

## LONDON NOTICE NO. 3675

Issue Date: 18 December 2012

Effective Date: 20 December 2012

### INTRODUCTION OF FOUR YEAR MID-CURVE OPTIONS ON THREE MONTH EURO (EURIBOR) AND THREE MONTH STERLING (SHORT STERLING) INTEREST RATE FUTURES CONTRACTS

#### Executive Summary

This Notice informs Members of the introduction of Four Year Mid-Curve Options on Three Month Euro (EURIBOR) and Three Month Sterling (Short Sterling) Interest Rate Futures Contracts.

#### 1. Introduction

1.1 In response to demand from Members, the Exchange has determined to launch Four Year Mid-Curve Options on Three Month Euro (EURIBOR) and Three Month Sterling (Short Sterling) Interest Rate Futures Contracts (the "Contracts"). The Contracts, which shall be referred to as "Euribor Four Year Mid-Curve Options" and "Sterling Four Year Mid-Curve Options", will be made available for trading on and from 20 December 2012.

1.2 This Notice provides Members with the following information in respect of the Contracts:

- (a) Contract Details;
- (b) Statement in relation to Options on Short Term Interest Rate, Swapnote<sup>®</sup> and Government Bond Contracts;
- (c) Trading Licence;
- (d) Minimum Volume Thresholds for Block Trades;
- (e) Guaranteed Cross Arrangements;
- (f) Business Days and Trading Hours;
- (g) Fees;
- (h) U.S. Regulatory Position; and
- (i) Inclusion of the Contracts in the STIR Options Designated Market Maker Programme

**2. Contract Details**

2.1 The Contracts shall be made available under the terms of Exchange Contract No. 901, the full legal Contract Specification for which will be made available on the NYSE Euronext website ([www.nyx.com/liffe](http://www.nyx.com/liffe)) in due course. The Summary Contract Specifications form Attachment 1 to this Notice.

2.2 The Exchange Code for the Contracts are set-out in the table below:

<b>Contract</b>	<b>Exchange Code</b>
Euribor Four Year Mid-Curve Options	LOK4
Sterling Four Year Mid-Curve Options	LOM4

**3. Statement in relation to the Options on Short Term Interest Rate, Swapnote® and Government Bonds Contracts**

3.1 The Exchange draws the following statement to the attention of potential users of its Options on Short Term Interest Rate, Swapnote® and Government Bond Contracts. Members should ensure that their clients are made aware of the statement:

“Potential users of the Options on Short Term Interest Rate, Swapnote® and Government Bond Contracts made available on the London International Financial Futures and Options Exchange should familiarise themselves with the terms of these contracts and with the terms of the Underlying Futures Contract.”

**4. Trading License**

4.1 Members wishing to execute trades in the Contracts on LIFFE CONNECT® must hold a valid LIFFE CONNECT® Financial Options Trading Subscription.

4.2 To claim trades only, Members will need to have the appropriate entitlement set up in the membership database.

4.3 To clear trades in the Contracts, Members will require the relevant clearing status (General Clearing Member or Individual Clearing Member) and access to the Universal Clearing Platform.

**5. Minimum Volume Thresholds for Block Trades**

5.1 The Minimum Volume Thresholds for Block Trades for the Contracts in all delivery months shall be as follows:

<b>Contract</b>	<b>Outrights</b>	<b>Strategies (Aggregate)</b>
Euribor Four Year Mid-Curve Options	500	1,000
Sterling Four Year Mid-Curve Options	500	1,000

## 6. Guaranteed Cross Arrangements

- 6.1 Matching business in the Contracts may be submitted to the Trading Host either by submission to the Central Order Book or as a Guaranteed Cross. Where business is submitted as a Guaranteed Cross, the price of the matching orders may be at the best bid or best offer price in the Central Order Book if the differential between such best bid and best offer is the minimum price movement of the Contract concerned, subject to each order within the Guaranteed Cross satisfying the following minimum volume thresholds:

Contract	Outrights	Strategies (Aggregate)
Euribor Four Year Mid-Curve Options	500	1,000
Sterling Four Year Mid-Curve Options	500	1,000

## 7. Business Days and Trading Hours

- 7.1 The Contracts will be available for trading Monday to Friday except for non-trading days as specified in the NYSE Liffe Trading Calendar: [www.nyx.com/exchange\\_holidays](http://www.nyx.com/exchange_holidays).

- 7.2 Detailed session times for the trading of Contracts are as follows:

Contract	Host	Session Start	Pre Open	Open	Settlement	Pre Close	Close	Session Close
Euribor Options	F	00:30	06:03	<b>07:02</b>	16:15	17:58	<b>18:00</b>	21:35
Sterling Options	F	00:30	06:03	<b>07:32</b>	16:15	17:58	<b>18:00</b>	21:35

## 8. Fees

- 8.1 Fees associated with the Contracts, on a per lot, per side basis are detailed in the table below:

Trading Fees	Clearing Fees	Exercise and Assignment Fees
£0.22	£0.03	£0.25

## 9. U.S. Regulatory Position

- 9.1 The Contracts will be made available to Members and their Affiliates who are based in the United States, on and from the respective launch dates.

