positions are transferred to the JSCC in one of two ways, as illustrated below:

- (a) Net position at the LIFFE CONNECT<sup>®</sup> Daily Settlement Price; and  
(b) Gross position at the LIFFE CONNECT<sup>®</sup> Daily Settlement Price.

<b>LIFFE MEMBER TYPE</b>	<b>HOUSE ACCOUNT</b>	<b>SEGREGATED ACCOUNT</b>	<b>NON SEGREGATED ACCOUNT</b>	<b>DEFAULT</b>
GCM	Positions netted at the account level prior to transfer	Positions transferred as Gross	Positions transferred as Gross	Positions transferred as Gross.
NCM	Positions netted at the non-clearing member level. Positions then transferred as Net under either the GCM's Seg or Non-Seg trading account	Positions transferred as Gross under the GCM's Seg trading account	Positions transferred as Gross under either the GCM's Seg or Non-Seg trading account	Positions transferred as Gross under the GCM's Seg or Non-Seg trading account.

- 3.3 Members may wish to note that this arrangement is similar to the current operation of the LIFFE TOPIX Contract, where positions are also transferred nightly to the JSCC.
- 3.4 The position transfer arrangement means that, in the normal course of events, final settlement of contracts will occur in Tokyo at the JSCC. Final settlement of Contracts will occur in NYSE Liffe Clearing only in the event that there is a Link Emergency on the Last Trading

Day of a Contract delivery month and it is not possible to transfer those positions the following business day, as described in more detail in section 5 below.

#### **4. Member Link Agreement**

- 4.1 A Clearing Member wishing to execute or clear the Contract is required to enter into a Member Link Agreement (“MLA”) with a TSE Trading Member. A Non-Clearing Member, or clients of Non-Clearing Members or Clearing Members, may only execute Contracts if their Clearing Member has entered into an MLA with a TSE Trading Member.
- 4.2 The MLA allows for the transfer of all positions in the Contract from London to Tokyo. Members should note that a Clearing Member may only enter into an MLA with one TSE Trading Member and this TSE Trading Member must be the same for all LIFFE contracts traded under Link Arrangements with the TSE. However, a TSE Trading Member may enter into an MLA with multiple Clearing Members.
- 4.3 Clearing Members who already have an MLA in place in relation to the LIFFE TOPIX Contract will need to sign to an addendum to the original MLA in order to execute and/or clear the LIFFE JGB Contract. Clearing Members are required to use the same TSE Trading Member for the purposes of the MLA in relation to LIFFE TOPIX and LIFFE JGB Contracts.
- 4.4 Clearing Members who wish to receive a copy of the MLA, or an addendum to their existing MLA should contact their NYSE Liffe Account Manager (+44 (0)20 7379 2697, [accountmanagementlondon@liffe.com](mailto:accountmanagementlondon@liffe.com)).
- 4.7 **Clearing Members must return their completed MLA / addendum to the MLA to NYSE Liffe Membership Operations (+44 (0)20 7379 2844, [MembershipOps@nyx.com](mailto:MembershipOps@nyx.com)) at least five business days prior to the date on which they wish to commence executing or clearing the Contract.**

#### **5. Link Emergency**

- 5.1 A Link Emergency for the Contract may be declared in the event of a technical failure which prevents the correct transfer of open positions in one or more of the LIFFE Contracts traded under a Link Arrangement with the TSE to the JSCC; (i.e. LIFFE JGB Contract and LIFFE TOPIX Index Contract); or in the case of the default of a LIFFE or TSE Trading Member participating in any such Link Arrangements.
- 5.2 During a Link Emergency, all positions in the Contract will be held in London by NYSE Liffe Clearing. Positions will be transferred to JSCC when the Link Emergency has ended.
- 5.3 Should a Link Emergency occur on the LIFFE Last Trading Day, all positions will be held in London until the following business day (LIFFE Last Trading Day +1) when the Exchange will attempt to transfer the positions again. In the event that positions are not transferred by close of business on the LIFFE Last Trading Day +1, the expiring delivery month of the Contract will be cash settled in NYSE Liffe Clearing using the TSE’s official opening price of the afternoon trading session for the relevant 10 year JGB Futures Contract delivery month on the TSE Last Trading Day.
- 5.4 If the TSE does not, for any reason, determine the TSE official opening price of the afternoon trading session for the relevant delivery month on the TSE Last Trading Day, the Contract may be cash settled by NYSE Liffe Clearing at a price determined by the Board in its absolute discretion at any time on or after the TSE Last Trading Day, subject to the proviso that the EDSP shall be calculated by reference to, where practicable, recent actual or indicative JGB Futures prices, and/or cash market values of the Japanese Government Bonds in the deliverable basket.

