



NYSE LIFFE US NOTICE No. 16/2013

ISSUE DATE: July 31, 2013
EFFECTIVE DATE: August 15, 2013

Rule Amendments – Block Trades and Exchange for Related Positions

Summary

This Notice announces that the Exchange is (i) making technical amendments to Rules 422 and 423, (ii) providing guidance regarding the pricing of the Futures or Options on Futures leg of an EFRP, and (iii) stating the policies governing the publication of off-exchange trades.

1 Rule 422(c)(iii) Exchange for Related Positions

- 1.1 NYSE Liffe US Rule 422 (c)(iii) provides that the price of the Futures or Options on Futures leg of an EFRP must be within the daily price limit for the Contract involved. The Exchange, however, has not imposed any daily price limits for any Contract traded on the Exchange.
- 1.2 Therefore, the Exchange is removing the reference to daily price limits by deleting Rule 422(c)(iii) in its entirety.
- 1.3 The Futures or Options on Futures leg of an EFRP may be executed at any commercially reasonable price agreed upon by both parties, provided that the price of the Contract conforms to the standard minimum price increment set forth in the rules of the relevant product chapter. Please keep in mind, however, that transactions executed away from prevailing market prices can be expected to be subject to additional regulatory scrutiny.

2 Rule 423 Block Trading

- 2.1 In setting forth the responsibilities for reporting a Block Trade, NYSE Liffe US Rule 423(e) erroneously states that the “Members [sic] (or Member whose Customer or Noncustomer is) selling the Futures or Options on Futures leg of the EFRP” is required to report the trade to the Exchange. Rule 423(e) amended to eliminate the erroneous reference to the “Futures or Options on Futures leg of the EFRP” and changes “Members” to “Member.”

3 Publication of Off-Exchange Trade Data

- 3.1 Commission Regulation § 16.01(e)(2) generally requires the Exchange to report the high and low prices of each Contract during each Trading Session that the Exchange “determines to accurately reflect market conditions.” Because off-exchange transactions such as EFRPs and Block Trades are non-competitively executed transactions, the Exchange does not include the prices of such transactions in the daily high and low information that the Exchange provides to the public pursuant to Regulation § 16.01.¹
- 3.2 As required by Regulation § 16.01, however, information regarding EFRPs and Block Trades are included in the Exchange’s Daily Information Sheets which can be accessed from the Exchange’s [End of Day Files](#) page on its website. In addition, the price, quantity and time of each Block Trade is available under the “Volume and Block Trade Data” link on the relevant product page of the Exchange’s website.

4 Text of Amendments

- 4.1 For convenience, the text of the amendments to Rules 422 and 423 are set forth in the attached Appendix.

Members who have questions or seek additional information in respect of this Notice should contact:

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¹ The Exchange further notes that its policy of not including the prices of off-exchange trades in the daily high and low data is consistent with the practice mandated by Rules 422(f) and 423(g) that EFRPs and Block Trades do not trigger unexecuted Orders, such as Stop Market and Stop Limit Orders.

TEXT OF RULE AMENDMENTS

422. Exchange for Related Positions

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(c) Additional Requirements

(i) For purposes of this Rule, a position is considered a Related Position if it is a cash, securities, swap or derivative position that bears a relationship to the Contract involved in the EFRP. In cases other than cash positions, the position must be derivative, a by-product or related product whose price bears a readily ascertainable relationship to the Contract involved in the EFRP. From time to time, the Exchange may issue guidance on factors that tend to indicate that a position is a Related Position. Notwithstanding, it is the obligation of the Persons that are parties to the EFRP to ensure that the Related Position involved in an EFRP submitted to the Exchange bears an appropriate relationship.

(ii) In every EFRP, one party must be the buyer of the Related Position and the seller of the corresponding Futures and the other party must be the seller of the Related Position and the buyer of the corresponding Futures. Further, the quantity of the Related Position traded in an EFRP must be equivalent to the quantity of the related position represented by the Futures portion of the transaction.

(iii) ~~If the EFRP is agreed upon during a Trading Session, the price of the Contract that is the subject of the EFRP must be within the daily price limit for such Contract during the current Trading Session. If the EFRP is agreed upon after the Exchange's trading hours for such Contract, the price of the Contract that is the subject of the EFRP must be within the daily price limit for such Contract during the next Trading Session.~~

[Subsections (c)(iv) through (c)(vi) are renumbered as (c)(iii) through (c)(v)]

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423. Block Trading

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(e) For Block Trades between two Members or Customers or Noncustomers of one or both of the Members, the Exchange requires the Members (or Member whose Customer or Noncustomer is) selling the Futures or Options on Futures ~~leg of the EFRP~~ to report the Block Trade.

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