

LONDON NOTICE NO. 3816

Issue Date: 31 March 2014

Effective Date: 7 April 2014

EQUITY INDEX CONTRACTS (EXCHANGE CONTRACT NO. 301)

INTRODUCTION OF AN ADDITIONAL INDEX FUTURES CONTRACT BASED ON THE MSCI KOKUSAI NET RETURN INDEX DENOMINATED IN JAPANESE YEN

Executive Summary

This Notice informs Members of the introduction on Bclear of a futures contract based on the MSCI KOKUSAI Net Total Return Index denominated in Japanese Yen with effect from 7 April 2014.

1. Introduction

- 1.1 This Notice informs Members that a futures contract based on the MSCI KOKUSAI Index denominated in Japanese Yen (“JPY”), calculated on a “Net Total Return” basis (“the Contract”) will be made available via Bclear on and from 7 April 2014.
- 1.2 This Notice provides Members with the following information with respect to the introduction of the Contract:
- (a) summary contract specification and contract terms;
 - (b) Bclear minimum volume requirements;
 - (c) requirement for relevant Clearing Members to set up APS Bank Accounts with ICE Clear Europe Limited;
 - (d) trading licenses;
 - (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 KOKUSAI Net Total Return Index Denominated in JPY

- 2.1 The MSCI KOKUSAI Net Total Return Index denominated in JPY (the “Index”) measures 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).
- 2.3 The reinvestment in the Net Daily Total Return is free of withholding tax. Effective from 1 December 2009 the dividend is reinvested after deduction of withholding tax, applying the rate to non-resident individuals who do not benefit from double taxation treaties.
- 2.4 For detailed information in respect of MSCI's Index Calculation Methodology, please refer to the latest MSCI Index Calculation Methodology available on: www.msci.com

3. Summary Contract Specification and Contract Terms

- 3.1 On and from 7 April 2014, the Contract shall be made available within Bclear under the terms of Exchange Contract No. 301.
- 3.2 The summary Contract Specifications are set out in Attachment 1 to this Notice¹.
- 3.3 Exchange Contract No. 301 will be amended in order to reflect the inclusion of the Contract and the relevant additions to the table of Contract Details are set out in Attachment 2 to this Notice¹.
- 3.4 The first delivery month to be made available shall be the April 2014 delivery month.

4. Bclear minimum volume requirements

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

5. Requirement for relevant Clearing Members to set up APS Bank Accounts with ICE Clear Europe Ltd

- 5.1 Clearing Members wishing to clear Index Futures based on the MSCI KOKUSAI Total Return Index denominated in JPY will need to ensure that they have set up an APS Bank Account in Japanese Yen prior to clearing the Contract. Clearing Members that have not set up relevant APS Bank Accounts will not be able to clear this Contract. Clearing Members should ensure that the appropriate accounts are in place to clear this Contract.
- 5.2 More information can be found on the ICE Clear Europe website at: https://www.theice.com/clear_europe_treasury.jhtml or contact ICE Clear Europe's Treasury Team at iceeutreasury@theice.com or +44 (0)20 7429 4580.

6. Trading licences

- 6.1 In addition to the requirements outline in Section 5 above, Members wishing to submit trades in these Contracts via Bclear will need to have a valid Japanese Yen subscription (JPY). Members wishing to obtain this subscription should contact the NYSE Liffe Membership Operations team on membershipsops@nyx.com.

¹ Attachments 1 and 2 have been updated to reflect the corrections detailed in London Notice No. 3817, issued on 2 April 2014.

- 6.2 To clear trades in the Contract, Members will require the relevant clearing status (GCM or ICM) and access to UCP.
- 6.3 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”).
- 6.4 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, submitted to Bclear.

7. Reporting Days, Reporting Hours and Last Trading Day

- 7.1 The Contract will be capable of being reported via Bclear on all market days in 2014. A list of dates in which the Contract will be unavailable in 2014 is set out in Attachment 3 to this Notice.
- 7.2 Members may report business in the Contract 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 between 08:00 and 16:00 hours (London time).
- 7.3 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.
- 7.4 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) and the definition of “business day” in Term 1 which have the following effect in respect of the Last Trading Day: for the 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.

8. Fees

- 8.1 Business reported via Bclear will be charged on a per lot, per side basis. The Exchange and Clearing fee will be set at £0.50 per lot, per side for published trades and £0.60 per lot, per side for non-published trades.

9. Statement in relation to the Contract

- 9.1 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 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.”

10. U.S. Regulatory Position

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

11. Additional Information

11.1 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.

11.2 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 +44 (0)20 7379 2200 equities@nyx.com

Summary Contract Specifications

Contract	MSCI KOKUSAI Net Total Return Index Futures (JPY)
Exchange Contract Code	MKI
Contract Size	Valued at ¥1,000 per Index Point
Delivery Months	The first six quarterly months from the March/June/September/December cycle; plus up to three of the nearest serial months such that the nearest four calendar months are available for trading; plus the half yearly months on the June/December cycle up to a maximum of two years
Quotation	Yen (¥) per index point
Trading Tick Size	0.001
Trading Tick Value	¥1
EDSP Tick Size	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	EDSP published as soon as practicable after Last index Price at 16:35 (London Time) on the Last Trading Day
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: .dMIKO00000NJP Futures: <0#MKIlf:>

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

Index	MSCI KOKUSAI Net Total Return Index Futures (JPY)
Known as Exchange Contract No.	235
Currency specified by the Board	¥ Yen
Contract size	¥1,000 per Index Point
Value of Value Point	¥100 per lot
Minimum Price Fluctuation	0.01 Value Points
Delivery months	January, February, March, April, May, June, July, August, September, October, November, December
No. of delivery months available for trading	The first six quarterly months from the March/June/September/ December cycle; plus up to three of the nearest serial months such that the nearest four calendar months are available for trading; plus the half yearly months on the June/December cycle up to a maximum of two years.
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 MSCI KOKUSAI Net Total Return Index Futures (JPY) via Bclear in 2014²

Business in respect of the Contract will **not** be capable of being reported via Bclear on the following days:

MSCI KOKUSAI Net Total Return Index Futures (JPY)	
Good Friday	Friday 18 April 2014
Easter Monday	Monday 21 April 2014
Christmas Day	Thursday 25 December 2014
Boxing Day	Friday 26 December 2014

² Details of the trading availability of the Contract on 24 and 31 December 2014 will be published nearer to the time.