- 5.5 Clearing Members are also advised of certain arrangements that will apply in the event that a Link Emergency is declared during the period following the processing and transfer of open positions by NYSE Liffe Clearing to the JSCC, but before the acceptance of those positions by the JSCC:
- (a) LIFFE's end of day batch processing is completed by NYSE Liffe Clearing by approximately 22:00 hours London time. Subsequently, those open positions cease to be held in the Universal Clearing Platform ("UCP").
  - (b) in the event that a Link Emergency is declared after the completion of the end of day batch processing, the positions will be held and margined in London although they will no longer be held in UCP.
  - (c) In this specific situation, a manual process will be implemented the following day, such that the Exchange will advise Clearing Members of their open positions, variation margin and initial margin calls via email and instruct the Clearing Services Provider ("CSP") (LCH.Clearnet Ltd) to pay and call the appropriate amounts to/from Members' cover calling accounts. Additionally, where a Link Emergency is called on the Last Trading Day, under the specific circumstances described in this paragraph 5.5, the expiring Contract delivery month will be held in London and NYSE Liffe Clearing will take all reasonable steps to effect the transfer of open positions to the JSCC on the following business day. In the event that transfer is not possible by the close of that business day, the Contract will be performed by cash settlement by NYSE Liffe Clearing using the approach described in paragraph 5.3 or 5.4, as the case may require. Again, the Exchange will advise Clearing Members of their open positions, variation margin and initial margin calls via email and instruct the CSP to pay and call the appropriate amounts to/from Members' cover calling accounts.

## **6. Client Agreements**

- 6.1 General Notice No. 880, issued on 25 September 1996, provided a set of generic clauses to be used in respect of client agreements where the Member was undertaking business in Link contracts on behalf of such clients. Any Member who has included those generic terms in their relevant client agreements need take no further action. However, any Member who has not previously included those generic terms will need to provide the appropriate notification to clients before conducting business in the Contract on the client's behalf.
- 6.2 For convenience, the generic client agreement clauses, in an updated form, are provided as Attachment 3 to this Notice.

## **7. Circuit Breakers and Daily Price Limits**

- 7.1 The Contract will be subject to Circuit Breakers and Daily Price Limits, which will be similar to those in place for 10-year JGB Futures on the TSE, although their implementation will differ in certain respects.
- 7.2 On the TSE, two Circuit Breakers and a Daily Price Limit operate at pre-defined spreads from a reference price, which is the most recent TSE Daily Settlement Price. On LIFFE, two Circuit Breakers and a Daily Price Limit will also operate at the same predefined spreads used by the TSE, although the reference price on LIFFE will be:
- (a) the opening trade price on LIFFE, or, in the absence of an opening trade;
  - (b) the mid-point of an established two-way LIFFE market during the first 10 minutes of trading, or, in the absence of either of these; and

(c) the last trade price in the TSE afternoon session.

- 7.3 The reference price will be published each day via a LIFFE CONNECT<sup>®</sup> text message. The Circuit Breaker/Daily Price Limit spread levels are set out in the table below.

	<b>Spread from Reference Price</b>
<b>Daily Price Limit</b>	±3.00 points ( 3 million yen per contract)
<b>Circuit Breaker</b>	±2.00 points ( 2 million yen per contract)

- 7.4 In the event of a breach of either of LIFFE's two Circuit Breakers, the Contract will be closed for 15 minutes. Any trades that may have occurred following the trade that breached the Circuit Breaker may be invalidated. NYSE Liffe Circuit Breakers will not be applied during the final 25 minutes of the Contract's trading day or for 25 minutes prior to Daily Settlement.

- 7.5 If a trade occurs beyond the Daily Price Limit level, the Contract will be closed and that trade, and any subsequent trades prior to the closure, may be invalidated. The Contract will be placed back into Pre-Open as soon as is practicable and may be re-opened if prices entered into the Pre-Open session indicate that the market is likely to proceed without further breaches of the Daily Price Limit. For the avoidance of doubt, there will be no time limit on the length of the market closure in order to enforce the Daily Price Limit.

- 7.6 In the event that a Daily Price Limit closure is in place at the time at which the Daily Settlement Price or Closing Price is due to be calculated, the Exchange will determine the Daily Settlement Price or Closing Price, as the case may be, by taking into account:

- (a) trading activity in the LIFFE CONNECT<sup>®</sup> Central Order Book for the period of no less than two minutes prior to the Daily Price Limit closure; and
- (b) price levels and/or spread relationships in a related market,

with a view to ensuring that the Daily Settlement Price and/or Closing Price are a fair reflection of the market.

- 7.7 Block Trades cannot be reported during a Circuit Breaker or Daily Price Limit closure. If a Block Trade is organised just before the commencement of such a closure, it can only be submitted to the Exchange once trading resumes on LIFFE CONNECT<sup>®</sup>. In such circumstances, the Block Trade reporting deadlines as set out in the NYSE Liffe Trading Procedures continue to apply, albeit the time during which the market is closed will not count towards the Block Trade reporting time. Block Trades should not be organised during a Circuit Breaker or Daily Price Limit closure.

- 7.8 Section Lo.15 of the NYSE Liffe Trading Procedures will be updated in due course to reflect the implementation of Circuit Breakers and Daily Price Limits in the Contract.

