



## **EURONEXT NOTICE 5-03**

### **Prof Transactions on Euronext Amsterdam and Euronext Brussels**

**Subject: Prof Transactions**

**Department: Legal and Government Affairs department ("LGA")**

**Issue Date: 23 August 2010**  
**Effective Date: 13 September 2010**

This Notice, issued jointly by Euronext Amsterdam and Euronext Brussels pursuant to Section AB 5 of the NYSE Liffe Trading Procedures., shall have effect on and from 13<sup>th</sup> of September 2010 when Prof Transactions are introduced on the Brussels derivatives market and the Block Trade facility on that market is terminated.

This Notice specifies the procedures related to Prof Transactions as defined in the NYSE Liffe Trading Procedures and the way in which Prof Transactions are reported through LIFFE CONNECT®. A related Notice (Notice 1-01) announces, inter alia, the amendments to the Trading Procedures necessary to support the introduction of Prof Transactions on the Brussels derivatives market.

This Notice is only applicable to the Amsterdam and Brussels derivatives markets.

This Notice replaces all previous Notices and Info Flashes about Prof Trades/Transactions on the Amsterdam derivatives market.

Terms beginning with a capital letter used in this Notice have the same meaning as defined in Book I, Chapter 1 of the Euronext Rule Book or in the Trading Procedures.

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## **I. Prof Intentions**

1. In order to execute a Prof Transaction a Prof Intention needs to be submitted to LIFFE CONNECT®. A Prof Intention is the information required to be provided by each counterparty to a Prof Transaction when entering it into LIFFE CONNECT®, as defined by the present Notice. These Prof Intentions cannot be changed. This means that Members should cancel a Prof Intention and resubmit it when one or more elements need to be amended. A Prof Transaction will only occur when counterparties enter matching Prof Intentions.
2. Prof Transactions can only be executed using single Prof Intentions. Strategy orders cannot be executed directly as a Prof Transaction. Strategies may be executed as individual single Prof Intentions that can be grouped together as a package using a single Package ID (see Appendix 1).
3. The following data should be submitted with a Prof Intention:
  - (i) series which the participants wish to trade,
  - (ii) price,
  - (iii) volume,
  - (iv) an indication “buy” or “sell”,
  - (v) an indication “open” or “close” (customer account), and
  - (vi) a Package ID. This Package ID includes the elements, time, the number of legs of the Prof Transaction and a free text and should be composed as set out in Appendix 1.
4. NYSE Liffe uses the terms Initiator and Reactor. The Initiator is the Member that initiates the Prof Transaction and the Reactor is the Initiator’s counterpart. When submitting Prof Intentions, Members should indicate whether they act as Initiator or Reactor. A Prof Transaction will only match if at least one of the Prof Intentions is submitted by an Initiator.
5. For each counterpart, series or price level, separate Prof Intentions need to be submitted as set out in Appendix 2.
6. Prof Intentions that are not matched by 18.15 hours CET shall be cancelled automatically, with the exception of the AEX Index future (FTI) for which unmatched Prof Transaction shall be cancelled automatically by 22.00 hours CET.

## II. Prof Transactions

1. Prof Transactions can be executed each Trading Day between 07:00 hours and 18:15 hours CET, with the exception of the AEX Index future (FTI) for which Prof Transaction can be executed each Trading Day between 07.00 hours and 22.00 hours CET.
2. All trades within a Prof Transaction package must be for the same class. Exceptions to this rule are delta neutral strategies where trades may be in both the Option and related Future and Prof Transactions packages consisting of option classes with the same underlying value<sup>1</sup>.
3. Members may wish to use account authorisations when executing Prof Transactions. Account authorisations can be obtained via NYSE Liffe Membership Operations ([traderkeys@liffe.com](mailto:traderkeys@liffe.com)).
4. LIFFE CONNECT® supports anonymity by matching on the basis of a three character alphanumeric password agreed between the counterparties (for instance the parties may agree to use the Initiator's ITM). Different passwords may be used, for instance, to differentiate between trade legs with different counterparties.
5. Pursuant to Trading Procedures, Rule AB5.3, the Initiator needs to trade a minimum of 250 Contracts. For the purpose of this minimum size requirement all individual legs of a Transaction in a single class, a delta neutral strategy or option classes with the same underlying value, submitted by the Initiator are summed. No volume restrictions apply to Reactors. The examples in Attachment 2 demonstrate how the minimum size requirements can be met.
6. The minimum tick size as meant in Trading Procedures, Rule AB5.3 equals € 0.01 (or, for Contracts that have a pricing unit in USD, USD 0.01).
7. During a regulatory suspension of an option class the Prof Transaction facility in this option class will remain open. However, exercises in the option class (es) in question are temporarily suspended.