## **10. Inclusion of the Contracts in the STIR Options Designated Market Maker Programme**

- 10.1 London Info-Flash No. [LO12/52](#), issued on 13 July 2012, informed Members of the renewal of the Designated Market Maker (“DMM”) Programme (the “Programme”) in respect of Options (including One, Two and Three Year Mid-Curve Options) on Three Month Euro (EURIBOR) and Three Month Sterling (Short Sterling) Interest Rate Futures Contracts and invited Members and appropriate clients of Members to apply.
- 10.2 On and from 20 December 2012, in respect of Euribor Four Year Mid-Curve Options and Sterling Four Year Mid-Curve Options, the Programme will be expanded to include the relevant Contracts. In all other respects Programme Terms and Conditions remain unchanged. Full details can be found on London Info-Flash No. [LO12/52](#).
- 10.3 Any participant registered on the Programme who provides market making services in the Contracts will be eligible for reduced Exchange trading fees and reduced Exercise and Assignment Fees. Full details of the benefits in respect of the Programme can be found on Attachment 2 to this Notice.
- 10.4 Any existing participant wishing to apply for DMM status in the Contracts should contact the Exchange.
- 10.5 The Programme remains open to new applications. Members who wish to apply for DMM status, either themselves or on behalf of their clients, should contact their Account Manager for an application form. Members or clients who would like additional information about the Programme should contact the Fixed Income Derivatives team at NYSE Liffe.

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

Fixed Income Derivatives

+44 (0) 20 7379 2222

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

<b>CONTRACT</b>	<b>Four Year Mid-Curve Option on Three Month Euro (EURIBOR) Interest Rate Futures Contract</b>
<b>UNIT OF TRADING</b>	One Three Month Euro (EURIBOR) Interest Rate Futures Contract
<b>CONTRACT STANDARD</b>	Assignment of one Three Month Euro (EURIBOR) Interest Rate Futures at the exercise price. The futures delivery month associated with each option expiry month shall be: <ul style="list-style-type: none"> <li>• March, four years forward, in respect of January, February and March expiry months;</li> <li>• June, four years forward, in respect of April, May and June expiry months;</li> <li>• September, four years forward, in respect of July, August and September expiry months; and</li> <li>• December, four years forward, in respect of October, November and December expiry months</li> </ul>
<b>EXPIRY MONTHS</b>	March, June, September, December, and two serial months, such that six expiry months are available for trading, with the nearest three expiry months being consecutive calendar months
<b>LAST TRADING DAY</b>	Two business days prior to the third Wednesday of the expiry month. On the Last Trading Day, trading in the expiring month will cease at 10:00 hours (London time). If such a day is not a business day, Last Trading Day shall mean the next business day following such day.
<b>MINIMUM PRICE MOVEMENT</b>	0.005 (€12.50) (tick size and value)
<b>EXERCISE DEADLINE</b>	Exercise by 17:00 hours (London time) on any business day prior to the Last Trading Day and until 10:45 hours (London time) on the Last Trading Day
<b>EXPIRY TIME</b>	10:45 hours (London time). An option to which the Exchange is party as Buyer and which has not been exercised shall expiry at 07:00 hours (London time) on the business day following the Last Trading Day.
<b>DELIVERY DAY</b>	Delivery on the first business day after day of exercise
<b>TRADING HOURS</b>	07:02 – 18:00 hours (London time)
<b>MARKET / TRADING PLATFORM</b>	London / LIFFE CONNECT®
<b>ALGORITHM</b>	Central Order Book applies a pro-rata trading algorithm, but with priority given to the first order at the best price subject to a minimum order volume and limited to a maximum volume cap
<b>WHOLESALE SERVICES</b>	Block Trading
<b>EXERCISE PRICE INTERVAL</b>	0.125 (i.e. 0.125%) e.g. 94.000, 94.125, 94.250 etc for all expiry months
<b>INTRODUCTION OF NEW SERIES</b>	Seventeen series will be listed for each new expiry month. Additional series will be listed when the Three Month Euro (EURIBOR) Interest Rate Futures Contract settlement price is within 0.06 of the eighth highest or lowest existing exercise price, or as deemed necessary by the Exchange
<b>OPTION PREMIUM</b>	The contract price is not paid at the time of purchase. Option positions, as with futures position, are settled-to-market daily giving rise to positive or negative variation margin flows. When the Buyer exercises/abandons an option, the Buyer is required to pay the original contract price to NYSE Liffe's Clearing Services Provider (the CSP) and the CSP will pay the original option price to the Seller on the following business day. Such payments will be netted against the variation margin balances of Buyer and Seller by the CSP.
<b>CLEARING</b>	NYSE Liffe Clearing
<b>CABINET TRANSACTION PRICE</b>	0.1 Basis Points