## **8. Block Trade Facility**

- 8.1 The Contract will continue to be included in the Exchange's Block Trade Facility. The minimum volume threshold is 100 lots. Members are reminded that the minimum volume threshold applies to each leg of a strategy trade.

- 8.2 A list of Block Trade minimum volume thresholds is available on the NYSE Euronext website ([www.nyx.com/liffe](http://www.nyx.com/liffe)).

## 9. Business Days, and Trading Hours

- 9.1 On and from Monday 26 September 2011, the Contract will be available for trading on all remaining market days in 2011. Details of the trading availability of the Contract for subsequent years will be published by separate Notice.
- 9.2 Session times for the trading of the Contract on LIFFE CONNECT<sup>®</sup> are as follows (all times are London time):

Pre-Open	Open	Pre-Close	Settlement	Close
06:03	07:00*	15:58	16:00	16:00

\*The Contract will open at 08:00 (London time) on Tokyo Stock Exchange Holidays

## 10. Fees

- 10.1 Transaction fees will be charged on a per lot, per side basis, and will be revised in line with the TSE's transaction fees as set out in the table below:

Fee	Fee (Yen)
LIFFE Trading Fee	¥ 34
LIFFE Transfer Fee	¥ 56
TSE Transfer Fee	¥ 5
TSE Clearing Fee	¥ 49

- 10.2 NYSE Liffe and TSE will charge a transfer fee for each Contract transferred through the Link Arrangement. Positions closed-out intra-day via netting in the Member House account will not be transferred to the JSCC and hence will not incur this charge.
- 10.3 For all JGB positions transacted on NYSE Liffe, variation margin is calculated by the CSP based on the difference between the Trade Price and LIFFE CONNECT<sup>®</sup> Daily Settlement Price. Initial Margin is charged by the TSE and not the CSP, except for Link Emergencies and Japanese Bank holidays.

## 11. Japanese Yen PPS Accounts

- 11.1 A Clearing Member wishing to execute or clear the Contract is also required to ensure that their Protected Payment System ("PPS") account is permitted to transfer Japanese Yen.
- 11.2 Clearing Members who require this permission should contact the CSP (LCH.Clearnet Ltd) (+44 (0)20 7426 7078, [membershipteam@lchclearnet.com](mailto:membershipteam@lchclearnet.com)).

## 12. Statement in relation to the JGB Contract

The Exchange draws the following statement to the attention of potential users of its Japanese Government Bond Contract. Members should ensure that their clients are made aware of the statement.

"Statement in relation to the Japanese Government Bond Contract

Potential users of the Japanese Government Bond Contract ("the Contract") made available on The London International Financial Futures and Options Exchange ("LIFFE") should be aware that the Contract is traded at LIFFE under Link arrangements with the TSE. Under these arrangements, Members' open positions at LIFFE are transferred, in the normal course

of events, overnight to TSE's Japan Securities Clearing Corporation ("JSCC"). Positions are transferred to the JSCC by the closure of the LIFFE Contract and opening of an equivalent TSE 10-year Japanese Government Bond Futures Contract. Contracts which have been transferred in this way and those that have been traded on the TSE flow into a single pool of open interest at the JSCC. Subsequently, Japanese Government Bond Futures positions at the JSCC are subject to the Rules of TSE.

Potential users of the Contract should familiarise themselves with the relevant Conversion Factor Formula and TSE delivery procedures, as well as the contract terms. Potential users should also be aware that, in the unlikely event of a Link Emergency on the LIFFE Last Trading Day, the Exchange will take all reasonable steps to effect the transfer of open positions to the JSCC. In the event that transfer is not possible by the close of business on the business day following the LIFFE Last Trading Day, the Contract will be performed by cash settlement by the Exchange using the TSE Official Opening Price of the afternoon trading session on the TSE Last Trading Day.

In addition, Circuit Breakers and Daily Price Limits operate in the Contract, in a similar manner to those in operation for the TSE Japanese Government Bond Futures Contract. Circuit Breaker/Daily Price Limit ranges are set at a fixed range either side of a specific reference price and, at such time as such range is breached, trading in the Contract will be halted and orders entered subsequently may be invalidated. Potential users should therefore ensure that they understand the detailed procedures in relation to Circuit Breakers and Daily Price Limits, the level of the relevant allowable price ranges, and any associated information. Potential users should also consider the implications of trading halts which, whilst likely to occur only in extreme market conditions, may limit their ability to trade or to manage their positions for given periods of time."

### **13. U.S. Regulatory Position**

- 13.1 The Exchange will update Members on the status of the Contract with regard to trading by U.S. Persons in due course.

### **14. Member Testing in CTSG**

- 14.1 It is intended that the Customer Technical Support Group ("CTSG") market simulation environment for the Contract will be made available on 30 August 2011. This date will be confirmed by Notice in due course. Members wishing to test the clearing link in the LIFFE CTSG Market Environment must contact their NYSE Liffe Account Manager at least one business day before they wish to commence testing.
- 14.2 Members will be required to provide their Account Manager with the following details in relation to the clearing link:
- (a) TSE Clearing Member;
  - (b) TSE Member Code associated with the TSE Clearing Member;
  - (c) CTSG Test Member Mnemonic associated with the Member's TSE Clearing Link; and
  - (d) test Individual Trader Mnemonics ("ITMs").

