

## LONDON NOTICE NO. 3633

Issue Date: 3 September 2012

Effective Date: 1 October 2012

### EQUITY INDEX CONTRACTS (EXCHANGE CONTRACT NO. 301)

### INTRODUCTION OF INDEX FUTURES CONTRACTS BASED ON RUSSELL EUROPE SMID 300 NET RETURN INDEX

#### Executive Summary

This Notice informs Members of the introduction within Bclear of futures contracts based on the Russell Europe SMID 300 Net Return Index.

#### 1. Introduction

- 1.1 This Notice informs Members that futures contracts on the Russell Europe SMID 300 Index, calculated on a “Net Return” basis and denominated in euro (the “Russell Europe SMID 300 Net Return Contract” or the “Contract”), will be made available via Bclear on and from 1 October 2012.
- 1.2 This Notice provides Members with the following information with respect to the introduction of the Russell Europe SMID 300 Net Return contract:
  - (a) underlying Index description;
  - (b) summary Contract Specifications and Contract Terms;
  - (c) minimum volume requirements;
  - (d) access and reporting rights;
  - (e) reporting days, reporting hours and Last Trading Days;
  - (f) fees;
  - (g) statement in relation to EDSP Price Formation; and
  - (h) the regulatory position in the United States.

#### 2. Russell Europe SMID 300 Net Return Index

- 2.1 The Russell Europe SMID 300 Net Return Index is denominated in euro and is calculated on a “Net Return” basis, and is provided by the index provider, Russell Investments. The index measures the market performance, including both price performance and income from dividend payments, of the

SMID cap market. Russell Investments defines the SMID as an asset class that represents the bottom of the mid cap and the top of the small cap markets, thus reflecting the SMID segment of the market as identified by investment managers.

- 2.2 The indices are converted from the local currency to euro or dollar using the WM/Reuters Closing Spot Rates, taken at 4pm London time.
- 2.3 The Russell Global Indexes Construction and Methodology reinvests dividends in the index at the close of the ex-dividend date (ex-date). The dividend is reinvested after deduction of withholding tax, applying the rate to non-resident individuals who do not benefit from double taxation treaties. Russell Investments uses withholding tax rates applicable in each country of incorporation of the stock component.
- 2.4 Detailed information in respect of Russell Investments' Index methodology can be found in Attachment 3 to this Notice or on the Russell Investments' website at [www.russell.com/euindexes](http://www.russell.com/euindexes).

### 3. Summary Contract Specifications and Contract Terms

- 3.1 On and from 1 October 2012, the Contract shall be made available via Bclear under the terms of Exchange Contract No. 301. The summary Contract Specification is set out below:

<b>Contract</b>	<b>Russell Europe SMID 300 Net Return Contract</b>
<b>Platform</b>	Bclear only
<b>Unit of Trading</b>	10 x index level
<b>Delivery Months</b>	The first <b>five quarterly months</b> from the March, June, September, December cycle
<b>Quotation</b>	€EUR per Index point
<b>Trading Tick Size</b>	0.001
<b>Trading Tick Value</b>	€0.01
<b>Exchange Delivery Settlement Price "EDSP"</b>	Closing Index Value of the Index on the Last Trading Day of the delivery month
<b>EDSP Published</b>	EDSP published as soon as practicable after 16:45 hours (London time)
<b>EDSP Tick Size</b>	0.001
<b>Contract Standard</b>	Cash settlement based on the EDSP
<b>Last Trading Day</b>	Third Friday of the delivery month
<b>Settlement Day</b>	Second Business day after the Last Trading Day
<b>Reporting Hours</b>	08:00 - 17:00 hours (London time)
<b>Time reporting ceases on Last Trading Day</b>	16:35 hours (London time)
<b>NYSE Liffe market</b>	London
<b>Clearing</b>	NYSE Liffe Clearing

- 3.3 The first delivery month to be made available shall be the December 2012 delivery month.
- 3.4 Exchange Contract No. 301 will be amended in order to reflect the inclusion of the Contract and the addition to the table of Contract Details which is set out in Attachment 1 to this Notice. An updated version of Exchange Contract No. 301 including other, minor, amendments will be made available on the NYSE Euronext website ([www.nyx.com/liffe](http://www.nyx.com/liffe)) in due course.

#### **4. Minimum Volume Requirement**

- 4.1 There is no minimum volume requirement in respect of the Contract.

