NYSE Liffe

EURONEXT DERIVATIVES MARKETS

AMSTERDAM NOTICE No. 11/017

ISSUE DATE: 13 May 2011
EFFECTIVE DATE: 16 May 2011

REVISIONS TO THE HARMONISED RULES (BOOK I) AND NYSE LIFFE TRADING PROCEDURES

Executive Summary

The Notice describes certain minor revisions to the Harmonised Rules (Book I) and Part One and Annexe One of the NYSE Liffe Trading Procedures, effective on and from, 16 May 2011. The revisions do not represent any amendments to existing arrangements.

1. Introduction

1.1 Following a review of the Harmonised Rules (Book I) and the NYSE Liffe Trading Procedures (the "Trading Procedures"), this Notice describes certain revisions to the Harmonised Rules (Book I) and the harmonised Part One of the Trading Procedures, effective on and from 16 May 2011.

1.2 A summary of the revisions is set out in the remainder of this Notice and the revisions themselves are shown in the Attachment to this Notice. Members should note that these revisions do not represent any amendments to existing arrangements; they simply set out existing arrangements more clearly.

2. Harmonised Rules (Book I) – Chapter 2 – Euronext Membership

2.1 A new Rule 2101/4 has been inserted into Chapter 2 on Membership which confirms that Members are required to meet the membership eligibility criteria on a continuous basis and not only at the time of their membership application.

3. Price Limits

3.1 Members will be aware that the "base level" around which the price limit sleeve for Futures Contracts operates is calculated using either the Central Order Book method or the Theoretical Fair Value method, depending on the Futures Contract concerned.

3.2 In order to provide a more convenient reference for Members, the calculation method used for each Futures Contract will now be made available in the Price Limits and Trade Invalidation Value Ranges document which can be found on the NYSE Euronext website (www.nyx.com/tradeinvalidations). This revised approach to publication of the calculation method necessitates certain minor amendments to Section 2.1 of the Trading Procedures ("Price Limits") and to Annexe One.

3.3 For Options Contracts, Members will be aware that the price limit spread range is calculated either by reference to a fair value price (for the majority of financial options) or the applicable option delta value (for the majority of equity options). Trading Procedure 2.1.6 has been amended to make clear the distinction between the two methods of reference value calculation used for Options Contracts. In addition, and in keeping with the new approach described in paragraph 2.2 above for Futures Contracts, the method of reference value calculation used for each Options Contract will now be published in the Price Limits and Trade Invalidation Value Ranges document available on the NYSE Euronext website (www.nyx.com/tradeinvalidations).

4. Corporate Actions

4.1 A new Trading Procedure at 3.3.7.2 confirms the ability of NYSE Liffe to cancel orders in the Central Order Book following contract adjustments resulting from a corporate action affecting the underlying security.

5. Definition of "Block Trade Client"

5.1 All remaining references to "Block Trade Client" have been deleted from the Trading Procedures. As set out in London Notice No. 2653, issued on 2 June 2005, which detailed a review of NYSE Liffe's wholesale trading facilities, the concepts of "Wholesale" and "Block Trade" Clients were abolished because they duplicated client suitability requirements promulgated by regulatory authorities for conduct of business purposes.

6. Further Information

6.1 The revisions to the Harmonised Rules (Book I) and the Trading Procedures described in this Notice are set out in the Attachment. Updated versions of the Harmonised Rules (Book I) and the Trading Procedures, including Annexe One, and the Price Limits and Trade Invalidation Value Ranges document will be made available on the NYSE Euronext website (www.nyx.com/liffe) in due course.

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

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Amendments to Chapter 2 of the Harmonised Rules (Book I)
Additions underlined

CHAPTER 2:
EURONEXT MEMBERSHIP

2.1. EURONEXT MEMBERSHIP AND MEMBERSHIP CAPACITIES

2101 EURONEXT MEMBERSHIP

2101/4 This eligibility criteria specified in, or pursuant to Rule 2201/1 shall apply not only at the time of application for Membership but continuously, for as long as the Person in question is a Member.