Members who are unsure of their test Member Mnemonic and/or their test ITMs can contact CTSG (+44 (0) 207 655 7110, [ctsg@nyx.com](mailto:ctsg@nyx.com)).

- 14.3 Members are advised that their test TSE Clearing Member need not be the same as the production TSE Clearing Member.

- 14.4 CTSG data in respect of the JGB Contract will be passed to the TSE on a daily basis. However, the TSE will not process and distribute the data daily, but can do so on an ad hoc basis, upon request from TSE Members. In such instances, the TSE will process the data producing details of the Positions / Trades and will send these via encrypted email and test clearing system, to the requesting Member. Members are advised to liaise with their TSE Clearing Member should they wish to see the trades progressing through clearing.
- 14.5 The Exchange has one formal end-to-end Member test planned with the TSE on Sunday 18 September 2011. Data entered into the LIFFE CTSG environment on Wednesday 14 September will be transferred to the TSE production environment on Sunday 18 September 2011, and will be processed and distributed automatically to the TSE Members. On this dedicated TSE test day, the TSE shall inform TSE Members of the successful file transfer via email, and send the details of the positions/trades to each Member through their Clearing software and via encrypted email. TSE Members wishing to participate in the end-to-end Member test must submit the relevant application form to the TSE in advance of the test date.

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

Fixed Income Derivatives

+44 (0)20 7379 2222

bonds@liffe.com



<b>Futures Contract</b>	<b>Japanese Government Bond Contract</b>
<b>Underlying</b>	Japanese Government Bond (JGB)
<b>Contract Standard</b>	Traded under Link Arrangements with the Tokyo Stock Exchange
<b>Exchange Contract Code</b>	JGB
<b>Contract Size</b>	¥100,000,000 nominal value long term 6% JGB
<b>Delivery Months</b>	March, June, September, December (nearest two delivery months available for trading)
<b>Quotation</b>	Per ¥100 face value
<b>Trading Tick Size</b>	0.01
<b>Trading Tick Value</b>	¥10,000
<b>Daily Settlement Type</b>	Transfer of open positions in London to the TSE's Clearing House (JSCC) based on the LIFFE Daily Settlement Price
<b>Last Trading Day</b>	Two London Business Days prior to the TSE Last Trading Day for the equivalent TSE 10-year Japanese Government Bond Futures contract delivery month
<b>TSE Delivery Price</b>	Subject to TSE Rules, the Final Settlement Price of the expiring contract, established by TSE on the TSE last trading day
<b>TSE Final Settlement Method</b>	Delivery of interest bearing Japanese Government Bonds having not less than 7 and not more than 11 years to maturity on the TSE, as specified by the TSE
<b>Link Emergency Provisions</b>	If, for any reason contemplated by the Link Rules or the Regulations, it is not possible for a registered Contract to be transferred pursuant to the Link Rules by close of business of the LIFFE business day following the LIFFE Last Trading Day, such Contracts shall be cash settled using the TSE Official Opening Price of the TSE afternoon trading session on the TSE Last Trading Day.
<b>Trading Hours</b>	07:00 - 16:00 London Time (NB: The JGB Contract opens at 08:00 on Tokyo Stock Exchange Holidays)
<b>Time trading ceases on LTD</b>	16:00 London Time
<b>Trading Platform</b>	LIFFE CONNECT®
<b>Clearing</b>	NYSE Liffe Clearing
<b>Bloomberg code</b>	N A <COMDTY>
<b>Reuters code</b>	O#FYB:

EXCHANGE CONTRACT NO. 185  
JAPANESE GOVERNMENT BOND (JGB) FUTURES CONTRACT  
(TRADED UNDER LINK ARRANGEMENTS WITH THE  
TOKYO STOCK EXCHANGE)

CONTRACT TERMS - Issue Date: 12 August 2011

ADMINISTRATIVE PROCEDURES – 12 August 2011

Delivery months: December 2011 onwards

## JAPANESE GOVERNMENT BOND (JGB) FUTURES CONTRACT

### THE LONDON INTERNATIONAL FINANCIAL FUTURES AND OPTIONS EXCHANGE

Terms of Exchange Contract No.xx

#### 1. Interpretation

1.01 Save as otherwise specified herein, words and phrases defined in the Rules shall have the same meanings in these terms and in the Administrative Procedures.

1.02 In these terms and in the Administrative Procedures:

“Administrative Procedures” means all procedures from time to time implemented by the Board pursuant to the Rules for the purposes of this Exchange Contract.

“Contract” means a contract made expressly or impliedly in the terms of this Exchange Contract for the sale and purchase of one or more lots of an Exchange Contract, and “registered Contract” means a Contract registered by the Exchange.

“CSP” means a clearing services provider appointed pursuant to LIFFE Rule 1.1.3 from time to time to provide certain clearing services to the Exchange.

