

LONDON NOTICE NO. 3774

Issue Date: 11 December 2013

Effective Date: 13 December 2013

OPTION CONTRACTS ON EQUITY INDICES (EXCHANGE CONTRACT NO. 351F)

INTRODUCTION WITHIN BCLEAR OF A FLEXIBLE INDEX OPTION CONTRACT BASED ON THE MSCI EUROPE INDEX (EUROPEAN-STYLE EXERCISE ONLY)

Executive Summary

This Notice informs Members of the introduction of a flexible Option Contract based on the MSCI Europe Net Total Return Index calculated in euro (European-Style Exercise), which will be made available within Bclear on and from 13 December 2013.

1. Introduction

- 1.1 On and from 13 December 2013, the Exchange will make available a flexible Option Contract based on the MSCI Europe Net Total Return (NTR) Index calculated in euro ("the Contract") within Bclear.
- 1.2 This Notice provides Members with the following information:
 - (a) background;
 - (b) summary contract specification and contract terms;
 - (c) Bclear minimum volume requirements;
 - (d) access and reporting rights;
 - (e) business days, trading hours and Last Trading Day;
 - (f) fees;
 - (g) statement in relation to the Exchange Delivery Settlement Price ("EDSP") Price Formation; and
 - (h) the regulatory position in the United States.

2. Background

- 2.1 The Exchange first introduced Futures Contracts on the MSCI Europe Net Total Return Index (calculated in euro) within Bclear on 11 October 2011 (London Notice No. [3509](#), issued on 7 October 2011 refers). In response to increasing volumes, the Exchange made the contracts available for trading on the Universal Trading Platform on 1 March 2013 (London Notice No. [3694](#), issued on 20 February 2013 refers).
- 2.2 Today, in response to customer demand, the Exchange has determined to introduce a European-style Options Contract on the MSCI Europe Net Total Return Index (calculated in euro) within Bclear only.

3. Summary Contract Specification and Contract Terms

- 3.1 The Contract shall be made available under the terms of Exchange Contract No. 351F.
- 3.2 The summary Contract Specifications are set out in Attachment 1 to this Notice.
- 3.3 Exchange Contract No. 351F will be amended in order to reflect the inclusion of the Contract and the additions to the table of Contract Details which is set out in Attachment 2 to this Notice.

4. Bclear minimum volume requirements

- 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. 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 submit trades in the Contract via Bclear, Members will need a London Index Options subscription (NDX).
- 5.3 To claim trades only in the Contract, Members will need to have the appropriate entitlement set up in the membership database and access to the Universal Clearing Platform ("UCP").
- 5.4 To clear trades in the Contract, Members will require the relevant clearing status (GCM or ICM) and access to UCP.

6. Business days, trading hours and Last Trading Day

- 6.1 Transactions in respect of the Contract will be capable of being reported via Bclear on those market days on which the relevant underlying stock exchange is open for business. A list of days for 2013

and 2014 where transaction will **not** be capable of being reported via Bclear is set out in Attachment 3 to this Notice.

- 6.2 Members may report transactions in the Contract to the Exchange via Bclear between 08:00 and 17:30 hours (London time), except on the Last Trading Day when transactions may be reported to the Exchange via Bclear between 08:00 and 16:00 hours (London time).
- 6.3 The Last Trading Day for the Contract may be any business day. For the purposes of the definition set out in section 1 of Exchange Contract No. 351F, a “business day” for the Contract shall be any market day except a market day where all of the relevant stock exchanges included in the index are closed for business.
- 6.4 The reporting arrangements explained in Section 12 of LIFFE Rules Book II and section 6 of this Notice will, of necessity, determine the days and hours during which the relevant transactions may be undertaken.

7. Fees

- 7.1 Transaction fees will be charged on a per lot, per side basis.
- 7.2 The transactions reported via Bclear, trading fees for published trades will be set at €0.25 and, for non-published trades, at €0.30.
- 7.3 Clearing fees will also be charged on a per lot, per side basis and will be set at €0.05. Exercise and assignment fees will be set at €0.30.

8. Statement in relation to the EDSP Price Formation

- 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.

“Statement in relation to EDSP Price Formation

Potential users of the Equity Index Contracts made available on The London International Financial Futures and Options Exchange should familiarise themselves with the relevant Index compilation and calculation procedures, as well as the contract terms of the Equity Index Contract.

