

CIRCULAR
14/146

06 November 2014

Category:

Trading

Attachments:

None

Summary of content:

Liffe Migration – Equity Contracts

For more information please contact:

Market Supervision
Europe
+44 (0)20 7382 8200
Marketsupervision-europe@theice.com

Liffe Migration – Equity Contracts

The purpose of this Circular is to advise Members, further to the announcement of the Migration of Liffe Contracts to ICE Futures Europe, in Circular 14/108 dated 16 September 2014, of the following information relating to Equity Contracts transitioning with a first trade date 17 November 2014:

- Trading Hours
- Designated Settlement Procedures
- Settlement Volume Thresholds
- Matching Algorithm
- Trade Adjust and Cancellation Policy
- No Cancellation Ranges and Reasonability Limits
- Interval Price Limits

17 November 2014 – Equity Contracts:

- Index Futures and Options
- Single Stock Futures
- Dividend Adjusted Single Stock Futures
- Individual Equity Options
- Change to contract month introductions
- Change to strike introductions

The List of Contract Details in respect of Individual Equity Options (including Equity Shares, for the purposes of Stock Contingent Trades), Single Stock Futures and Dividend Adjusted Single Stock Futures Contracts can be found at the following link:

https://globalderivatives.nyx.com/sites/globalderivatives.nyx.com/files/full_contract_list_equities_17_11_2014_ice_futures_europe.xlsx

Trading Hours (London Time)

Effective from 17 November 2014 the FTSE 100 Index Futures contract (Z) trading hours will change to 08:00 to 21:00 London time. There is no Pre-open session for Option Contracts.

| Contract | Pre-open | Open | Close |
|---|----------|-------|-------|
| FTSE 100 Index Future | 06:03 | 08:00 | 21:00 |
| FTSE 250 Index Future | 06:03 | 08:00 | 17:30 |
| FTSE 100 Declared Dividend Index Future | 06:03 | 08:00 | 16:30 |
| FTSE 100 Dividend Index – RDSA Withholding Future | 06:03 | 08:00 | 16:30 |
| MSCI Europe NTR Index Future | 00:45 | 01:00 | 21:00 |
| MSCI World NTR Index Future | 00:45 | 01:00 | 21:00 |
| Index Futures via ICEblock ¹ | N/A | 08:00 | 17:30 |

¹ FTSE 100 Index, MSCI Europe NTR Index and MSCI World NTR Index Futures via ICEblock close at 21:00

| | | | |
|--|-------|-------|-------|
| Single Stock Futures | 06:03 | 08:00 | 17:30 |
| Single Stock Futures and Dividend Adjusted Single Stock Futures via ICEblock | N/A | 08:00 | 18:00 |
| FTSE 100 Index Options (ESX) | N/A | 08:00 | 16:30 |
| Index Options Contracts via ICEblock | N/A | 08:00 | 17:30 |
| Individual Equity Options | N/A | 08:00 | 16:30 |
| Individual Equity Options via ICEblock | N/A | 08:00 | 17:30 |

Designated Settlement Procedures

Daily Settlements will be calculated in accordance with ICE Futures Trading Procedures 2.4:

https://www.theice.com/publicdocs/contractregs/108_XX_TRADING_PROCEDURES.pdf

| Designated Settlement Window (London Time) | |
|--|---------------|
| FTSE 100 Index | 16:28 – 16:30 |
| FTSE 250 Index | 16:28 – 16:30 |
| FTSE 100 Declared Dividend Index | 16:28 – 16:30 |
| FTSE 100 Dividend Index – RDSA Withholding | 16:28 – 16:30 |
| MSCI Europe NTR Index | 16:28 – 16:30 |
| MSCI World NTR Index | 16:28 – 16:30 |
| FTSE 100 Index Options (ESX) | 16:30 |
| Single Stock Futures | 17:30 |
| Individual Equity Options | 16:35 |

Settlement Volume Thresholds

The Settlement Volume Thresholds establish the minimum volume of trades which needs to be completed during the relevant Settlement period for the purposes of calculating prices by means of a trade weighted average calculation. The Settlement Volume Thresholds are set on a contract by contract basis determined by the Exchange.

| Settlement Volume Thresholds | |
|--|-----|
| FTSE 100 Index | 100 |
| FTSE 250 Index | 50 |
| FTSE 100 Declared Dividend Index | 50 |
| FTSE 100 Dividend Index – RDSA Withholding | 50 |
| MSCI Europe NTR Index | 50 |
| MSCI World NTR Index | 50 |

The full table of Settlement Volume Thresholds can be found at:

https://www.theice.com/publicdocs/futures/ICE_Futures_Settlement_Volume_Threshold.pdf

Matching Algorithm

Prior to the start of each daily trading session for a contract there is a Pre-Trading Session during which Limit and GTC orders may be entered; GTC orders from prior trading days on ICE Futures Europe can also be amended or cancelled during this session. GTC orders that were previously entered on the NYSE Liffe matching engine will be cancelled following close of trading on trade date 14 November 2014. Members will have to reinstate such orders when the trading session opens on ICE Futures Europe.

