



## **EURONEXT DERIVATIVES MARKETS**

# **AMSTERDAM NOTICE No. 06/015**

### **Amsterdam market**

**ISSUE DATE:** 26 April 2006

**EFFECTIVE DATE:** 26 April 2006

### **CALL OPTION DIVIDEND TRADING**

#### **Executive Summary**

This Notice informs Members of extra 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, Euronext.liffe implemented the measures which are summarized in section 2 below to reduce the risks relating to call option dividend trading (see Amsterdam Notice No. 05/007).
2. Transactions executed on the Amsterdam market of Euronext.liffe that met the following criteria have been treated as call option dividend trades, and have been subject to an additional uncapped fee of €2.00 per option contract, per side:
  - (i) call option dividend trades between affiliated market participants executed:
    - in a call option series, which may or may not form part of a combination;
    - with a minimum delta of 90;
    - up to one month before the ex-dividend date of the underlying value;
    - in any size.
  - (ii) call option dividend trades between all other market participants executed:
    - between two market participants;
    - in a call option series, which may or may not form part of a combination;
    - with a minimum delta of 90;
    - up to one month before the ex-dividend date of the underlying equity, with a minimum of 25,000 contracts, or up to one week before the ex-dividend date of the underlying equity, with a minimum size of

10,000 contracts.

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

The **Euronext Derivatives Markets ("Euronext.liffe")** include 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.

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3. While the steps taken in 2005 received broad support from the market and have reduced, to a certain extent, the risks related to call option dividend trading, Euronext.liffe noted at the time that the details might require amendment and that further measures could be taken, if required.
4. Recent call option dividend trading volumes have indicated that extra measures are required to mitigate against the possibility of these risks growing once again. This trading activity and follow-up consultations have made it clear that the current regime for non-affiliated market participants (section 2 (ii) above) could prove ineffective because of uncertainty around the application of volume thresholds. There has also been a recommendation that the call option dividend trading period should be extended from 1 month to 2 months.
5. Accordingly, the following new measures, in section 6 below, will be implemented with immediate effect, replacing the current measures described at section 2 above:
6. Any cleared half-trade executed on the Amsterdam market of Euronext.liffe by Dealers, or Brokers for own account:
  - 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).

7. For genuine customer business caught by these new 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.
8. If the operational risks are not satisfactorily addressed by these new measures, then Euronext.liffe may take further measures as considered necessary.

**Further Information**

For further information in relation to this Notice, please contact Quality of Derivative Markets at + 31 20 550 4404/4226