“delivery month” means each month specified as such by the Board pursuant to the Rules, or as the context may require, each month specified as such by the TSE.

“EDSP” means the Exchange Delivery Settlement Price and has the meaning attributed to it in term 6.02 or 6.03, as the case may require.

“Exchange” means LIFFE Administration and Management.

“LIFFE” and “The London International Financial Futures and Options Exchange” means the futures and options market administered by the Exchange.

“LIFFE business day” means a day on which the market, the CSP and banks in London are open for business.

“LIFFE Last Trading Day” means in respect of any delivery month, two LIFFE business days prior to the TSE Last Trading Day for the equivalent delivery month of the TSE Japanese Government Bond Futures Contract.

“Link Emergency” has the meaning attributed to it in the Member Link Clearing Agreement.

"Link Rules" means the rules set out in Section 11 of the Rules as amended from time to time.

"lot" has the meaning attributed to it in term 2.01.

“Member Link Agreement” means an agreement, the purpose of which is to facilitate the transfer of positions in Japanese Government Bond Futures Contracts from a LIFFE Clearing Member to a TSE member.

“Regulations” means the General Regulations and Default Rules from time to time in force of the CSP.

“transfer” means the closure of the Japanese Government Bond Futures Contract on LIFFE and opening of an equivalent TSE Japanese Government Bond Futures Contract on the TSE.

"transfer price" in respect of a Contract for a delivery month, means, subject to the Rules and the Regulations, the price determined by LIFFE for such delivery month on such business day for performance of the Japanese Government Bond Futures Contract.

"TSE" means the Tokyo Stock Exchange.

“TSE Japanese Government Bond Futures Contract” means the TSE 10-year Government Bond Futures Contract traded on the TSE, with deliverable Japanese Government bonds having terms to redemption not less than 7 years and not more than 11 years to maturity, as amended from time to time.

"TSE business day" means a day on which the TSE market is open for business.

“TSE Delivery Price” means in respect of a contract in the terms of the TSE Japanese Government Bond Futures Contract for a delivery month, the TSE final settlement price established on the TSE Last Trading Day will be the Delivery Price to be paid or received at delivery.

"TSE Last Trading Day" means in respect of contract in the terms of the TSE Japanese Government Bond Futures Contract for a delivery month, seven TSE business days prior to the TSE Settlement Day, or other such day as determined by TSE.

“TSE Official Opening Price” means in respect of a contract in the terms of the TSE Japanese Government Bond Futures Contract for a delivery month, the price (known as “Hajimene”) established by the TSE on a TSE business day as the opening trading price for that session.

"TSE Settlement Day" means in respect of a contract in the terms of the TSE Japanese Government Bond Futures Contract for a delivery month, the 20<sup>th</sup> calendar day of the delivery month, except that if such a day is not a day on which prime banking names in Tokyo are open for business, the next day that is both a TSE business day and a day on which such banks are open for business shall be the TSE Settlement Day. Expiry positions on the TSE which have not been closed out by the end of the TSE Last Trading Day must be settled by delivery on the TSE Settlement Day.

"Yen" and "¥" denote the lawful currency of Japan.

1.03 Reference to a “term” refers to a term hereof and reference to a “Rule” and “Article” refer to the Exchange’s Rules and Articles respectively. Save where the context otherwise requires references herein to the singular include the plural, and vice versa.

1.04 Days in London and Tokyo bearing a common date are to be treated as the same day. Unless otherwise specified in these Contract Terms and Administrative Procedures, times shown are expressed in London time.

## 2. Contract Specification

2.01 The terms shall apply to all Contracts

2.02 Each Contract shall be for one or more lots for the delivery month specified.

2.03 A “lot” shall be a notional amount having a face value of ¥100,000,000 of a notional long term Japanese Government Bond with a coupon of 6% per annum.

## 3. Price

3.01 The Contract price shall be expressed in yen per ¥100 face value of a notional long term Japanese Government Bond with a coupon of 6% per annum, as specified in the Administrative Procedures.

4. LIFFE Last Trading Day

4.01 On the LIFFE Last Trading Day trading in Contracts for the current delivery month shall cease at such time as may be specified in the Administrative Procedures.

5. Performance and Link Emergency

5.01 Without prejudice to term 11, this term 5 is subject to the Rules and the Regulations.

5.02 A registered Contract shall be performed by:

- (i) transfer pursuant to the Link Rules; or
- (ii) in the circumstances outlined in term 5.04, cash settlement by the Exchange.

5.03 Notwithstanding term 5.02(i), in respect of each lot comprised in a registered Contract to be transferred at the transfer price, the following payments shall be made by the time specified therefor by the CSP:

- (a) where the transfer price exceeds the Contract price, payment by the Seller to the CSP or payment by the CSP to the Buyer (as the case may require), and
- (b) where the Contract price exceeds the transfer price payment by the Buyer to the CSP or payment by the CSP to the Seller (as the case may require),

of an amount calculated as the difference in yen, multiplied by 1,000,000 in respect of each lot, between the transfer price and the Contract price.

