

LONDON NOTICE NO. 3722

Issue Date: 28 May 2013

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AUTHORISATION OF BASIS TRADES IN EXCEPTIONAL CIRCUMSTANCES

UPDATES TO THE TRADING PROCEDURES TO REFLECT THE MIGRATION TO THE UNIVERSAL TRADING PLATFORM

Executive Summary

This Notice informs Members of revisions to the NYSE Liffe Trading Procedures (“the Trading Procedures”): (a) to permit the authorisation of basis trades outside of the usual parameters in exceptional circumstances, at the Exchange’s absolute discretion; and (b) to reflect the migration from LIFFE CONNECT® to the Universal Trading Platform.

1. Introduction

- 1.1 In response to market feedback, the Exchange has determined to amend the London section of the Trading Procedures to permit the authorisation of basis trades in exceptional circumstances, at the Exchange’s absolute discretion, where the price of the futures leg of the basis trade is outside of the requisite pricing parameters.
- 1.2 The changes to the London section of the Trading Procedures are set out in Section 2 of this Notice.
- 1.3 The Exchange is also taking this opportunity to update the Trading Procedures and the Annexes thereto following the completion of the migration from LIFFE CONNECT® to the Universal Trading Platform (“UTP”). Further details are set out in section 4 below.

2. Amendment to the London Section of the Trading Procedures in Respect of Basis Trades

- 2.1 In order to give the Exchange discretion to authorise basis trades executed outside of the parameters, the London section of the Trading Procedures will be amended as follows (additional wording is underlined):

Lo.13 Pricing of basis trades

- Lo.13.1 Pursuant to Trading Procedure 4.2.5, with the exception of a basis trade which is an EFS in accordance with Trading Procedure 4.2.6(n) or an EOO in accordance with Trading Procedure 4.2.6(o), for a basis trade to be authorised, the price of the future leg(s) must be at the level trading on UTP at the time the basis trade is submitted for execution or within the high/low traded price that occurred on UTP in the preceding thirty minutes. In the event that no trade has occurred in the relevant delivery month

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on that day at the time the basis trade is submitted for execution or in the preceding thirty minutes, the price of the futures leg(s) must be at or within the high/low traded price calculated by the Exchange maintained algorithm.

In exceptional circumstances, the Exchange may, at its absolute discretion, authorise a basis trade where the price of the futures leg(s) is outside of the parameters set out above. Prior to authorising such basis trade, the Exchange will require additional information from the basis trade executing Member, in relation to the organisation of the basis trade.

Where the basis trade is an EFS in accordance with Trading Procedure 4.2.6(n), for the futures leg(s) to be authorised the price(s) assigned must be within the price range established to date in respect of the delivery month in the relevant Exchange Contract.

Where the basis trade is an EOO in accordance with Trading Procedure 4.2.6(o), for the options leg(s) to be authorised the price(s) assigned must be within the implied volatility range established to date in respect of the expiry month in the relevant Exchange Contract.

- 2.2 An updated version of the Trading Procedures will be made available on the NYSE Euronext website (www.nyx.com/londonmarkethandbook) in due course.

3. Consideration of a Basis Trade in Exceptional Circumstances

- 3.1 In the event that a Member has had a basis trade rejected by the Exchange that does not meet the required parameters and the Member believes that there were exceptional circumstances that led to the futures leg of the basis trade being submitted at a price outside of the required parameters, the Member should contact Market Services. Market Services will request an explanation from the Member together with details about the basis trade, including but not limited to, evidence about the organisation of the basis trade.
- 3.2 Market Services will then consider the market conditions at the time of the organisation of the basis trade and the evidence provided by the Member concerned. If Market Services consider, at their absolute discretion, that exceptional circumstances existed at the time the basis trade was organised, it will request that the Member re-submit the basis trade for authorisation.
- 3.3 Market Services will maintain a record of basis trades authorised in exceptional circumstances. Members are reminded of their overarching obligations under the Rules to act with due skill, care and diligence when conducting LIFFE business and of the provisions of Trading Procedure 4.2.18 which states that authorisation of a basis trade does not preclude the Exchange from instigating disciplinary proceedings in the event that such basis trade is subsequently found to have been organised/executed other than in compliance with the Rules and Trading Procedures.

4. Updates to the Trading Procedures and the Annexes to the Trading Procedures following the Migration to UTP

- 4.1 As Members will be aware, the migration from LIFFE CONNECT® to the Universal Trading Platform (“UTP”) has now been completed and NYSE Liffe is taking this opportunity to update the Trading Procedures and the Annexes thereto to reflect the migration. The amendments are limited to

changes to nomenclature and consist largely of the replacement of the term LIFFE CONNECT® with “Universal Trading Platform” or “UTP”. The necessary changes have already been made to Euronext Rule Book I. Members are advised that any remaining references to “LIFFE CONNECT®” in Exchange documentation and literature should, if the context requires, be construed as references to “UTP”.

- 4.2 NYSE Euronext is also taking this opportunity to amend references within the Trading Procedures from “Clearing House” to “Clearing Organisation”, to be consistent with the definition within the Euronext Rule Book I.

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

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