Amendments to Part One of the NYSE Liffe Trading Procedures
Additions underlined, deleted text ~~struckthrough~~

SECTION 1 – GENERAL

~~"Block Trade Client"~~ ~~any Client who meets criteria specified for these purposes by the Relevant Euronext Market Undertaking in PART TWO of these Trading Procedures;~~

SECTION 2 – THE OPERATION OF LIFFE CONNECT®

2.1 Price limits

2.1.1 Throughout each LIFFE CONNECT® trading session and during the Pre-Open period, price limits for Futures Contracts will be calculated from a base level: the limit bid being the allowed spread greater than the base level and the limit offer being the allowed spread lower than the base level.

2.1.2 The base level is calculated using one of the following two methods:

(a) Central Order Book price method;

(b) theoretical fair value method.

2.1.3 In respect of the Central Order Book price method, the base level is:

(a) for the most actively traded ("blue") contract month:

(i) prior to the first trade, the mid point between the best bid and offer; or

(ii) the last traded price; or

(iii) a bid above or an offer below the last traded price;

(b) for all other contract months, the fair value as derived from outright and implied spread relationships with the blue month.

2.1.4 In respect of the theoretical fair value method, the base level is the price of the underlying plus the cost of carry for each contract month, as calculated by the Relevant Euronext Market Undertaking. The theoretical fair value method may be used for futures contracts where there is limited central market activity.

2.1.5 ~~The method used to establish the base level for each Futures Contract is set out in Annexe One.~~

2.1.6 For Options Contracts, the Relevant Euronext Market Undertaking will calculate a theoretical fair value price for each series. The theoretical fair value price will generate a spread~~, the~~ range ~~of which is determined from the applicable option delta value. This spread range is~~ which is then employed by the Trading Host as the price limit for the option series concerned. The spread range is calculated either by reference to the fair value price or the applicable option delta value.

2.1.7 Subject to Trading Procedure 2.1.9, attempts to trade or, during the Pre-Open period, to enter orders, outside the prevailing price limits in the relevant contract/expiry month will be rejected by the Trading Host. The Trading Host will send a message to the Member via the relevant ITM to inform him of the rejection.

2.1.8 The permitted spreads for price limits for each contract/expiry month will be determined from time to time by the Relevant Euronext Market Undertaking. Such spreads may be adjusted to reflect market conditions with the objective of preventing the execution of any orders submitted to the Trading Host with manifest pricing errors and/or at unrepresentative price levels.

2.1.9 In response to volatile market conditions, Market Services may, at its discretion, remove the restriction on the entry of orders outside the prevailing price limits.

2.1.10 Price limit ranges and the base level calculation method (Futures Contracts) and spread range reference method (Options Contracts) are published on the NYSE Euronext Website.

3.3.7 **Corporate Actions**

3.3.7.2 The Relevant Euronext Market Undertaking may cancel orders in the Central Order Book of a contract where that contract's characteristics have been altered following one or more corporate actions affecting the underlying security. Any such cancellation of outstanding orders (and any requirements to re-submit orders) will be published by the Relevant Euronext Market Undertaking by way of Notice or such other means of communication as the Relevant Euronext Market Undertaking sees fit.

Excerpt from Annexe One

Delta Neutral Strategy Trades – LIFFE CONNECT® for Equity Options (TP Lo.5)

Equity Option Delta Neutral Strategy Trades can be transacted between Individual Equity Option Contracts and Universal Stock Futures Contracts based on the same underlying stock (The London Market only).

~~**Futures Price Limits**~~

~~All Futures Contracts use the Central Order Book price method for the calculation of price limits (Part One Trading Procedure 2.1.3 refers).~~

Daily Settlement Prices - Futures Contracts (TP 2.2.1)
Last Revision Effective Date: 23 November 2009

The Official Closing Price method is used for Single Stock Futures Contracts (The Lisbon Market) and Central Order Book Universal Stock Futures Contracts ("USFs") with the exception of USFs with an underlying stock exchange being either the New York Stock Exchange or the NASDAQ Stock Exchange.

The Central Order Book Price method is used for all other Futures Contracts.

The Official Closing Price method will be introduced for the BEL 20® Future (The Brussels Market) and the PSI 20® Future (The Lisbon Market) on a date to be determined by NYSE Liffe and published by Notice.