#### **5. Access and Reporting Rights**

- 5.1 Direct access to Bclear is available to Members of the London market, including those affiliates of Members who have been approved by the Exchange pursuant to Rule 3401 (Rules, Book I). Other wholesale market participants who are clients of Members may have indirect access to Bclear on an intermediated basis via such Members, i.e. as is the case with their LIFFE CONNECT<sup>®</sup> business. Members will be required to perform appropriate risk management checks in relation to all client business before it is subjected to the Exchange's trade confirmation process.
- 5.2 To report trades in the Contract to the Exchange via Bclear, Members will need a Futures Subscription (FUT).
- 5.3 To claim trades only, Members will need to have the appropriate entitlement set up in the membership database.
- 5.4 To clear trades in the Contract, Members will require the relevant clearing status (GCM or ICM) and access to the Financials Universal Clearing Platform ("Financials UCP").

#### **6. Reporting Days, Reporting Hours and Last Trading Days**

- 6.1 Transactions in respect of the Contract will be capable of being reported to the Exchange via Bclear on any market day as specified in Attachment 2.
- 6.2 Members may report trades in the Contract to the Exchange via Bclear between 08:00 and 17:00 hours (London time), except on the Last Trading Day when transactions may be reported to the Exchange via Bclear between 08:00 and 16:35 hours (London time).
- 6.3 The reporting arrangements explained in Section 12 of Book II of the Rules and section 6 of this Notice will, of necessity, determine the days and hours during which the relevant transactions may be undertaken.
- 6.4 The Last Trading Day for the Contract shall normally be the third Friday of the delivery month. However, Members should refer to Term 4 in Exchange Contract No. 301 on the NYSE Euronext website ([www.nyx.com/liffe](http://www.nyx.com/liffe)) and the definition of "business day" in Term 1 which have the effect in that: for the Russell Europe SMID 300 Net Return Contract, the Last Trading Day will not ordinarily be moved unless all of the relevant stock exchanges are closed for business, subject to Term 4.03.

## **7. Fees**

- 7.1 Transaction fees will be charged on a per lot, per side basis. These will be set at €0.35 per lot, per side for published trades and €0.45 per lot, per side for non-published trades.
- 7.2 NYSE Liffe Clearing fees will also be charged on a per lot, per side basis. These will be set at €0.05 per lot, per side.

## **8. Statement in relation to the Contract**

- 8.1 The Exchange draws the following statement to the attention of potential users of the Contract. Members should ensure that their clients are made aware of the statement.

“Potential users of the Russell Europe SMID 300 Net Return Index Futures Contract made available on the London International Financial Futures and Options Exchange should familiarise themselves with Russell Investments’ relevant index rules, construction, calculation and dissemination procedures, as well as the contracts terms of Exchange Contract No. 301. The various indices underlying the Equity Index Contracts made available under Exchange Contract No. 301 are calculated and managed by a number of different index providers, each of whom has its own Index rules and procedures. Furthermore, Index construction methodologies vary from Index to Index. Therefore, potential users should ensure that they familiarise themselves with all relevant Index rules and procedures for the specific Equity Index Contracts they intend to use.

Price formation leading to the EDSP for the Contract is subject to similar influences to those in the case of many other cash-settled contracts. Trading activity on the relevant stock market(s) during the EDSP period is likely to be affected by the activity of particular market participants who are seeking to obtain price convergence at the EDSP between offsetting stock and futures positions. Such participants might typically seek to achieve this by unwinding their stock positions during the EDSP period at prices which they anticipate will contribute to the calculation of Index figure(s) which will, in turn, be used to determine the final EDSP. A consequence of this concentrated activity might be that the Index figure used to calculate the final EDSP differs from the Index figure immediately prior to the commencement of the EDSP Period and, if relevant, from the Index figure immediately following that period.

Potential users should, therefore, consider the risks of holding positions into expiry of the Contract. In particular, they should consider their exposure to potentially unfavourable price movements in the expiry and whether to take steps to neutralise such exposure; for example, taking into account that there may be relatively limited liquidity provision, whether to “roll” or close positions prior to expiry.

Potential users should also be aware that, in respect of Equity Index Contracts based on Indices for which there is more than one relevant stock exchange, a “market day” will ordinarily be capable of being designated as a “business day”, and therefore as a “Last Trading Day”, unless all relevant stock exchanges are closed for business.

Where the Last Trading Day occurs on a day where one or more of the relevant stock exchanges is closed for business, the EDSP will necessarily be derived from Index figure(s) containing some constituent stock prices which were determined on the most recent previous day on which each

such stock exchange was open for business. In such circumstances, potential users should be aware that, as a consequence, the constituent stock prices contributing to the Index figure(s) used to calculate the EDSP will not all have been determined on the same day. Potential users should be aware that, in such circumstances, although some constituent stocks will not be available for trading on the Last Trading Day of the Contract, the prices of those constituent stocks as included in the Index calculation may, as a result of movements in foreign exchange rates, still be subject to change which would be reflected in the EDSP in accordance with the relevant Index compilation and calculation procedures.”

