

EURONEXT DERIVATIVES NOTICE

All Markets:	No. NO171023DE
Issue Date:	23 October 2017
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UPDATED VERSION OF EURONEXT'S CORPORATE ACTIONS POLICY

Executive Summary

This notice informs Members of changes to the Euronext's Corporate Actions Policy which will come into effect on 27 October 2017.

1. Introduction

The purpose of this Notice is to inform Members of changes to Euronext's Corporate Actions Policy ("the Policy") which will come into effect on 27 October 2017.

2. Changes to the Policy

2.1 The changes can be summarised as follows (additions shown underlined/deletions ~~strike through~~):

Definitions:

Amsterdam Option Contracts	means Option Contracts that are listed on Euronext Amsterdam
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Art 4.4 O-class contracts

With respect to Amsterdam Contracts and Brussels Contracts, except those Amsterdam Option Contracts that have an underlying value that is listed on Deutsche Boerse (Xetra), where application of the Ratio Method results in a Lot Size that is greater than the Standard Lot Size, Euronext will introduce an additional contract that will contain those Shares which are in excess of the Standard Lot Size (the O-class). Apart from the different Lot Size, the O-class will have the same specifications as the adjusted original contract. Therefore, holders of a position will still hold existing contracts with a Standard Lot Size and receive one additional contract for every existing contract held, that will contain Shares in excess of the Standard Lot Size. The additional contracts introduced will be designated with a Trading Code that usually has an "O" placed at the end of the Trading Code (hence "O-class"), and where this is not possible, with another letter. If application of the Ratio Method results in a Lot Size that is smaller than the Standard Lot Size, Euronext will change the Trading Code of the contract, to become an O-class. At Euronext's discretion, contracts with the same expiry months as the affected contracts may be introduced with the Standard Lot Size, and will be designated with the original Trading Codes as the existing contract prior to adjustment. No new strike prices, maturities and/or expiry months will be made available for O-class contracts.

Art. 6.8 Delisting

Where a company or ETF is delisted from its Relevant Stock Exchange on request of the relevant company or ETF-issuer and, as a consequence, the underlying Shares are no longer deliverable on an exchange designated by Euronext, Euronext shall use the Fair Value method to settle the open positions in the Option Contracts and Futures Contracts as described in Appendix 1, ~~whereby~~ the determination of the implied volatilities, for the purpose of settlement of the Options at their theoretical Fair Value, shall be based on the settlement prices of the relevant Options series over a ten business day period preceding the public announcement of the (intended) delisting by the company, ETF-issuer or the Relevant Stock Exchange delisting.

Appendix 1: Calculation of Fair Value.

A.1.1.3 Introduction of new series after the publication of implied volatilities

The option valuation model takes several factors into account, including the volatility of the option, interest and future dividends. For the purpose of settling Options Contracts at fair value, Euronext will use an average implied volatility based on the settlement prices of the relevant Options series over a ten trading day period preceding the announcement of the takeover bid.

In the event that new series are introduced after the initial publication of implied volatilities, the implied volatility for these new series shall be determined as follows:

Determination of implied volatility for new series in the Central Order Book

- New strike prices higher than the highest existing strike price or lower than the lowest existing strike price in the same expiry month:
The implied volatility of the highest existing strike price in the specific expiry month will be used for all higher new strike prices in that expiry month. Similarly, the implied volatility for the lowest existing strike price in the specific expiry month will be used for all lower new strike prices in that expiry month.
- New strike price in between existing strike prices in the same expiry month:
The implied volatility for the new strike price will be calculated by interpolation of the implied volatilities of the existing strike prices in the specific expiry month.
- New strike prices in expiry month in between existing expiry months:
The implied volatility for the strike prices in a new expiry month will be calculated by interpolation of the implied volatility of the two equal strike prices in the nearest expiry months. If for a specific new strike price only one equal strike price is available, then the implied volatility will be calculated by interpolation by using the two nearest strike prices.
- New strike prices in expiry months with an expiry date after the furthest expiry month:
The implied volatility of strike prices of the furthest expiry month will be used for new strike prices in expiry months with an expiry date after the furthest expiry month.

Determination of implied volatility for new series in Flex Option Contracts

- New strike prices higher than the highest existing COB strike price or lower than the lowest existing COB strike price in the same expiry month:
The implied volatility of the highest existing COB strike price in the specific expiry month will be used for all higher new strike prices in that expiry month. Similarly, the implied volatility for the lowest existing COB strike price in the specific expiry month will be used for all lower new strike prices in that expiry month.
- New strike prices in between existing COB strike prices in the same expiry month:
The implied volatility for the new strike prices will be calculated by interpolation of the implied volatilities of the existing COB strike prices in the specific expiry month.
- New strike prices in expiry months in between existing COB expiry months:
The implied volatility for strike prices in a new expiry month will be calculated by interpolation of the implied volatility of the two equal strike prices in the nearest COB expiry months. If for a specific strike price only one equal COB strike price is available, then the new implied volatility will be calculated by interpolation by using the two nearest COB strike prices.
- New strike prices in expiry months with an expiry date after the furthest COB expiry month:
The implied volatility of strike prices of the furthest COB expiry month will be used for new strike prices in new expiry months with an expiry date after the furthest COB expiry month.

2.2 An updated version of the Policy document will be made available on the Euronext website (<https://derivatives.euronext.com/en/corporate-actions/corporate-actions-policies>).

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

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