

Amsterdam Notice No. 07/040

The equivalent of this Notice will be issued to Members of each Liffe market.

ISSUE DATE: 6 December 2007
EFFECTIVE DATE: 7 December 2007

AMENDMENTS TO THE RULES AND TRADING PROCEDURES

Executive Summary

This Notice informs Members of changes to the Euronext Rules and Liffe Trading Procedures in light of the implementation of the Markets in Financial Instruments Directive ("MiFID") and the recent rebranding of Euronext.liffe to Liffe.

1. Introduction

- 1.1 Following the implementation of the Markets in Financial Instruments Directive ("MiFID") on 1 November 2007 and corporate re-branding of the Derivatives markets, this Notice provides details of amendments to the Rule Book and the Liffe Trading Procedures.
- 1.2 Members are advised that the main purpose behind the changes to the Rules, was to ensure consistency with MiFID whilst at the same time providing greater simplification, codification and certainty. It is not envisaged, however, that the changes will impact on Member's current arrangements.
- 1.3 In addition, this Notice advises Members that as commodity derivatives contracts fall under the scope of MiFID (whereas they were not within the scope of the Investment Services Directive). All Members trading commodity derivative contracts should ensure that they are suitably authorised.

2. Changes to the Rules

New Terminology

- 2.1 All references to the Investment Services Directive ("ISD") in the Rules have been changed to Markets in Financial Instruments Directive ("MiFID"). In addition, due to a corporate re-branding, all references to "Euronext.liffe" in the Rules have been replaced with the new global derivatives brand: "Liffe".

Web site: 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.

Removal of Membership Capacities: Brokers and Dealers

- 2.2 Euronext has removed Rule 2102/2 which required Members to be designated for its purposes as either Brokers and/or Dealers. This reflects the fact that a Member's permitted scope of activities is defined by its authorisation from the relevant competent authority, where such authorisation is required, although a Member can restrict the scope of its activities if he so wishes.
- 2.3 Notwithstanding the above, Applicants applying for Membership (and any Members extending market access to additional Liffe markets, including the London market) will still be required to indicate the activities that they intend to carry out, so that the Exchange can determine whether an Applicant's regulatory permissions are sufficient and that its internal controls and procedures are commensurate with the type of business that it wishes to undertake on the market. Similarly, an existing Member who intends to change the scope of his activity must, in accordance with Rule 2401(vi), seek the prior approval from the Exchange.
- 2.4 As a consequence of the removal of the membership capacities, changes have been made to the Liffe Trading Procedures to delete references to Broker and / or Dealer.

Amendments to Rule 2201 (Book I) – Eligibility for Membership

- 2.5 Rule 2201/1(vi) has been inserted to make clear that an Applicant for Membership is required to have sufficient resources for the role it intends to perform on the market, which includes, amongst other things, having adequate organisational arrangements in place and staff who possess the requisite level of trading ability and competence.
- 2.6 Rules 2201/4 have been inserted to make clear that a Euronext Market Undertaking will only accept Members from jurisdictions with satisfactory regulatory arrangements in place. Again, this is not a change to the existing policy but has now been made explicit within the Rules.

Amendments to Rule 2401 (Book I) - Members' Continuing Obligations

- 2.7 Rule 2401(xi) has been inserted to ensure that Members notify the Relevant Market Undertaking immediately of the suspension or termination of a Clearing Agreement to which it is a party.
- 2.8 Rule 2401 (xii) is a new requirement that has been inserted to ensure that any non-clearing Member that is unable to lodge adequate collateral with its Clearing Member in relation to its margin liabilities must immediately notify the relevant Euronext Market Undertaking.
- 2.9 Rule 2401(xiii) has been inserted to make it unambiguous that Members must implement and maintain adequate internal procedures and controls in relation to their business on the Liffe market(s). Whilst this is an existing requirement under Rule 8106, the new Rule makes clear that Members must on a continuing basis have adequate internal controls and procedures in place.

Amendment to Rule 2501 (Book I) - General Clearing Arrangements

- 2.10 Rule 2501/2 has been inserted to make clear that each non-clearing Member must ensure at all times that it has lodged with its Clearing Member adequate collateral in relation to its margin liabilities.
- 2.11 Rule 2501/3 has been inserted to explicate that a Clearing Member is obliged to notify Euronext immediately if any Member for whom it clears fails to comply with new Rule 2501/2.

Amendment to Rule 2802 (Book I) – Suspension and Termination

- 2.12 Former Rule 2802/1(x) has been deleted as Euronext no longer sets financial requirements for Membership. This has been replaced by a new Rule 2802/1(x) to make clear that in the event of a Member failing to comply with Rule 2501/2 its trading privileges will be suspended and its Membership may be terminated.

3. Commodity Derivatives

- 3.1 Due to commodity derivatives falling within the definition of “financial instrument” under MiFID, all Members trading commodity derivatives contracts should ensure that they are suitably authorised by both home and host state regulators, where required. Members that are MiFID firms, wishing to trade commodities on a cross border basis, may now benefit from passporting rights in relation to this business whereas previously, in certain jurisdictions, a separate licence was required to carry out this type of business on a cross border basis.

4. Admission to Trading and Contract Specifications

- 4.1 A new Rule 5103/1 (Book I) has been introduced to make clear that the policy for listing new derivative products is consistent with the requirements imposed pursuant to MiFID. Further information as to the detail of the policy will be issued in due course.

5. Liffe Trading Procedures

New Terminology

- 5.1 As stated in section 2 of this Notice, due to a recent corporate re-branding, all references to “Euronext.liffe” in the Trading Procedures have been replaced with the new global derivatives brand: “Liffe”. Similarly, the derivatives markets are now referred to as the Amsterdam market, the Brussels market, the Lisbon market, the London market and the Paris market.

Implied “in” Pricing

- 5.2 As explained in London Circular No. 07/31, issued on 9 November 2007, LIFFE CONNECT® Release 10.0 introduced implied “in” prices for Call and Put Butterflies, Call and Put Ladders and 2x1 Ratio Call and Put Spreads. Annexe 2 to the Liffe Trading Procedures has been revised to reflect these changes.

6. Further Information

The revised Rules and Trading Procedures will be made available on the Euronext website (www.euronext.com, for our clients, rules & regulation).

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

| | | |
|--------------------------|----------------------|--|
| Charlotte van Cuylenburg | +44 (0) 20 7379 2283 | charlotte.vancuylenburg@liffe.com |
| Alison Hodge | +44 (0) 20 7379 2214 | alison.hodge@liffe.com |