

## **AMSTERDAM NOTICE No. 08/006**

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### **CALL OPTION DIVIDEND TRADING**

#### **Executive Summary**

This Notice informs Members of additional measures being implemented with immediate effect to mitigate the operational risks in relation to call option dividend trading.

1. On 9 August 2005, following member consultation, Liffe implemented the measures to reduce the risks relating to call option dividend trading (see Amsterdam Notice No. 05/007). On 26 April 2006, additional measures (see Amsterdam Notice No. 06/015) were implemented which are summarised in sections 2 and 3 below:
2. Qualifying transactions: any cleared half-trade executed on the Amsterdam market of 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. The current measures have been successful, although there has been a small number of undesirable side-effects. Following thorough evaluation, Liffe has decided to implement the following complementary measures in order to mitigate these effects.

Web site: [www.euronext.com/derivatives](http://www.euronext.com/derivatives)

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.

- (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 Liffe in advance of transactions whereby short positions are being transferred from one account to another in the market, Liffe may decide to waive the 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.

For further information in relation to this Notice, Members should contact Quality of Derivative markets, +31 20 550 4296, [qualityofderivativesmarkets@liffe.com](mailto:qualityofderivativesmarkets@liffe.com)