AMSTERDAM NOTICE NO. 12/028

Issue Date: 28 September 2012

Effective Date: 1 October 2012

CALL OPTION DIVIDEND TRADING

This Notice replaces Amsterdam Notices AN05/007, AN06/015, AN08/006 and AN10/022.

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. Background

1.1 Since November 2004, NYSE liffe has been consulting Members in relation to call option dividend trading, a type of arbitrage trading whereby market participants accumulate large positions in call options with underlying shares that are about to go ex dividend.

1.2 As from 2005, a set of rules with regards to dividend trade monitoring has been put in place and has been adjusted according to market circumstances, and improvements have been made to the rules over the years. Improvements and additional measures have been communicated in Amsterdam Notices AN05/007, AN06/015, AN08/006 and AN10/022.

1.3 Based on recent monitoring results and market practice, NYSE Liffe has decided to complement the Rules with additional measures which have been implemented in Article 3 of this Notice.

2. Call option dividend trading - Complete rule

2.1 Call option dividend trading criteria

Transactions executed on NYSE Liffe Amsterdam and/ or NYSE Liffe Brussels will be treated as call option dividend trades if it meets the following criteria:

- Any Transaction in a call option series, which may or may not form part of a combination;
- with a minimum delta of 90;
- up to two (2) months before the ex-dividend date of the underlying security;
- in any size; and
- that results in the creation of a short position, or an increase of an existing short position.

2.1.2 Additional Fee:

Call option dividend trading will be subject to an additional fee. This additional fee will be an uncapped fee of € 2.00 per option contract (the "Additional Fee") plus the normal transaction fee.

The Additional fee only applies to the side of the Transaction creating or increasing the short position.

2.2 Exceptions

2.2.1 General exceptions:

The Additional Fee can or will be waived:

- For opening Transactions in series on request.
- For transfers of short positions in the market. Subject to the condition that (i) Members inform NYSE Liffe in advance of Transactions whereby short positions are being transferred from one account to another account and (ii) trades will have a minimum trade size of 5,000.
- 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 an individual series level and 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 call option series that do not meet the aforementioned delta 90 criteria on the business day before the ex-dividend date. Meaning that the Additional Fee for all violations that have been established over the two month period preceding the ex-dividend date, in series that do not qualify for the delta 90 criteria on the business day before the ex- dividend date, shall be waived.

2.2.2 Exceptions for Market Makers (T-account):

- The Additional Fee can or will be waived for series whereby the short position held[1] is less than the sum of the violations, that have been established over the two month period[2] preceding the ex- dividend date, in that series. This will be verified by NYSE liffe for market maker accounts (T-Account) only. Meaning, if the Members' position at the end of the two month period[3] in the respective call option series has become less than (or even nil or long) the cumulative number of the violations[4] in such a series, the Additional Fee shall only be opposed for the volume of the short position in such a series. If the short position in the respective call option series is greater than the cumulative volume of the violations in that

[1] NYSE Liffe will use the open position data at the close of business on two business days prior to the ex-dividend date (transfer of short positions conducted during the two month monitoring period may be excluded). Any trades executed on the business day prior to the ex-dividend date, will therefore not be taken into account in the position verification as stated in section 2.2.2.

[2] All violations which have been established on the business day preceding the ex-dividend date will not be taken into account when calculating 'the sum of the violations established over the two month period', as stated in section 2.2.2. All violations established on the business day prior to the ex-dividend date will be subject to additional fee, without exemption.

[3] NYSE Liffe will use the open position data at the close of business on two business days prior to the ex-dividend date. Any trades executed on the business day prior to the ex-dividend date, will therefore not be taken into account in the position verification as stated in section 2.2.2.

[4] All violations which have been established on the business day preceding the ex-dividend date will not be taken into account when calculating 'the sum of the violations established over the two month period', as stated in section 2.2.2. All violations established on the business day prior to the ex-dividend date will be subject to the Additional Fee, without exemption.

respective call option series, NYSE Liffe maintains the Additional Fee for the violations opposed.

2.2.3 Exceptions for customer business:

- For genuine customer business, Brokers may execute for a customer account up to a maximum of 50 lots per trade and an aggregate of 500 lots per Member per day in the relevant option contract (option Class) without being charged the Additional Fee.

3. Additional measures

3.1 Reversed positions:

3.1.1 Members are informed, via email notification, of Additional Fee and relevant increased short position in relation to call option dividend trading on the business day following creation of the increased short position. NYSE Liffe may waive the Additional Fee if Members inform NYSE Liffe via email, on the business day of receipt of the email notification, that the position has been reversed and neutralized. If NYSE Liffe is able to verify this, Members shall be informed the business day following the business day the Additional Fee has been waived.

3.1.2 For all reversed positions, as described in section 3.1.1 above, NYSE Liffe will check the reverse trade against the following criteria:

- If affiliated market participants of any of the Members who were involved in the original trade which created the increased short position in relation to call option dividend trading, are counterparty of the reverse trade, NYSE Liffe may decide to persist the Additional Fee, or charge the Additional Fee to the Member taking over (part of) the original short position.

3.2 Exceptions:

3.2.1 Trading by Members in series subject to foregoing measures, which does not fall under 'genuine customer business as described in section 2.2.3, shall not be opposed an Additional Fee for business with a maximum volume of ten (10) lots per trade and an aggregate amount of 100 lots per Member per day in the relevant option series.

3.2.2 The lot sizes in paragraph 2.2.3 shall be updated to 100 lots per trade and 1000 lots per day in the relevant option contract respectively.

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

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