LONDON NOTICE NO. 3619

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UPDATE TO THE POLICY FOR THE INTRODUCTION OF NEW SERIES FOR OPTION CONTRACTS AVAILABLE VIA BCLEAR AFTER IMPLIED VOLATILITY CALCULATIONS HAVE BEEN MADE IN RELATION TO CORPORATE ACTIONS

Executive Summary

This Notice informs Members of an update to the policy for the introduction of new series for Option Contracts available via Bclear after implied volatility calculations have been made in relation to a Corporate Action.

1. Background

1.1. London Notice No. 2938, issued on 14 September 2007, informed Members about the policy for the introduction of new series after implied volatility calculations have been made. Section 3 of London Notice No. 2938 described the introduction policy for Option Contracts available via Bclear as follows:

> *"For Bclear, expiry months and series may only be introduced where they have the same strike prices as series in the central order book (albeit that the exercise style and delivery style of such series may differ). These series will have the same implied volatility as comparable series in the central order book."*

1.2. Since the policy for the introduction of new series for Option Contracts available via Bclear requires the existence of the same strike on a Central Order Book contract, in practice, the possibility of introducing new series after implied volatility calculations have been made is limited. NYSE Liffe has therefore determined to update the introduction policy.

2. Updated Policy

2.1. For Option Contracts available via Bclear, expiry months and series will be introduced after implied volatility calculations have been made, in accordance with the following procedures:

(a) When a NYSE Liffe Central Order Book Option Contract is available on the same underlying value, NYSE Liffe shall calculate an implied volatility by using existing Central Order Book strikes, in accordance with the principles as described in Section 2 of London Notice No. 2938.

(b) When no NYSE Liffe Central Order Book Option Contract is available on the same underlying value, NYSE Liffe shall interpolate an implied volatility by using existing strikes in Bclear contracts, listed on the same underlying value, in accordance with the principles as described in Section 2 of London Notice No. 2938.

(c) When no NYSE Liffe Central Order Book Option Contract is available on the same underlying value, and no Bclear strikes exist at the time that implied volatility calculations should be made, NYSE Liffe will announce one 'fixed implied volatility' for all Option Contracts available via Bclear, listed on the relevant underlying value. This 'fixed implied volatility' will subsequently be used for Fair Value calculations of any new Bclear series which is introduced after the announcement of the 'fixed implied volatility'. The calculation of Fair Value prices for options is described in Appendix 1 of the NYSE Liffe's Corporate Actions Policy (www.nyx.com/corporate actions policy). The 'fixed implied volatility' may be derived from related Financial instruments (i.e. equity derivatives or the underlying share).

2.2. Interpolated implied volatilities for strikes of Option Contracts available via Bclear, as described in Sections 2.1 (a) and (b) above, will be announced on the 'Corporate Actions Latest' web page (www.nyx.com/corporate actions latest), before becoming available for trading. In the event that a 'fixed implied volatility' is established at the time that implied volatility calculations should be made, as described in Section 2.1 (c), NYSE Liffe will announce this 'fixed implied volatility' in the preliminary Corporate Action Notice.

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

NYSE Liffe Quality of Derivative Markets	+31 (0)20 550 4296	CorporateActionsTeam@nyx.com