

**AMSTERDAM NOTICE No. 10/022**

ISSUE DATE: 15 November 2010  
EFFECTIVE DATE: 1 December 2010

**CALL OPTION DIVIDEND TRADING****Executive Summary**

This Notice informs Members of additional measures being implemented as from 1 December 2010 to improve the procedure in relation to call option dividend trading.

1. On 9 August 2005, following member consultation, NYSE Liffe implemented the measures to reduce the risks relating to call option dividend trading (see Amsterdam Notice No. 05/007). On 26 April 2006 and 6 March 2008 (see Amsterdam Notice No. 06/015 and Amsterdam Notice No. 08/006) additional measures were implemented which are summarised in sections 2, 3 and 4 below: The additional measures which will be implemented as of 1 December 2010 are summarised in section 5.
2. Qualifying transactions: any cleared half-trade executed on the Amsterdam market of NYSE Liffe by members:
  - In a call option series, which may or may not form part of a combination;
  - With a minimum delta of 90;
  - Up to 2 months before the ex-dividend date of the underlying security;
  - In any size;
  - That results in the creation of a short position, or an increase of an existing short position.

Is subject to an additional uncapped fee of € 2.00 per option contract (the fee only applies to the side of the transaction creating or increasing the short position).

3. For unrelated customer business caught by these criteria, brokers may execute such business for a customer account up to a maximum of 50 lots per trade and an aggregate of 500 lots per member firm per day in the relevant option contract (option class) without being charged the additional fee.
4. Open Interest.
  - (a) Waive the additional fee for opening transactions in series on request. Given that at the time of the transaction there is no open interest, the first trade shall have no negative effect on existing positions. New series on request series may be introduced at the discretion of Market Services.
  - (b) Waive the additional fee for transfers of short positions. Providing Members inform NYSE Liffe in advance of transactions whereby short positions are being transferred from one account to another in the market, NYSE Liffe may decide to waive the

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The **Euronext Derivatives Markets ("Liffe")** comprise the markets for derivatives operated by Euronext Amsterdam, Euronext Brussels, Euronext Lisbon, Euronext Paris and LIFFE Administration and Management, referred to respectively as the Amsterdam, Brussels, Lisbon, Paris and London markets. Euronext is part of the NYSE Euronext group.

additional fee. This procedure shall only be applicable for trades with a minimum trade size of 5,000.

- (c) Waive the additional fee for qualifying transactions in series in which the open interest does not increase on the same business day. Open interest shall be monitored each business day at individual series level. Open interest may be reduced on the business day in question as a result of exercise instructions. The post-exercise open interest figure shall be used as the baseline for determining whether the additional fee shall be charged in respect of transactions effected on that day. In series where open interest has increased above that baseline on the business day in question, all qualifying transactions will be subject to the additional fee, regardless of the size of the transaction.
5. The current measures have been successful, however NYSE Liffe is continually reviewing and improving procedures and therefore NYSE Liffe has decided to implement the following complementary measures in order to improve the procedure of call option dividend trade monitoring.

- (a) **Waive the additional fee for call option series that do not meet the aforementioned delta 90 criteria on the business day before the ex-dividend date.** Meaning that the additional fee for all violations that have been established over the two month period preceding the ex-dividend date, in series that do not qualify for the delta 90 criteria on the business day before the ex- dividend date, shall be waived.
- (b) **Waive the additional fee for series whereby the short position held<sup>1</sup>, is less than the sum of the violations that have been established over the two month period<sup>2</sup> preceding the ex- dividend date, in that series. This will be verified by NYSE liffe for market maker accounts (T-Account) only.** Meaning, if the members' position at the end of the to month period<sup>1</sup> in the respective call option series has become less than (or even nil or long) the cumulative number of the violations<sup>2</sup> in such a series, the additional fee shall only be opposed for the volume of the short position in such a series. If the short position in the respective call option series is greater than the cumulative volume of the violations in that respective call option series, NYSE Liffe maintains the additional fee for the violations opposed.

<sup>1</sup> NYSE Liffe will use the open position data at the close of business on two business days prior to the ex-dividend date. Any trades executed on the business day prior to the ex-dividend date, will therefore not be taken into account in the position verification as stated in section 5b.

<sup>2</sup> All violations which have been established on the business day preceding the ex-dividend date will not be taken into account when calculating 'the sum of the violations established over the two month period', as stated in section 5b. All violations established on the business day prior to the ex-dividend date will be subject to additional fee, without exemption.

*(For examples of the effect of the additional monitoring measures, we would like to refer to Appendix 1 attached to this Notice.)*

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

Quality of Derivative Markets +31 (0) 20 550 4296 [qualityofderivativesmarkets@nyx.com](mailto:qualityofderivativesmarkets@nyx.com)

## Appendix 1

### Example 1:

Delta of series on the business day before the ex-date is less than 90.

Sum of the Violations over two month period	Position at end of two month period <sup>1</sup>	Additional Fee
-50 Lots	+ 25 long	Waived
-50 Lots	0	Waived
-50 Lots	- 10 short	Waived
-50 Lots	- 60 short	Waived
-50 Lots	-150 short	Waived
-50Lots	-230 short	Waived

### Example 2:

Delta of series on the business day before the ex-date is 90 or higher.

Sum of the Violations over two month period	Position at end of two month period <sup>1</sup>	Additional Fee
-50 Lots	+ 25 long	Waived
-50 Lots	0	Waived
-50 Lots	-10 short	10 Lots
-50 Lots	- 60 short	50 Lots
-50 Lots	-150 short	50 Lots
-50 Lots	-230 short	50 Lots

<sup>1</sup> NYSE Liffe will use the open position data at the close of business on two business days prior to the ex-dividend date.

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