5.04 If, for any reason contemplated by the Link Rules or the Regulations, it is not possible for a registered Contract to be transferred pursuant to the Link Rules by close of business on the LIFFE business day following the LIFFE Last Trading Day, such Contract shall be performed by the payment of an amount determined in accordance with term 5.05.

5.05 In respect of each lot comprised in a registered Contract referred to in term 5.04, the following payments shall be made by the time specified therefor in the Administrative Procedures:

(a) where the EDSP exceeds the Contract price, payment by the Seller to the CSP or payment by the CSP to the Buyer (as the case may require), and

(b) where the Contract price exceeds the EDSP payment by the Buyer to the CSP or payment by the CSP to the Seller (as the case may require),

of an amount calculated as the difference in yen, multiplied by 1,000,000 in respect of each lot, between the EDSP and Contract Price.

6. Exchange Delivery Settlement Price (“EDSP”)

6.01 This term 6 is subject to the operation of term 5.04.

6.02 Subject to term 6.03, the EDSP in respect of a Contract for a delivery month shall be the TSE Official Opening Price of the afternoon trading session on the TSE Last Trading Day.

6.03 If the TSE does not, for whatever reason, determine the TSE Official Opening Price of the afternoon session for the relevant delivery month on the TSE Last Trading Day, the EDSP may be determined by the Board in its absolute discretion at any time on or after the TSE Last Trading Day, subject to the proviso that the EDSP shall be calculated by reference to, where practicable, recent actual or indicative TSE Japanese Government Bond Futures price levels, and/or cash market values of the Japanese Government Bonds which constitute the deliverable basket in respect of the delivery month.

7. Emergency Provisions

7.01 If, at any time prior to the commencement of trading of Contracts on the LIFFE Last Trading Day in respect of a delivery month, it becomes known to the Exchange that the day which was anticipated to be the LIFFE Last Trading Day or the day immediately following the anticipated LIFFE Last Trading Day will not be a business day then the business day immediately preceding the day which was to have been the LIFFE Last Trading Day shall be (or shall have been) the LIFFE Last Trading Day in respect of that delivery month and the Exchange shall publish a Notice to that effect.

7.02 If, at any time after the commencement of trading of Contracts on the LIFFE Last Trading Day in respect of a delivery month, it becomes known to the Exchange that the day that would have been the LIFFE business day following

the LIFFE Last Trading Day will not be a business day, then this shall not alter the LIFFE Last Trading Day.

- 7.03 If in the circumstances described in 7.02, a Link Emergency occurs on the LIFFE Last Trading Day then the day that would have been the LIFFE business day following the LIFFE Last Trading Day will be treated as if it were a LIFFE business day for the purposes of term 5.04.

8. Force Majeure

- 8.01 Subject to any steps taken at any time by the Board under emergency powers in the Rules, a Seller or a Buyer shall be liable to perform his obligations in respect of a lot comprised in a Contract by the due time therefore, notwithstanding that he may be or is likely to be prevented from so doing by any event beyond his reasonable control including, without limitation, any act of God, strike, lockout, war, armed conflict, use of force by authority of the United Nations, fire, riot or civil commotion, combination of workmen, act of terrorism, breakdown of machinery, unavailability or restriction of computer or data processing facilities or energy supplies or bank transfer systems.

9. Articles, Rules, Regulations, etc

- 9.01 Every Contract shall be subject to the Articles and the Rules and the Regulations in so far as applicable notwithstanding that either or both of the parties to it be not a member of the Exchange or of the CSP.
- 9.02 In case of any conflict between the Administrative Procedures and these terms or the Rules, the provisions of these terms and the Rules shall prevail and, in the event of any conflict between these terms and the Rules, the Rules shall prevail.
- 9.03 Upon becoming aware of any amendment made by TSE to the terms of the TSE Japanese Government Bond Futures Contract made available for trading on the TSE market which, if applied to the terms of this Exchange Contract, have the effect of altering any of these terms, the Exchange shall notify by Notice any amendment made by TSE to the TSE Japanese Government Bond Futures Contract and any corresponding amendment to be made to the terms of this Exchange Contract, except that if the Board determines that to make any such corresponding amendment would be contrary to English law, or any other applicable law, or would conflict with a provision of the Default Rules (or the default rules forming part of the Regulations) the Notice shall state that fact and no such corresponding amendment shall be made. Any amendment made to these terms pursuant to this term 9.03 shall apply to existing as well as to new Contracts as from the time and date specified in the Notice.



10. Arbitration

- 10.01 Subject to any provisions of the Rules to the contrary and to the terms of a relevant Member Link Agreement relating to the resolution of disputes, any dispute arising from or in relation to a Contract shall be referred to arbitration under the Rules which shall be held in accordance with the Rules in force at the time of such reference.

11. Governing Law

- 11.01 Every Contract shall be governed by and construed in accordance with English law.

