

AMSTERDAM NOTICE No. 08/018

Amsterdam market

ISSUE DATE: 9 July 2008
EFFECTIVE DATE: 3 November 2008

Introduction of Premium Based Tick Size

Executive summary

Liffe introduces Premium Based Tick Size as from 3 November 2008 for Amsterdam individual equity option classes. Equity options with a premium below or equal to €0.30 can be traded at a tick size of €0.01.

1. Currently individual equity options on the Amsterdam market are traded with a standard tick size of €0.05; all series of an option class are traded with the same tick size. Starting 3 November 2008, with the introduction of Premium Based Tick Size, the tick size for individual equity options on the Amsterdam market will depend on the threshold set for the option class.
2. A premium threshold determines the tick size:
 - If the premium of an option series is below or equal to the premium threshold, the tick size is €0.01
 - If the premium of an option series is above the premium threshold, the tick size is €0.05.

The premium threshold is set at €0.30 for all individual equity option classes, including the options on ETFs (ISX option).

3. The premium of an order at order entry (above, below or at the premium threshold) determines the tick size. The premium of any incoming order is validated against the relevant tick size, if an order fails validation (i.e. is not a multiple of the relevant tick size) it will be rejected.
4. All order types will be validated against the appropriate tick size with the exception of Immediate and Cancel orders.

Web site: www.euronext.com/derivatives

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5. Immediate and Cancel orders are not subject to Premium Based Tick Size validation. Any order of this type will be validated against the lower tick size. This enables a trader to hit orders that are resting at prices not normally available for order entry. This can happen in the following circumstances:

- **Implied Prices**
Implied prices are created without regard to the Premium Based Tick Size pricing. This means that Implied orders can be created at prices above the threshold that are not available for normal order entry.
- **Uncrossing**
The uncrossing algorithm uses the contract's lower tick size for all calculations. This means that any converted Market-on-Open orders can rest at a price not available for order entry. Additionally, any trades conducted at the uncrossing price can be at a price not available for order entry.

In each of these cases the resting order can also be hit using a market order or a limit order at a better price.

6. Prof trades

Prof trades are not subject to Premium Based Tick Size validation, the tick size remains unchanged at €0.01 for all trades.

7. Example

The following prices will be available for trading around the threshold:

	Premium (in €)
Tick size €0.01	0.01
	...
	0.25
	0.26
	0.27
	0.28
Premium threshold	0.30
Tick size €0.05	0.35
	0.40
	0.45
	0.50
	...

Hence from a premium of €0.30 the next valid higher price is €0.35 whilst the next valid lower price is €0.29.

8. Liquidity providers will be informed separately about the changes to the ELPS conditions.

9. If you have any questions, please contact our sales and account management department on +31 (0)20 550 5315, or send an email to derivativesamsterdam@euronext.com.