

LONDON NOTICE No. 2940

ISSUE DATE: 20 September 2007
EFFECTIVE DATE: 24 September 2007

INTRODUCTION OF FLEXIBLE OPTIONS CONTRACTS ON THE FTSE 250 INDEX WITHIN BCLEAR

CHANGE TO THE TIME TRADING CEASES ON EXPIRY DAY FOR FLEXIBLE AEX INDEX OPTIONS ON BCLEAR

Executive Summary

This Notice informs members of: (a) the introduction of new European-style exercise flexible options contracts based on the FTSE 250 Index within Bclear; and (b) a change to the time trading ceases on expiry day for flexible AEX Index options on Bclear.

1. Introduction

- 1.1 This Notice informs members that options contracts on the FTSE 250 Index will be introduced on Bclear with effect from Monday 24 September 2007.
- 1.2 This Notice provides members with the following information with respect to the introduction of FTSE 250 Index Options:
 - (a) summary contract specification;
 - (b) minimum volume requirements;
 - (c) access and reporting rights;
 - (d) business days and hours;
 - (e) fees;
 - (f) statement in relation to EDSP Price Formation; and
 - (g) the regulatory position in the United States.

Web site: www.euronext.com/derivatives

The **Euronext Derivatives Markets ("Liffe")** comprise 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. Euronext is part of the NYSE Euronext group.

2. Contract Details

- 2.1 The Exchange will list FTSE 250 Index Options on Bclear only. A summary contract specification can be found in Attachment 1 to this Notice.
- 2.2 On and from Monday 24 September 2007, FTSE 250 Index Options shall be made available through Bclear under the terms of Exchange Contract No. 351F. The updated legal Contract Specification will be made available on the Liffe website (www.euronext.com) and in the London Market Handbook (www.euronext.com/londonhandbook) in due course.

3. Minimum Volume Requirement

- 3.1 There is no minimum volume requirement in respect of FTSE 250 Index Options trades to be submitted via Bclear.

4. Access and Reporting Rights

- 4.1 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.
- 4.2 To submit FTSE 250 Index Options trades via Bclear, members will need an Index Options Subscription (NDX).
- 4.3 To claim trades only, members will need to have the appropriate entitlement set up in the membership database.
- 4.4 To clear trades in FTSE 250 Index Options, members require the relevant clearing status (GCM or ICM) and access to the Equities Trade Registration System ("Equities TRS").

5. Business Days and Hours

- 5.1 FTSE 250 Index Options transactions will be capable of being reported via Bclear on those market days on which the relevant underlying market is open for business. A list of market days for 2007 on which transactions in FTSE 250 Index Options will **not** be capable of being reported via Bclear forms Attachment 2 to this Notice.
- 5.2 Members may report FTSE 250 Index Options 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 Contract Specification.
- 5.3 The reporting arrangements explained in Section 12 of Book II of the Rules and Section 5 of this Notice will, of necessity, determine the days and hours during which the relevant transactions may be undertaken.

6. Fees

- 6.1 Transaction fees will be charged on a per lot, per side basis. These will be set at £0.47 per lot, per side.

- 6.2 LCH.Clearnet Ltd clearing fees will also be charged on a per lot, per side basis. These will be set at £0.03 per lot, per side.

7. Statement in relation to EDSP Price Formation

- 7.1 The Exchange draws the following statement to the attention of potential users of its Equity Index Contracts. Members should ensure that their clients are made aware of the statement.

“Statement in relation to EDSP Price Formation

Potential users of the Equity Index Contracts made available on The London International Financial Futures and Options Exchange should familiarise themselves with the relevant Index compilation and calculation procedures, as well as the contract terms of the Equity Index Contract.

Price formation leading to the EDSP for the Equity Index Contracts is subject to similar influences to those in the case of many other cash-settled contracts. Trading activity on the relevant stock market(s) during the EDSP Period is likely to be affected by the activity of particular market participants who are seeking to obtain price convergence at the EDSP between offsetting stock and futures positions. Such participants might typically seek to achieve this by unwinding their stock positions during the EDSP Period at prices which they anticipate will contribute to the calculation of Index figure(s) which will, in turn, be used to determine the final EDSP. A consequence of this concentrated activity might be that the final EDSP differs from the Index figure immediately prior to the commencement of the EDSP Period and, if relevant, from the Index figure immediately following that period.

Potential users should, therefore, consider the risks of holding positions into the expiry of the Equity Index Contracts. In particular, they should consider their exposure to potentially unfavourable price movements in the expiry and whether to take steps to neutralise such exposure; for example, taking into account that there may be relatively limited liquidity provision, whether to "roll" or close positions prior to expiry."

8. U.S. Regulatory Position

- 8.1 Members should note that U.S. persons are not permitted to engage in FTSE 250 Index Options transactions on Bclear.

9. Change to time trading ceases on expiry day for flexible AEX Index options on Bclear

- 9.1 On and from Monday 24 September 2007 the Exchange will change the time trading ceases on the Expiry Day (excluding the third Friday of the month) for flexible AEX Index Options on Bclear from 16:25 hours (London time) to 16:30 hours (London time). This will bring the closing time of the flexible AEX Index Options on Bclear into line with the closing time of the standard AEX Index Options on LIFFE CONNECT®. The time trading ceases for options expiring on the third Friday shall remain unchanged at 15:00 hours (London time).

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

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Summary contract specification

Contract	FTSE 250 Index Option
Underlying Index	FTSE 250 Index
TRS Code	YFS
Unit of Trading	Contract valued at £10 per Index point
Expiry Months	Any business day up to five years and six months from the date the contract is made
Quotation	Index points
Trading Tick Size	0.5
Trading Tick Value	£5
EDSP Tick Size	0.5
Exercise	Exercise by 18:00 hours (London time) on the Last Trading Day only
Last Trading Day	For contracts that expire on the third Friday of a month, trading shall cease as soon as reasonably practicable after 10:15 hours (London time) once the Expiry Value of the Index has been determined. Trading shall cease at 16:30 hours (London time) for contracts with a Last Trading Day other than the third Friday of the expiry month.
Contract Standard	Cash settlement based on the Exchange Delivery Settlement Price
EDSP	For contracts with a Last Trading Day of the third Friday of the expiry month, the EDSP is the value of the FTSE 250 Index calculated by FTSE International with reference to the outcome of the EDSP Intra-day Auction at the London Stock Exchange carried out on the Last Trading Day. For contracts with a Last Trading Day other than the third Friday of the expiry month, the EDSP is the Closing Index Value of the FTSE 250 Index as determined by FTSE International.
Settlement Day	First Business day after the Last Trading Day
Reporting Hours	08.00 - 17.00 hours (London time)
Liffe market	London
Platform	Bclear only
Central Counterparty	LCH.Clearnet Ltd

Availability of FTSE 250 Index Options via Bclear in 2007

Market days in 2007 on which transactions will **not** be capable of being reported via Bclear:

FTSE 250 Index Options

Dates unavailable for reporting via Bclear
Tuesday 25 December Wednesday 26 December