From trade date 17 November 2014, immediately after the termination of the Pre-Trading Session and prior to the Open of trading for a product the Opening Match process occurs. During the Opening Match, all limit orders may be matched, as appropriate, resulting in executed trades at the Opening Match price. The price level and quantity of contracts traded during the Opening Match are determined by an Uncrossing Algorithm as determined by the Exchange; all orders that are traded (whether fully or partially) as part of the Uncrossing Algorithm trade at the same trade price. No new order may be submitted during the Opening Match.

During the trading session a Price/Time Matching Algorithm will be used which matches orders on the basis of a price and time priority algorithm. The "best" price order always has the highest priority; for buy orders that means those orders that have the highest price, and for sell orders that means those orders that have the lowest price. If more than one order is in the market at a specific price, the highest priority is given to the order that arrived in the electronic trading system first.

Trade Adjustment and Cancellation Policy

Members are advised that transactions determined by the Exchange to be at an unrepresentative price will be adjusted to a trade price that the Market Supervision Official evaluates as fair market value at the time of execution, plus or minus the No Cancellation Range (NCR) for that contract. In the event that there are a significant number of counterparties, transactions or contracts associated with the error trade, or any other factor deemed relevant by the Exchange, the Market Supervision Official has the authority to cancel trades rather than adjust prices. The decision of the Market Supervision Official is final.

The Price Adjust facility is a cancellation of the original deal and the creation of a new deal with all information retained except for a new deal id, trade price and reference to the cancelled deal. Any trades that are associated, with a deal that is adjusted, will also have a new deal created with the original deal cancelled.

The Trade Adjustment and Cancellation policy can be found on the ICE Website at;

https://www.theice.com/publicdocs/futures/Trade_Adjustment_Policy.pdf

No Cancellation Ranges and Reasonability Limits – Futures

No Cancellation Ranges are Exchange-set parameters above or below

fair market value, within which a disputed trade will not be subjected to price adjustment or cancellation.

Reasonability Limits are Exchange-set parameters beyond which the trading server will not accept orders.

| Contract | NCR | RL | Pre-Open RL |
|--|--|------|-------------|
| FTSE 100 Index | 15.0 | 15.0 | 50.0 |
| FTSE 250 Index | 50.0 | 50.0 | 100.0 |
| FTSE 100 Declared Dividend Index | 30.0 | 30.0 | 90.0 |
| FTSE 100 Dividend Index – RDSA Withholding | 30.0 | 30.0 | 90.0 |
| MSCI Europe NTR Index | 5.00 | 5.00 | 10.00 |
| MSCI World NTR Index | 30 | 30 | 60 |
| Single Stock Futures: (Central limit order book) | See table of No Cancellation Ranges and Reasonability Limits | | |

No Cancellation Ranges - Options

| Contract | No Cancellation Range | Minimum Value |
|------------------------------|--|---------------|
| FTSE 100 Index Options (ESX) | 25% of premium up to 200% of futures NCR | 5.0 |

Individual Equity Options (Central Limit Order Book)

Category 1

PCC (Physical Commodity Code)

AWS, BLC, BP, BTG, CCT, CTR, CUA, DIX, DLE, GME, III, KGF, LDB, LFI, LGE, M+S, MWR, NGG, OMT, RBS, REI, RTO, RYL, SAN, SGE, TCO, TSB, UUL, VOD, WHL

| Theoretical Value | ≤2 | >2 - ≤15 | >15 - ≤30 | >30 - ≤60 |
|-------------------|------|----------|-----------|-----------|
| NCR | 1.5p | 3p | 4p | 5p |

| Theoretical Value | >60 - ≤100 | >100 - ≤150 | >150 - ≤1000 | >1000 |
|-------------------|------------|-------------|--------------|-------|
| NCR | 5.5p | 10p | 11.25p | 15p |

Category 2

PCC (Physical Commodity Code)

ABR, AER, AF, ARM, BBL, BDV, BSK, CNG, CPG, EMG, EVR, EXP, FCD, HMS, GKN, GL, GNS, GXO, HSB, ICA, IHG, INS, LS, LSE, MGG, MRL, OP, PRU, PSO, RE, REW, RMU, RR, SCR, SNP, SRP, SSE, SVT, TAT, TLO, ULV, WPP, XST

| | | | | |
|--------------------------|-----------|--------------------|---------------------|---------------------|
| Theoretical Value | ≤2 | >2 - ≤15 | >15 - ≤30 | >30 - ≤60 |
| NCR | 2p | 4.5p | 5.5p | 6p |

| | | | | |
|--------------------------|----------------------|-----------------------|------------------------|-----------------|
| Theoretical Value | >60 - ≤100 | >100 - ≤150 | >150 - ≤1000 | >1000 |
| NCR | 7.5p | 12.5p | 22.50p | 35p |

Category 3

PCC (Physical Commodity Code)