Price formation leading to the EDSP for the Equity Index Contracts 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 figures which will, in turn, be used to determine the final EDSP. A consequence of this concentrated activity might be that 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 the expiry of the

Equity Index Contracts. 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.

Contract Term 11 “Errors in Index” describes the only circumstances in which the EDSP may be recalculated. For the avoidance of doubt, the EDSP shall not be adjusted for any other purpose or at any time other than specified in Contract Term 11.”

9. U.S. Regulatory Position

9.1 The Contract will be an “Eligible Option” (as referred to in London Notice No. [3732](#), issued on 3 July 2013) in respect of the transaction of business with specified U.S. entities.

9.2 London Notice No. [3732](#) also set out minor revisions to the arrangements under which specified U.S. persons are permitted to engage in transactions in Eligible Options and detailed an extension to the list of options covered by such arrangements. The list of “Eligible Options” now consists of all current LIFFE Individual Equity Option, and Index Option, Contracts based on non-US underlyings.

9.3 The updated list of “Eligible Options” will be available on the NYSE Euronext website (www.nyx.com/liffe) in due course.

10. Additional Information

10.1 An updated version of Exchange Contract No. 351F, including other, minor amendments, and the List of Contract Details will be made available in the London Market Handbook and on the NYSE Euronext website (www.nyx.com/londonmarkethandbook) in due course.

10.2 Additional information, including business days and hours, fees and other information with respect to the operation Bclear, can be found on the NYSE Euronext website (www.nyx.com/bclear).

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

Equity Derivatives Product Management

+44 (0)20 7379 2200

equities@nyx.com

Contract specifications for flexible Options on MSCI Europe Index (EURO)

The options will be available on Bclear only.

Contract	MSCI Europe Index Options - Flexible European-Style Exercise
Underlying Index	MSCI Europe Index (Net Total Return in euro)
Exchange Contract Code	MPY
Contract Size	Valued at €100 per Index Point
Contract Series	Flexible
Quotation	€ EUR per index point
Trading Tick Size	0.01
Trading Tick Value	€ 1
EDSP Tick Size	0.001
Last Trading Day "LTD"	Flexible Expiry, day before the EDSP day
Contract Standard	Cash settlement based on the EDSP
EDSP	Closing value of the Index on the Last Trading Day
EDSP Published and Settlement Day	No later than 09:00 on the business day following the Last Trading Day (London time) on the market day following the Last Trading Day The final EDSP shall be published as soon as reasonably practicable thereafter
Delivery Date	Second Business day after the Last Trading Day
Trading Hours	Bclear: 08:00 - 17:30 hours (London time)
Time Trading Ceases on LTD	16:00 hours (London time)
Trading Platform	Bclear only
Clearing	ICE Clear Europe
Auto Exercise Default Value (Index Points)	0.005
Bloomberg Tickers	Index: MSDEE15N
Reuters RICs	Index: .dMIEU00000NEU

AMENDMENTS TO EXCHANGE CONTRACT NO.351F
CONTRACT DETAILS SPECIFIED BY THE BOARD FOR EQUITY INDEX OPTION CONTRACTS (“TABLE 1”)

Index	MSCI Europe Net Total Return in EUR
Known as Exchange Contract No.	166F
Currency specified by the Board	euro €
Contract size	Valued at €100 per Index Point
Settlement Day	First market day after day of exercise
Quotation	Index points (e.g. 1,000.00)
Minimum Price Fluctuation (Value)	0.01 (€1)
Daily Reference Value	Preliminary Index Value
Expiry Reference Value	The Expiry Reference Value shall be the Closing Index Value on the Expiry Day
Expiry Reference Value: rounding convention	Rounded to the nearest 0.001 or, where such average is an exact uneven multiple of 0.0005, to the nearest higher 0.001
Cabinet Transaction Price	€0.1

Availability of MSCI Europe Index Options - Flexible European-Style Exercise in 2013 and 2014

Transactions in respect of the MSCI Europe Net Total Return Index Contract 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:

2013 and 2014	
Christmas Day	Wednesday 25 December 2013
Boxing Day	Thursday 26 December 2013
New Year's Day	Wednesday 1 January 2014
Good Friday	Friday 18 April 2014
Easter Monday	Monday 21 April 2014
Christmas Day	Thursday 25 December 2014
Boxing Day	Friday 26 December 2014