

LONDON NOTICE NO. 3789

Issue Date: 24 January 2014

Effective Date: 3 February 2014

EQUITY INDEX CONTRACTS (EXCHANGE CONTRACT NO. 301)

INTRODUCTION OF ADDITIONAL INDEX FUTURES CONTRACTS BASED ON MSCI EQUAL WEIGHTED AND MSCI MINIMUM VOLATILITY NET TOTAL RETURN INDICES

Executive Summary

This Notice informs Members of the introduction within Bclear of additional futures contracts based on MSCI Equal Weighted and MSCI Minimum Volatility Net Total Return Indices.

1. Introduction

- 1.1 This Notice informs Members that futures contracts based on four MSCI Equal Weighted Indices and three MSCI Minimum Volatility Indices, calculated on a “Net Total Return” basis (“the Contracts”) will be made available via Bclear on and from 3 February 2014.
- 1.2 This Notice provides Members with the following information with respect to the introduction of the Contracts:
 - (a) list of the relevant MSCI indices;
 - (b) summary contract specification and contract terms;
 - (c) Bclear minimum volume requirements;
 - (d) access and reporting rights;
 - (e) reporting days, reporting hours and Last Trading Day;
 - (f) fees;
 - (g) statement in relation to the Contract; and
 - (h) the regulatory position in the United States.

2. MSCI Net Total Return Indices

- 2.1 The indices are calculated on a “Net Total Return” basis. They measure the market performance, including both price performance and income from dividend payments.
- 2.2 The MSCI Net Daily Total Return (DTR) Methodology reinvests dividends in the indices on the day the security is quoted ex-dividend (xd-date). With effect from 1 December 2009, dividends have

been reinvested after deduction of withholding tax, applying the rate to non-resident individuals who do not benefit from double taxation treaties.

- 2.3 MSCI Equal Weighted Indices and MSCI Minimum Volatility Indices use a rules-based methodology to adjust the weighting of the stocks in the index of reference (i.e. a “Parent Index”, such as MSCI Europe, that serves as the equity universe) in order to reflect a strategy (equal weight or minimum volatility in this case).
- 2.4 MSCI Equal Weighted Indices have the same constituents as the Parent Indices. At construction, and at each rebalancing, each stock in the equal weighted index is given an equal weight (i.e. $1/N$, where N is the number of stocks in the Parent Index). This weighting at time of rebalancing is the constraint factor for each constituent in the MSCI Equal Weighted Index.
- 2.5 MSCI Minimum Volatility Indices are composed of a subset of stocks from the Parent Index. At construction, and at each rebalancing (in May and November), a set of constraints are applied on the Parent Index to obtain the Minimum Volatility profile of the Index.
- 2.6 For detailed information in respect of MSCI’s Index Calculation Methodology, please refer to the latest MSCI Index Calculation Methodology available on MSCI’s website as follows:
 - (i) For MSCI Equal Weighted indices: [MSCI Equal Weighted Indices Methodology](#); and
 - (ii) For MSCI Minimum Volatility Indices: [MSCI Global Minimum Volatility Indexes Methodology](#)
- 2.7 The MSCI Indices on which the Contracts are based are listed below:
 - (i) MSCI Equal Weighted Indices:
 - (a) MSCI Emerging Markets Equal Weighted (USD);
 - (b) MSCI USA Equal Weighted (USD);
 - (c) MSCI World Equal Weighted Index (USD); and
 - (d) MSCI Europe Equal Weighted Index (Euro).
 - (ii) MSCI Minimum Volatility Indices:
 - (a) MSCI Emerging Markets Minimum Volatility Index (USD);
 - (b) MSCI World Minimum Volatility Index (USD); and
 - (c) MSCI Europe Minimum Volatility Index (Euro).

3. Summary Contract Specification and Contract Terms

- 3.1 On and from Monday 3 February 2014, the Contracts shall be made available through Bclear under the terms of Exchange Contract No. 301.
- 3.2 The summary Contract Specifications are set out in Attachment 1 to this Notice.

3.3 Exchange Contract No. 301 will be amended in order to reflect the inclusion of the Contracts and the relevant additions to the table of Contract Details are set out in Attachment 2 to this Notice.

3.4 The first delivery month to be made available shall be the March 2014 delivery month in respect of each of the Contracts.