## III. Reporting of the Prof Transactions

1. The entire Prof Transaction should be reported within one hour. The time period of one hour will commence as soon as the order has been completely filled, i.e. after the final counterpart of the (collected) Prof Transaction has submitted the last Prof Intention to LIFFE CONNECT®. An example of the reporting time requirements can be found in Appendix 3.
2. Notwithstanding the time period allowed to report Prof Transactions to NYSE Liffe, Members are reminded that Prof Transactions should still be submitted without delay on the part of the Member and no later than one hour for outright Prof Transactions (including Prof Transactions in option classes with the same underlying value), strategy trades or delta neutral trades grouped together as a package using a single Package ID.

## IV. Compliance to the rules governing Prof Transactions and sanctions

1. NYSE Liffe Market Services will check whether Prof Transactions are executed in compliance with the minimum size requirements and reporting time requirements. NYSE Liffe reserves the right to invalidate those Prof Transaction that have failed to meet the minimum size threshold.
2. NYSE Liffe Market Services can take action accordingly pursuant to the content of Chapter 9 of Euronext Rule Book I. This means that NYSE Liffe can impose a penalty in the case of a

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<sup>1</sup> This means a single individual equity option class and O-class that have the same underlying value or a combination of monthly, weekly and daily options that have the same underlying.

Member violating, repeatedly or not, one or both rules mentioned above. A penalty will be applicable in accordance with article 2 from Euronext Notice N9-01.

3. NYSE Liffe is mindful of the practical implications that can arise for Members when seeking to comply with predetermined reporting requirements. In terms of enforcement policy, NYSE Liffe does not intend, as a general matter, to instigate enforcement action in respect of isolated, unintentional breaches of the reporting requirements. For the avoidance of doubt, enforcement action may be instigated in circumstances where a Member has persistently breached the reporting time requirements whether unknowingly, intentionally or through negligence.
4. Pursuant to Euronext Rule Book I, Rule 5601/1 and Euronext Rule Book I, Rule 9301/1 respectively Euronext Notice N9-01, NYSE Liffe may impose a fine on Members who repeatedly violate the reporting time requirements.
5. With regard to Termination, Suspension and Trade Invalidation/Cancellation NYSE Liffe will act in conformity with Euronext Rule Book I, Chapter 5 (Trading Rules for Derivatives), Rule 5.4.

#### **V. Trading fees for Prof Transactions**

1. Trading fees for Prof Transactions are calculated on class level notwithstanding the possibility to collect delta neutral strategies and group option classes with the same underlying value. In order to ensure that the maximum order fee is applied correctly to Prof Transactions involving orders with more than one leg, the Package ID should be completed in the same way, ie using the same characters, upper case letters and lower case letters.

For an overview of the fees in question please refer to the NYSE Liffe Subscriptions Fees And Charges document on our website: <http://www.euronext.com/editorial/wide/editorial-4123-EN.html>

For further information in relation to this Notice, Members should contact:		
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Market Services (London for All Index and Currency Options and Futures)	+31 (0)20 550 5060 +32 (0) 2 509 98 15	<a href="mailto:ELMScustomermanagement@liffe.com">ELMScustomermanagement@liffe.com</a>

# Appendix 1

## Prof Transaction Package ID

When submitting a Prof Intention each of the counterparties should enter an eleven character Package ID into the Package ID field. This Package ID must be populated by the user, or generated by the user's ISV application.

This Package ID consists of the following elements:

1. The first and second characters of the Package ID should be populated with hours past midnight (local time of the Trader) that the package was agreed.
2. The third and fourth characters should be populated with the minutes past the hour that the package was agreed.
3. The fifth and sixth characters should be populated with the total number of legs in the package.
4. The seventh to the eleventh characters inclusive a free text for the member to enter a package identifier.

