

LONDON NOTICE No. 2794

ISSUE DATE: 4 September 2006
EFFECTIVE DATE: 15 September 2006

INTRODUCTION OF VARIANCE FUTURES CONTRACTS ON BCLEAR

OPERATING ARRANGEMENTS

Executive Summary

This Notice provides members with additional information about the forthcoming introduction of Variance Futures Contracts on Bclear.

1. Introduction

- 1.1 London Circular No. 06/27, issued on 2 August 2006, informed members of the introduction of Variance Futures Contracts on Bclear. In addition, London Circular No. 05/27 and London Notices No. 2695 and No. 2697, issued on 19 September 2005, 17 October 2005 and 20 October 2005 respectively, advised members of the introduction of Euronext.liffe's Bclear Service, which is the Exchange's cleared service for wholesale equity derivatives. In particular, London Notice No. 2697 provided members with the Rules and operating arrangements for Bclear which should be read in conjunction with this Notice. The Exchange has also issued the Bclear User Guide, the Bclear Live Preparation Guide and the Bclear Member Testing Guidelines which provide detailed descriptions of how Bclear operates and how to gain access to and use the Service.
- 1.2 This Notice informs members that the launch date for Variance Futures Contracts on Bclear **has been brought forward to Friday 15 September 2006**. In addition, this Notice provides members with the following additional information with respect to the introduction of Variance Futures Contracts on Bclear:
- (a) minimum volume requirements;
 - (b) access and reporting rights;
 - (c) business days and hours;
 - (d) fees;
 - (e) the regulatory position in the United States;
 - (f) Daily Settlement Prices; and

Web site: www.euronext.com/derivatives

The **Euronext Derivatives Markets ("Euronext.liffe")** include 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.

(g) Licence Agreement.

2. Minimum Volume Requirements

- 2.1 Minimum volume requirements apply to all trades submitted through Bclear. In the case of Variance Futures Contracts, the minimum volume requirement is one lot.

3. Access and Reporting Rights

- 3.1 Direct access to Bclear is available to members of the London market, including those affiliates of members who have been approved by the Exchange pursuant to Rule 3601 (Rules, Book I). Other wholesale market participants who are clients of members may have indirect access to Bclear on an intermediated basis via such members, i.e. as is the case with their LIFFE CONNECT[®] business, members will be required to perform appropriate risk management checks in relation to all client business before it is subjected to the Exchange's trade confirmation process.
- 3.2 To submit Variance Futures trades via Bclear, members will need a Futures Subscription (FUT).
- 3.3 To claim trades only, members will need to have the appropriate entitlement set up in the membership database.
- 3.4 To clear trades in Variance Futures Contracts, members require the relevant clearing status (GCM or ICM) and access to the Financials Trade Registration System ("Financials TRS").

4. Business Days and Hours

- 4.1 Variance Futures transactions will be capable of being reported via Bclear on those market days on which the relevant underlying markets are open for business. A list of market days for 2006 on which transactions in Variance Futures Contracts will **not** be capable of being reported via Bclear forms Attachment 1 to this Notice.
- 4.2 Members may report Variance Futures Contracts transactions to the Exchange via Bclear between 08:00 and 17:00 hours (London time), unless otherwise specified. In respect of a contract on its Last Trading Day, reporting hours will end at the time trading ceases in such contract, as set out in the relevant Contract Specification.
- 4.3 The reporting arrangements explained in Section 12 of Book II of the Rules and section 4 of this Notice will, of necessity, determine the days and hours during which the relevant transactions may be undertaken.

5. Fees

- 5.1 Fees will be charged on a per lot, per side basis, subject to a fee cap per transaction. The fee caps differ depending on whether business is allocated to the member's own/House account or to the member's client accounts. For trades with multiple legs, each leg is charged separately, up to the fee cap (i.e. for these purposes, each leg is treated as a separate transaction).
- 5.2 Members wishing to allocate proprietary business to their Non-segregated "N" account should register their N account if they would like such business to be charged on the same basis as business in a House account. This should be done using Form 160, which is available from Euronext.liffe Market Operations (+44 (0)20 7379 2231).

- 5.3 Details of all fees, including LCH.Clearnet Ltd fees (specifically, clearing and cash settlement fees), applicable to Variance Futures Contracts confirmed through Bclear can be found in Attachment 2 to this Notice.

6. U.S. Regulatory Position

- 6.1 Members should note that U.S. persons are not permitted to engage in Variance Futures transactions on Bclear, pending approval by the relevant U.S. regulatory authorities. The Exchange will advise members in due course if and when such approval is granted.

7. Daily Settlement Prices

- 7.1 At the close of business, Daily Settlement Prices will be established for all open contracts. Daily Settlement Prices will be determined on the basis of a contract's fair value, as set out in the relevant Contract Specification.

8. Licence Agreement

- 8.1 The Bclear Licence Agreement, which is required to be accepted upon first use of the Service, has been updated. New wording has been added to Section 6 ("Warranties"), which is relevant to the Trade Submission screen for Variance Futures. All registered Bclear users will be required to accept the updated Licence Agreement before first use on and from the morning of Friday 15 September 2006.

9. Further Information

- 9.1 Contract designations for Variance Futures Contracts on Bclear will be published by separate Notice in due course.

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

Equity Product Management

+44 (0)20 7379 2200

equities@liffe.com

Availability of Variance Futures Contracts via Bclear in 2006

Market days in 2006 on which transactions will **not** be capable of being reported via Bclear:

Variance Futures Contracts

Index	Dates unavailable for reporting via Bclear
AEX [®]	Monday 25 December 2006 Tuesday 26 December 2006
CAC 40 [®]	Monday 25 December 2006 Tuesday 26 December 2006
FTSE 100	Monday 25 December 2006 Tuesday 26 December 2006

Fees Applicable to Variance Futures Contracts Confirmed via Bclear¹**Variance Futures Contracts on the AEX[®] Index and CAC 40[®] Index**

Exchange fee	Clearing fee	Cash Settlement fee	Cap					
			Proprietary Business			Client Business		
			Exchange fee	Clearing fee	Cash Settlement fee	Exchange fee	Clearing fee	Cash Settlement fee
€6.75	€1.25	€0.35	€1,600	€400	€2,000	€3,200	€800	€4,000

Variance Futures Contracts on the FTSE 100 Index

Exchange fee	Clearing fee	Cash Settlement fee	Cap					
			Proprietary Business			Client Business		
			Exchange fee	Clearing fee	Cash Settlement fee	Exchange fee	Clearing fee	Cash Settlement fee
£6.75	£0.75	£0.25	£1,500	£375	£1,875	£3,000	£750	£3,750

¹ Fees will be charged on a per lot, per side basis, subject to a fee cap per transaction. For trades with multiple legs, each leg is charged separately, up to the fee cap (i.e. for these purposes, each leg is treated as a separate transaction).