4. Bclear minimum volume requirements

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

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 Contracts via Bclear, Members will need a Futures subscription (FUT).

5.3 To claim trades only in the Contracts, 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 Contracts, Members will require the relevant clearing status (GCM or ICM) and access to UCP.

6. Reporting Days, Reporting Hours and Last Trading Day

6.1 The Contracts will be capable of being reported via Bclear on those market days on which the relevant stock exchange is open for business as specified in Attachment 3 to this Notice.

6.2 Members may report business in the Contracts to the Exchange via Bclear between 08:00 and 17:30 hours (London time), except on the Last Trading Day when business may be reported to the Exchange via Bclear between 08:00 and 16:00 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 Contracts 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) and the definition of "business day" in Term 1 which have the following effect in respect of the Last Trading Day: for the Contracts, 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 £0.47 per lot, per side for published trades and £0.57 per lot, per side for non-published trades.
- 7.2 Clearing fees will also be charged on a per lot, per side basis. These will be set at £0.03 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 Contracts. Members should ensure that their clients are made aware of the statement.

“Statement in relation to the Contract

“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 rules, construction, calculation and dissemination procedures (together the “Index rules and procedures”) and these contract terms. The various indices underlying the Equity Index Contracts made available under this 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.

Certain Equity Index Contracts may be available for trading for periods of the trading day when one or more (or all) of the relevant underlying stock exchanges are closed. Potential users should consider for themselves, or take advice in relation to, the risks of trading those Contracts while any of the underlying stock exchanges are closed.

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 the Index figure(s) which will, in turn, be used to determine the final EDSP. A consequence of this concentrated activity might be that:

- (a) (with the exception of the Contracts on the MSCI Net Total Return Indices and the MSCI KOKUSAI Gross Total Return Index, in relation to which official Index figures are calculated on a daily basis only), 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; or
- (b) for the Bclear MSCI Net Total Return Index Contracts and the Bclear MSCI KOKUSAI Gross Total Return Index Contract only, the Index figure used to calculate the final EDSP differs from the Index level(s) implicit (since the Index is not calculated on a realtime basis) from the prices of relevant stocks during the immediately preceding 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.

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 Contracts.

10. Additional Information

10.1 The updated version of Exchange Contract No. 301 and the List of Contract Details will be made available in the London Market Handbook on the NYSE Euronext website (www.nyx.com/londonmarkethandbook) in due course.

10.2 Additional information, including business days and hours, Bclear fees and other information with respect to the operation of 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 Product Management

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Summary Contract Specifications

Contract	MSCI Emerging Markets Equal Weighted NTR USD Index Futures	MSCI USA Equal Weighted NTR USD Index Futures	MSCI World Equal Weighted NTR USD Index Futures	MSCI Europe Equal Weighted NTR EUR Index Futures
Exchange Contract Code	EWM	EWS	EWV	EWE
Contract Size	Valued at \$10 per Index Point			€10 per Index Point
Delivery Months	The first five quarterly months from the March/June/September/December cycle			
Quotation	USD per index point			EUR per index point
Trading Tick Size	0.001			0.001
Trading Tick Value	\$0.01			€0.01
EDSP Tick Size	0.001			0.001
Last Trading Day	Third Friday of the delivery month			
Contract Standard	Cash settlement based on the EDSP			
EDSP	Closing value of the Index on the Last Trading Day of the delivery month			
EDSP Published	No later than 09:00 on the Business day following the Last Trading Day (London time)			
Delivery Date	Second Business day after the Last Trading Day			
Trading Hours	On Bclear from 08:00 to 17:30 hours (London time)			
Time Trading Ceases on LTD	16:00 hours (London time)			
Trading Platform	Bclear only			
Clearing	ICE Clear Europe			
Reuters RICs	Index: .dMIEF000PENUS Futures: <0#EWMIf:>	Index: .dMIUS0000ENUS Futures: <0#EWSIf:>	Index: .dMIWO0000ENUS Futures: <0#EWWIf:>	Index: .dMIEU0000ENEU Futures: <0#EWEIf:>