The points above create an overall Package ID population of 'HHMMTTXXXXX'.

For example, if a Prof Transaction Package is agreed at 14:46 CET and contains 3 legs. This ITM should submit '144603ABCDE' into the Package ID field of this intention.

## Appendix 2

### Prof Intentions and minimum size requirements

A transaction may involve a number of trades in different series in the same Option Contract (strategy order). It may also involve different counterparties and different prices. In addition it may involve index options and index futures as well as option classes with the same underlying value.

#### Example 1: Different counterparties

Initiator (I)			Reactors (R 1,2,3)	
Total 250 contracts	100 contracts	↔	Counterparty R1	100 contracts
	100 contracts		Counterparty R2	100 contracts
	50 contracts		Counterparty R3	50 contracts

In example 1 the Initiator submits three separate Prof Intentions one for each counterpart and the Reactors each submit one trade intention for each counterpart. The total size of the Initiators part of the Prof Transaction is 250 contracts if the Package ID for each of these three Prof Intentions is equal. Each Reactor has a trade of less than 250 contracts.

#### Example 2: Different series in the same Contract

Initiator (I)			Reactor (R)	
Total 250 contracts	100 contracts	↔	Series A	100 contracts
	100 contracts		Series B	100 contracts
	50 contracts		Series C	50 contracts

In example 2 the Initiator and the Reactor each submit three separate Prof Intentions one for each series. The total size of the Prof Transaction is 250 contracts if the Package ID for each of these three Prof Intentions is equal.

#### Example 3: Different prices within one series

Initiator (I)			Reactor (R)	
Total 250 contracts	125 contracts	↔	Price 1	125 contracts
	125 contracts		Price 2	125 contracts

In example 3 the Initiator and Reactor each submit two separate Prof Intentions for one series at different price levels. The total size of the Initiators part of the Prof Transaction is 250 Contracts if the Package ID for both Prof Intentions is equal.

**Example 4: Combination orders**

Initiator (I)				Reactors (R 1,2,3)	
Series	Price	No of contracts	↔	Counterparty	No of contracts
A	12.26	30		R1	30
A	12.26	20		R3	20
A	12.25	75		R2	75
B	18.50	50		R1	50
B	18.50	25		R2	25
C	18.51	50		R3	50
		Total 250			

In example 4 the Initiator submits six separate Prof Intentions for each different series, price and counterparty. The total size for the Initiators part of the Prof Trade is 250 Contracts if the Package ID for each of these six Prof Intentions is equal.

**New**

**Example 5: Delta neutral trades**

Initiator (I)			Reactor (R)	
Total 250 contracts	120 contracts index option (call)	↔	120 contracts index option (call)	
	120 contracts index option (put)		120 contracts index option (put)	
	10 contracts index future		10 contracts index future	

In example 5 the Initiator submits three separate Prof Intentions, two in index option and one in index future. The total size for the Initiators part of the Prof Trade is 250 Contracts if the Package ID for each of these three Prof Intentions is equal.

**NEW**

**Example 6: Single individual equity option class and O-class with the same underlying value**

Initiator (I)			Reactor (R)	
Total 250 contracts	125 contracts equity class	↔	125 contracts equity class	
	125 contracts O-class		125 contracts O-class	

In example 6 the Initiator submits two separate Prof Intentions. One Prof Intention in a single individual equity option class and one in an O-class with the same underlying value. The total size for the Initiators part of the Prof Transaction is 250 Contracts if the Package ID for both Prof Intentions is equal.

## Appendix 3

The reporting time requirement for Prof Transactions requires one hour between submission of the final Prof Intention and the matching Prof Intention(s).

For example: Member A collects a trade of 1000 contracts at 4 counterparts.

Counterpart A sends in 250 contracts at 10:00 AM

Counterpart B sends in 250 contracts at 10:15 AM

Counterpart C sends in 250 contracts at 10:30 AM

Counterpart D sends in 250 contracts at 10:50 AM

The current reporting time requirement considers the final Prof Intention. All matching Prof Intentions of the aforementioned example should therefore be submitted before 11:50 AM (i.e. within one hour after 10:50 AM).

Please bear in mind that the accompanied Package ID should be completed as pursuant to instructions laid down in Appendix 1 of this Notice.