<b>CONTRACT</b>	<b>Four Year Mid-Curve Option on Three Month Sterling (Short Sterling) Interest Rate Futures Contract</b>
<b>UNIT OF TRADING</b>	One Three month Sterling Interest Rate Futures Contract
<b>CONTRACT STANDARD</b>	Assignment of one Three Month Sterling (Short Sterling) Interest Rate Futures at the exercise price. The futures delivery month associated with each option expiry month shall be: <ul style="list-style-type: none"> <li>• March, four years forward, in respect of January, February and March expiry months;</li> <li>• June, four years forward, in respect of April, May and June expiry months;</li> <li>• September, four years forward, in respect of July, August and September expiry months; and</li> <li>• December, four years forward, in respect of October, November and December expiry months</li> </ul>
<b>EXPIRY MONTHS</b>	March, June, September, December, and two serial months, such that six expiry months are available for trading, with the nearest three expiry months being consecutive calendar months
<b>LAST TRADING DAY</b>	Third Wednesday of the expiry month. On the Last Trading Day, trading in the expiring month will cease at 11:00 hours. If such a day is not a business day, Last Trading Day shall mean the next business day following such day.
<b>MINIMUM PRICE MOVEMENT</b>	0.005 (£6.25) (tick size and value)
<b>EXERCISE DEADLINE</b>	Exercise by 17:00 hours (London time) on any business day prior to the Last Trading Day and until 11:45 hours (London time) on the Last Trading Day
<b>EXPIRY TIME</b>	11:45 hours (London time). An option to which the Exchange is party as Buyer and which has not been exercised shall expiry at 07:00 hours (London time) on the business day following the Last Trading Day.
<b>DELIVERY DAY</b>	Delivery on the first business day after day of exercise
<b>TRADING HOURS</b>	07:32 – 18:00 hours (London time)
<b>MARKET / TRADING PLATFORM</b>	London / LIFFE CONNECT®
<b>ALGORITHM</b>	Central Order Book applies a pro-rata trading algorithm, but with priority given to the first order at the best price subject to a minimum order volume and limited to a maximum volume cap
<b>WHOLESALE SERVICES</b>	Block Trading
<b>EXERCISE PRICE INTERVAL</b>	0.125 (i.e. 0.125%) e.g. 94.000, 94.125, 94.250 etc for all expiry months
<b>INTRODUCTION OF NEW SERIES</b>	Twenty-five series will be listed for each new expiry month. Additional series will be listed when the Three Month Sterling Interest Rate Futures Contract settlement price is within 0.06 of the twelfth highest or lowest existing exercise price, or as deemed necessary by the Exchange
<b>OPTION PREMIUM</b>	The contract price is not paid at the time of purchase. Option positions, as with futures position, are settled-to-market daily giving rise to positive or negative variation margin flows. When the Buyer exercises/abandons an option, the Buyer is required to pay the original contract price to NYSE Liffe's Clearing Services Provider (the CSP) and the CSP will pay the original option price to the Seller on the following business day. Such payments will be netted against the variation margin balances of Buyer and Seller by the CSP.
<b>CLEARING</b>	NYSE Liffe Clearing
<b>CABINET TRANSACTION PRICE</b>	0.08 Basis Points

### Benefits of the STIR Options DMM Programmes

In return for fulfilling the obligations, appointed DMMs are eligible for a reduced Exchange trading fee (paid by way of rebate) for Qualifying Business in the Contracts based on the Fee Schedules set out in the tables below.

In addition, DMMs will be eligible for a 15 pence Exercise and Assignment fee rebate for all positions in the relevant STIR Options contract resulting from market making activity that is held to expiry and either exercised by, or assigned to, an appointed DMM, such that the net Exercise and Assignment fee will be 10 pence per side per lot.

Full details of the Programme, including information on the obligations and definition of Qualifying Business can be found on London Info-Flash No. [LO12/52](#).

Euribor Options			
Monthly Volumes		Net Fee	Rebate (£)
-	400,000	0.09	0.13
400,001	600,000	0.08	0.14
600,001	800,000	0.07	0.15
800,001	1,000,000	0.05	0.17
1,000,001	1,500,000	0.04	0.18
>1,500,000		0.02	0.20

Euribor One Year Mid-Curve Options			
Monthly Volumes		Net Fee (£)	Rebate (£)
-	200,000	0.07	0.15
200,001	250,000	0.06	0.16
250,001	300,000	0.05	0.17
300,001	500,000	0.03	0.19
>500,000		0.02	0.20

Euribor Two, Three and Four Year Mid-Curve Options			
Monthly Volumes (per Contract)		Net Fee (£)	Rebate (£)
-	50,000	0.05	0.17
50,001	75,000	0.04	0.18
75,001	100,000	0.03	0.19
100,001	125,000	0.02	0.20
>125,000		0.01	0.21

Sterling Options including One, Two, Three and Four Year Mid-Curve Options			
Monthly Volume		Net Fee (£)	Rebate (£)
All Qualifying Business		0.10	0.12