12. Non-registered Contracts

- 12.01 In respect of a Contract which is not a registered Contract (“non-registered Contract”) these terms shall be modified by the parties thereto so as to require and allow that a Contract to be registered with the Exchange under the Rules and the Regulations is capable of being so registered, and to facilitate performance of such Registered Contract (and of any intermediate Contract) in accordance with these terms and the Administrative Procedures. Modifications may also be made to the terms of a non-registered Contract to permit performance of such non-registered Contract if, without such modifications, it may not be possible to perform such Contract by the applicable times specified in these terms and the Administrative Procedures. Without prejudice to the generality of the foregoing, all references in these terms to payment or dealing between the Buyer or the Seller and the CSP shall be modified so as to require a similar payment or dealing directly between the Buyer and the Seller party to such non-registered Contract.

13. Statement in relation to the Japanese Government Bond Futures Contract

- 13.01 The Exchange draws the following statement to the attention of potential users of its Japanese Government Bond Contract. Members should ensure that their clients are made aware of the statement.

“Statement in relation to the Japanese Government Bond Contract

Potential users of the Japanese Government Bond Contract (“the Contract”) made available on The London International Financial Futures and Options Exchange (“LIFFE”) should be aware that the Contract is traded at LIFFE under Link arrangements with the TSE. Under these arrangements, Members’ open positions at LIFFE are transferred, in the normal course of events, overnight to TSE’s Japan Securities Clearing Corporation (“JSCC”). Positions are transferred to the JSCC by the closure of the LIFFE Contract and opening of an equivalent TSE Japanese Government Bond Futures Contract. Contracts which have been transferred in this way and those that have been traded on the TSE flow into a single pool of open interest at the JSCC. Subsequently,

Japanese Government Bond Futures positions at the JSCC are subject to the Rules of TSE.

Potential users of the Contract should familiarise themselves with the relevant Conversion Factor Formula and TSE delivery procedures, as well as these contract terms. Potential users should also be aware that, in the unlikely event of a Link Emergency on the LIFFE Last Trading Day, the Exchange will take all reasonable steps to effect the transfer of open positions to the JSCC. In the event that transfer is not possible by the close of business on the business day following the LIFFE Last Trading Day, the Contract will be performed by cash settlement by the Exchange using the TSE Official Opening Price of the afternoon trading session on the TSE Last Trading Day.

In addition, Circuit Breakers and Daily Price Limits operate in the Contract, in a similar manner to those in operation for the TSE Japanese Government Bond Futures Contract. Circuit Breaker/Daily Price Limit ranges are set at a fixed range either side of a specific reference price and, at such time as such range is breached, trading in the Contract will be halted and orders entered subsequently may be invalidated. Potential users should therefore ensure that they understand the detailed procedures in relation to Circuit Breakers and Daily Price Limits, the level of the relevant allowable price ranges, and any associated information. Potential users should also consider the implications of trading halts which, whilst likely to occur only in extreme market conditions, may limit their ability to trade or to manage their positions for given periods of time.”

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Issue Date: 12 August 2011

## JAPANESE GOVERNMENT BOND FUTURES CONTRACT

Exchange Contract No.185

Administrative Procedures

Price

The minimum price fluctuation shall be ¥0.01 per ¥100 face value

LIFFE Last Trading Day

at 16.00 hours:

Trading in Contracts for the current delivery month on LIFFE CONNECT<sup>®</sup> will cease

Payment:

(i) If a transfer of registered Contracts does occur:

All payments (if any) required by term 5.03 to be made by the Buyer, and the Seller shall have been completed by such time on such business day as the Board and the CSP shall determine

(ii) If a transfer of registered Contracts, does not occur by close of business on the LIFFE business day following the LIFFE Last Trading Day:

All payments (if any) required by term 5.05 to be made by the Buyer, and the Seller shall have been completed by such time on such business day as the Board and the CSP shall determine.

Issue Date: 12 August 2011

## **Linked Contracts: Client Agreement Requirements**

### **Explanatory note**

The additional client agreement requirements in respect of Linked Contracts which Members must satisfy are covered by the specimen clauses overleaf. The specimen clauses may be added to or rewritten by Members provided that any alternative clauses used by Members achieve the same effect and the same purpose as the Exchange's specimen clauses.

The following notes to the clauses are for the guidance of Members.

### **General Provisions**

#### Exclusion of Liability

This clause is in addition to the clause dealing with the Exclusion of Liability in General Notice No. 399, issued on 6 March 1992.

#### Governing Law

Members may wish to add that the Participating Exchange Contracts created upon transfer of Linked LIFFE Contracts, and the Linked Participating Exchange Contracts prior to transfer, are subject to and shall be construed in accordance with the law specified by the relevant participating Exchange.

#### Rules of LIFFE

The clause dealing with the Rules of LIFFE in General Notice No. 399 applies to Linked LIFFE Contracts.

#### Transfer

The first parenthetical phrase of this clause is only necessary if the Member will be counterparty to the Participating Exchange Contract as well as the Linked LIFFE Contract. The second parenthetical phrase of this clause is to be used when the client is either a Participating Exchange Member or a client of a Participating Exchange Member, and the LIFFE member is effectively acting in the capacity of "executing broker".