Summary Contract Specifications

Contract	MSCI Emerging Markets Minimum Volatility NTR USD Index Futures	MSCI World Minimum Volatility NTR USD Index Futures	MSCI Europe Minimum Volatility NTR EUR Index Futures
Exchange Contract Code	MVM	MVW	MVE
Contract Size	Valued at \$10 per Index Point		€10 per Index Point
Delivery Months	The first five quarterly months from the March/June/September/December cycle		
Quotation	USD per index point		EUR per index point
Trading Tick Size	0.001		0.001
Trading Tick Value	\$0.01		€0.01
EDSP Tick Size	0.001		0.001
Last Trading Day	Third Friday of the delivery month		
Contract Standard	Cash settlement based on the EDSP		
EDSP	Closing value of the Index on the Last Trading Day of the delivery month		
EDSP Published	No later than 09:00 on the Business day following the Last Trading Day (London time)		
Delivery Date	Second Business day after the Last Trading Day		
Trading Hours	On Bclear from 08:00 to 17:30 hours (London time)		
Time Trading Ceases on LTD	16:00 hours (London time)		
Trading Platform	Bclear only		
Clearing	ICE Clear Europe		
Reuters RICs	Index: .dMIEF0000YNUS Futures: <0#MVMIf:>	Index: .dMIWO0000YNUS Futures: <0#MVWIf:>	Index: .dMIEU0000YNEU Futures: <0#MVEIf:>

Additions to Exchange Contract No. 301
Contract Details Specified by the Board for Equity Index Contracts (“Table 1”)

Index	MSCI Emerging Markets Equal Weighted NTR USD Index Futures	MSCI USA Equal Weighted NTR USD Index Futures	MSCI World Equal Weighted NTR USD Index Futures	MSCI Europe Equal Weighted NTR EUR Index Futures
Known as Exchange Contract No.	270	271	272	273
Currency specified by the Board	\$ usd			euro €
Contract size	\$100 per Index Point			€100 per index point
Value of Value Point	\$10 per lot			€10 per lot
Minimum Price Fluctuation	0.01 of a Value Point			
Delivery months	January, February, March, April, May, June, July, August, September, October, November, December			
No. of delivery months available for trading	The first five quarterly months from the March/June/September/December cycle			
Quotation	Index Points (e.g. 1,000.0)			
Last Trading Day	Third Friday of the delivery month			
EDSP: 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			

Index	MSCI Emerging Markets Minimum Volatility NTR USD Index Futures	MSCI World Minimum Volatility NTR USD Index Futures	MSCI Europe Minimum Volatility NTR EUR Index Futures
Known as Exchange Contract No.	274	275	276
Currency specified by the Board	\$ usd		euro €
Contract size	\$10 per Index Point		€10 per index point
Value of Value Point	\$1 per lot		€1 per lot
Minimum Price Fluctuation	0.01 of a Value Point		
Delivery months	January, February, March, April, May, June, July, August, September, October, November, December		
No. of delivery months available for trading	The first five quarterly months from the March/June/September/December cycle		
Quotation	Index Points (e.g. 1,000.0)		
Last Trading Day	Third Friday of the delivery month		
EDSP: 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		

Availability of the Contracts via Bclear in 2014

Transactions in respect of the MSCI Emerging Markets Equal Weighted, MSCI Europe Equal Weighted, MSCI USA Equal Weighted, MSCI World Equal Weighted, MSCI Emerging Markets Minimum Volatility, MSCI Europe Minimum Volatility, MSCI World Minimum Volatility Net Total Return Index Contracts will be capable of being reported via Bclear as follows:

- in respect of those indices for which there is a single relevant stock exchange, on any market day on which the relevant stock exchange is open for business;
- and in respect of those indices for which there is more than one stock exchange, on any market day.

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

MSCI EM, MSCI Europe and MSCI World Indices (Equal Weighted and Minimum Volatility)	
Good Friday	Friday 18 April 2014
Easter Monday	Monday 21 April 2014
Christmas Day	Thursday 25 December 2014
Boxing Day	Friday 26 December 2014

MSCI USA Equal Weighted Index	
Washington's Birthday	Monday 17 February 2014
Good Friday	Friday 18 April 2014
Easter Monday	Monday 21 April 2014
Memorial Day	Monday 26 May 2014
Independence Day	Friday 4 July 2014
Labor Day	Monday 1 September 2014
Thanksgiving Day	Thursday 27 November 2014
Christmas Day	Thursday 25 December 2014
Boxing Day	Friday 26 December 2014