## **9. U.S. Regulatory Position**

9.1 Members should note that U.S. Persons are not currently permitted to engage in transactions in the Contract.

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

Equity Product Management

+44 (0)20 7379 2200

[equities@nyx.com](mailto:equities@nyx.com)

**ADDITIONS TO EXCHANGE CONTRACT NO. 301**

<b>Index</b>	<b>Russell Europe SMID 300 Net Return Index</b>
<b>Known as Exchange Contract No.</b>	260
<b>Currency specified by the Board</b>	euro €
<b>Contract size</b>	Valued at €10 per Index Point
<b>Value of Value Point</b>	€1 per lot
<b>Minimum Price Fluctuation</b>	0.01 of a Value Point
<b>Delivery months</b>	March, June, September, December
<b>No. of delivery months available for trading</b>	Nearest five
<b>Quotation</b>	Index Points (e.g. 1000.0)
<b>Last Trading Day</b>	Third Friday of the delivery month
<b>EDSP: rounding convention</b>	Rounded to the nearest 0.001 or, where such average is an exact uneven multiple of 0.0005, to the nearest higher 0.001

**Availability of Russell Europe SMID 300 Index Net Return Contracts  
via Bclear in 2012 and 2013**

Transactions in respect of Russell Europe SMID 300 Index Net Return Contracts will be capable of being reported via Bclear, on any market day.

Transactions will **not** be capable of being reported via Bclear on the following days:

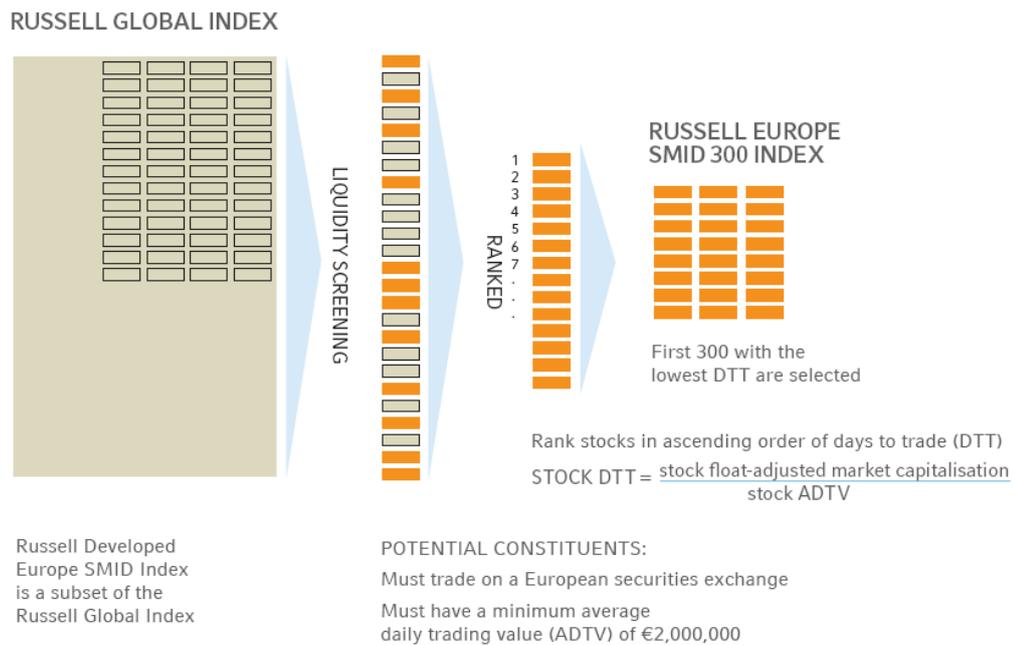
<b>Dates unavailable for reporting via Bclear</b>
25 December 2012
26 December 2012
29 March 2013
1 April 2013
25 December 2013
26 December 2013

Russell Developed Europe SMID 300 Index construction

The Russell Europe SMID 300 Index contains the 300 most rapidly tradable constituents from the SMID cap opportunity set in developed European markets. Russell defines the SMID as an asset class that represents the bottom of the mid cap and the top of the small cap markets, thus reflecting the SMID segment of the market as identified by investment managers.

The Russell Europe SMID 300 Index is rebalanced/reconstituted every year on the last Friday in June and components removed from the index between annual reconstitutions are not replaced. It follows the same rules for corporate actions and maintenance as for the Russell Global Index.

**Construction overview**



Full index construction methodology is available under:

<http://www.russell.com/indexes/documents/russell-europe-smid-300-eurozone-smid-150-index-construction-methodology.pdf>

Russell Global Indexes Construction and Methodology is available under:

[http://www.russell.com/indexes/documents/Global\\_Indexes\\_Methodology.pdf](http://www.russell.com/indexes/documents/Global_Indexes_Methodology.pdf)