#### Delayed Transfer, Impossibility of Transfer

Members will need to ensure that their clauses dealing with margin arrangements in their existing client documentation deal with these circumstances, and that the client is notified if transfer does not occur.

## **Specimen Clauses**

### Definitions

“CSP”	means a Clearing Services Provider appointed pursuant to LIFFE Rule 1.1.3 from time to time to provide certain clearing services to the Exchange;
“LIFFE”	means LIFFE Administration and Management;
“Linked LIFFE Contract”	means an Exchange Contract made available for trading on the market pursuant to a Link, which is specified as such in a Notice published from time to time by the Exchange and is linked to a Participating Exchange Contract;
“Linked Participating Exchange Contract”	means a Participating Exchange Contract specified as such in a Notice published from time to time by the Exchange and is linked to an Exchange Contract;
“Participating Exchange”	means an exchange which has a Link with the Exchange and the term “Participating Exchange” shall include any clearing house who from time to time provides clearing services to such exchange.

## **General Provisions**

### **1. Exclusion of Liability**

Without prejudice to Rule 1.4, we and LIFFE Administration and Management (“LIFFE”) wish to draw to your attention that LIFFE shall have no liability whatsoever to any Member or client in contract, tort (including without limitation, negligence), trust, as fiduciary or under any other cause or action (except in respect of gross negligence, wilful default or fraud on its part), in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by any Member or client, as the case may be, as a result of: any suspension, restriction or closure of the market administered by either a Participating Exchange, LIFFE or the CSP to supply each other with data or information in accordance with arrangements from time to time established between all or any of them; the failure of communications facilities or technology supplied, operated or used by either a Participating Exchange, LIFFE or the CSP for the purposes of the Link; any event which is outside its or their control; any act or omission of either a Participating Exchange (where a Participating Exchange is acting otherwise than in connection with any Participating Exchange Contract, Linked LIFFE Contract or Linked Participating Exchange Contract or any act or omission of a Participating Exchange, LIFFE or the CSP (as the case

may be) in connection with the operation of the Link or arrangements for the transfer of contracts.

2. Governing Law

This agreement and all contracts in the terms of a Linked LIFFE Contract made under this agreement shall be subject to and construed in accordance with English Law.

3. Margin and client money/assets

Following the transfer of a contract in the terms of a Linked LIFFE Contract and the creation of a contract in the terms of a Participating Exchange Contract or prior to the transfer of a contract in the terms of a Linked Participating Exchange Contract and the creation of a contract in the terms of a LIFFE Contract (as the case may be), margin requirements will be determined in accordance with the rules of the Participating Exchange rather than LIFFE Rules. Any money or assets held in any country other than the UK may be subject to the applicable law of that country rather than UK client money and other asset rules, and you should satisfy yourself that this is acceptable to you before instructing us to transact any such business.

4. Rules of LIFFE

All contracts in the terms of a Linked LIFFE Contract made on LIFFE shall be subject to the Rules of LIFFE as from time to time in force.

5. Transfer

We shall endeavour to secure the transfer through the relevant Link of each contract in the terms of a Linked LIFFE Contract made between us which is intended for transfer. Upon confirmation by the relevant Participating Exchange of receipt of trade/position details from LIFFE, rights and obligations under such contract, save for outstanding obligations referred to in the Rules of LIFFE and the Regulations of the CSP, shall be discharged [and there shall arise simultaneously a contract in the terms of a Participating Exchange Contract between us]. The contract in the terms of the participating Exchange Contract shall be subject to the rules of the relevant Participating Exchange and shall not be subject to the provisions of this agreement. [Upon the transfer of the contract in the terms of a Linked LIFFE Contract we shall, without prejudice to any claim we may have including, without limitation, for fees or margin, cease to be a party to the contract and shall have no obligation to you for its performance.]

6. Delayed Transfer

In the event that, on any LIFFE trading day, LIFFE is unable for whatever reason to transmit details of all contracts in the terms of a Linked LIFFE Contract, or the relevant Participating Exchange is unable to receive or acknowledge receipt of all such details, any such contract made between us on that day shall remain as an undischarged contract in the terms of a Linked LIFFE Contract (but without prejudice to any default provisions agreed between us which may be operated to discharge such contract), subject to the Rules of LIFFE and the General Regulations and Default Rules of the CSP as from time to time in force, until such time as transfer can be achieved.

7. Impossibility of Transfer

If it is not possible for whatever reason for details of contracts in the terms of the Linked LIFFE Contract to be transmitted by LIFFE, or for the relevant Participating Exchange to receive or acknowledge receipt of all such details, so that transfer of such contracts cannot occur on any particular day, and any circumstances preventing such transfer continues so that the Link is suspended or terminated, any such contract made between us during any such period shall remain as an undischarged contract in the terms of a Linked LIFFE Contract, subject to the Rules of LIFFE and the Regulations of the CSP as from time to time in force, and shall be performed in accordance with its terms or may be closed out or otherwise discharged, in accordance with the Rules and any agreement reached between us.