AAM, AGK, AH, AHA, AME, ATT, AZA, BGG, BIG, BLT, BNZ, BRW, CL, CPI, CRM, EZJ, FRN, HRL, IMI, IMP, ITR, JMA, KZK, LNM, MDI, MLE, NXT, OCA, PET, POC, RB, RTZ, SAB, SCB, SDS, SHA, SHL, SHP, SI, SMS, TAB, TPK, VRS, WEI, WSY, WTB, PMO, RAR

| | | | | |
|--------------------------|-------------|--------------------|---------------------|---------------------|
| Theoretical Value | ≤2 | >2 - ≤15 | >15 - ≤30 | >30 - ≤60 |
| NCR | 2.5p | 6p | 8p | 10p |

| | | | | |
|--------------------------|----------------------|-----------------------|------------------------|-----------------|
| Theoretical Value | >60 - ≤100 | >100 - ≤150 | >150 - ≤1000 | >1000 |
| NCR | 11.25p | 17.5p | 30p | 55p |

The table of No Cancellation Ranges and Reasonability Limits can be found at;

https://www.theice.com/publicdocs/futures/No_Cancellation_Ranges.pdf

Interval Price Limits

The Interval Price Limit (IPL) provides functionality to limit large price movements from occurring within a given time frame. For each contract there will be a set limit, the IPL, to which prices can move within a set time frame known as the re-calculation time. If a bid or offer attempts to breach the IPL the market will enter a hold period preventing any further trading beyond the limit until the end of the hold period. Trading can still continue during the hold period within the upper and lower parameters of the IPL. At the end of the hold period new parameters are set based on the prevailing market prices.

| Contract | IPL | IPL Recalc | IPL Hold |
|--|-------------------------|-------------------|-----------------|
| FTSE 100 Index | 25.0 | 3 | 5 |
| FTSE 250 Index | 75.0 | 3 | 15 |
| FTSE 100 Declared Dividend Index | 50.0 | 3 | 15 |
| FTSE 100 Dividend Index – RDSA Withholding | 50.0 | 3 | 15 |
| MSCI Europe NTR Index | 10.0 | 3 | 15 |
| MSCI World NTR Index | 50 | 3 | 15 |
| Single Stock Futures: (Central limit order book) | IPL will not be enabled | | |

Change to contract month introductions

Liffe Notice No. [3862](#), issued on 15 September 2014, informed members that both standard and flexible equity derivatives will continue to be listed on the ICE platform. Standard products will be listed as “monthlies” and flexible products will be listed as “dailies”. As a result, the standard product will always be available for trading on any third Friday², subject to it being a business day, within the date range that is allowed for the flexible product, albeit that longer dated expiries³ will only be available on ICEblock. Taking the FTSE 100 Index Option as an example, the standard option (“ESX”) is currently listed out to 2 years whereas the equivalent flexible option (“FLX”) is available, on Bclear only, out to 10.5 years. On the ICE platform, serial months will be listed out to 10.5 years in the standard option (“ESX”) to match the latest permissible expiry month for a flexible option (“FLX”). Serial months out to two years will be available on the ICE central order book and ICEblock. Longer dated expiries beyond 2 years and out to a maximum of 10.5 years will be available on ICEblock only. The flexible option (“FLX”) will continue to be available on ICEblock only.

Change to strike introductions

The strike price policy for the standard UK single stock options and standard FTSE 100 Index options (“ESX”) will largely remain unchanged in so far as the Exchange stipulates the minimum number of strikes listed per expiry month and the applicable strike intervals. In addition, the option contracts will continue to have multiple strike intervals depending on the remaining lifetime of the expiry month and the around-the-money strikes will have narrower strike intervals compared with deeper in- and out-of-the-money strikes.

For UK single stock options the Exchange will group the contracts in to bands and allocate a minimum strike interval per band. In addition, members may request strikes to be listed with a minimum strike interval for standard UK single stock options and standard FTSE 100 Index options (“ESX”) of one penny or one index point respectively. More information will be available on the ICE website in due course.

Availability in the United States

Members are reminded that Equity Contracts continue to be subject to restrictions and conditions in the United States. Please refer to the Exchange’s guidance on jurisdictional approvals and restrictions for further information. This can be found at the following link: https://www.theice.com/publicdocs/futures_jurisdiction.pdf.

Members with any queries should contact Market Supervision Europe on +44 (0)20 7382 8200 or by email to: marketsupervision-europe@theice.com

Please ensure that the appropriate members of staff within your organisation and customers are advised of the content of this Circular.

² In the case of standard Single Stock Futures on Borsa Italiana underlyings, it is the business day immediately preceding the third Friday.

³ Longer dated expiries being:

FTSE 100 index options (ESX) beyond two years with a maximum expiry of 10.5 years;

Target Group Individual Equity Options beyond two years with a maximum expiry of five years;

Non-Target Group Individual Equity Options beyond one year with a maximum expiry of five years; and

Single Stock Futures beyond 6 months with a maximum expiry of five years.

Signed:

A handwritten signature in black ink that reads "Dee Blake". The signature is written in a cursive style with a large initial 'D' and 'B'.

Dee Blake
Head of Regulation