

LONDON NOTICE NO. 3685

Issue Date: 29 January 2013

Effective Date: 1 February 2013

SHORT TERM INTEREST RATE ("STIR") OPTIONS

EXTENSION OF THE APPLICATION DEADLINE FOR THE STIR OPTIONS NEW MARKET PARTICIPANT PROGRAMME

Executive Summary

This Notice informs Members of the extension to the application deadline for New Market Participants in Short Term Interest Rate ("STIR") Options Contracts (the "STIR Options NMP Programme") and invites Members and appropriate clients of Members to apply.

1. Introduction

- 1.1 London Notice No. [3558](#), issued on 26 January 2012, informed Members of the extension to the application deadline for New Market Participants ("NMP") in the Three Month Euro (EURIBOR) Interest Rate Options and Mid-Curve Options (One Year and Two Year) Contracts and the Three Month Sterling (Short Sterling) Interest Rate Options and Mid-Curve Options (One Year and Two Year) Contracts ("the STIR Options NMP Programme") and invited applications up to and including 31 January 2013.
- 1.2 London Notice No. [3625](#), issued on 9 July 2012, informed Members of the introduction of Three Year Mid-Curve Options on Three Month Euro (EURIBOR) and Three Month Sterling (Short Sterling) on and from Tuesday 17 July 2012, and Thursday 19 July 2012, respectively.
- 1.3 London Notice No. [3675](#), issued on 18 December 2012, informed Members of the introduction of Four Year Mid-Curve Options on Three Month Euro (EURIBOR) and Three Month Sterling (Short Sterling) on and from Thursday 20 December 2012
- 1.4 This Notice informs Members that the STIR Options NMP Programme in respect of Options will be expanded to include all Mid-Curve Options on Three Month Euro (EURIBOR) and Three Month Sterling (Short Sterling) and that the application deadline has been further extended until 31 July 2013 on the same terms and conditions, and invites Members and appropriate clients of Members to apply.

2. Eligibility for the STIR Options NMP Programme

- 2.1 The Programme is open to new market participants in STIR Options Contracts. For the purposes of the Programme, a NMP is defined as a trading firm which is new to LIFFE STIR Options Contracts and has little or no previous experience of trading LIFFE's STIR Options Contracts. A NMP need not be a Member of LIFFE, but may not be an individual.

3. Benefits of the STIR Options NMP Programme

- 3.1 Under the terms of the STIR Options NMP Programme, an approved NMP which has registered its unique UCP account reference with the Exchange will be eligible for the following benefits in respect of "Qualifying Business" under the Programme:
- (a) a full Exchange trading fee rebate on business executed in STIR Options, over a period of six calendar months from registration, up to a maximum of one million lots; and
 - (b) a full Exchange trading fee rebate on any STIR futures executed as part of a Delta Neutral strategy trade using the Recognised Strategy functionality, over the same six calendar month period, or until the NMP's Qualifying Business in STIR Options has reached one million lots, whichever occurs first.

4. Qualifying Business

- 4.1 "Qualifying Business" is business which satisfies the following criteria:
- (a) business executed in Euribor Options, all Euribor Mid-Curve Options Short Sterling Options and all Short Sterling Mid-Curve Options;
 - (b) either proprietary trading or hedging business of the approved NMP; and
 - (c) assigned to a unique UCP Account Reference belonging to an approved NMP on the STIR Options NMP Programme.
- 4.2 Whilst registered on the Programme, approved NMPs are excluded from participation in any other Exchange liquidity provision, market making or other similar programme or arrangement in respect of STIR Options.
- 4.3 Approved NMPs are prohibited from participating in the STIR Options Designated Market Maker Programmes for a period of 12 calendar months commencing on and from the month after their benefits on the STIR Options NMP Programme have ceased.

5. Application Process

- 5.1 The application form for the STIR Options NMP Programme is available from Account Managers. Those wishing to apply for the Programme should complete the form and submit it to their Account Manager before 31 July 2013. The Exchange's decision as to whether an applicant should be approved as an NMP on the Programme shall be final and binding.
- 5.2 Programme Terms and Conditions are attached to the application form. The Exchange advises every applicant to ensure that they have read and understood those Terms and Conditions, as the Terms and Conditions and applicable Notices govern participation in the Programme.
- 5.3 Ultimately, it is the responsibility of the applicant to ensure that all information included on the application form is complete and correct. Incorrect information will affect and possibly lengthen the application process and could affect the payment of Exchange trading fee rebates.

6. Identification of Qualifying Business

- 6.1 Once an NMP has been registered, their Qualifying Business will be identified through the User Specified field (a LIFFE CONNECT[®] field that translates into a single Account Reference in UCP used exclusively by the NMP and solely for their activity in that capacity).
- 6.2 Applicants should be aware that after a LIFFE CONNECT[®] trade enters UCP, the Account Reference field can be amended through UCP post trade processing any time up until 21:30 hours (London time) on the same business day. As such, applicants should ensure that they submit in their application the final Account Reference based on market assigned trades for the Exchange to identify Qualifying Business accurately.
- 6.3 It is essential that submitted Account References are accurate as a simple error will result in Qualifying Business not being identified. For example, if Account Reference "ABC1" was submitted as "ABC", no Qualifying Business would be identified and no trading fee rebates would be awarded.
- 6.4 The Exchange stresses that any underpayment of trading fee rebates resulting from inaccurate application/registration details will not be corrected retrospectively by the Exchange.
- 6.5 If a registered NMP decides to make changes to the trading and/or clearing arrangement which were detailed in the application, particularly those used by the Exchange to identify Qualifying Business (e.g. Clearer, Member and Account Reference details), it is the responsibility of the NMP to provide the Exchange with formal notification of such amendments in a timely manner, ideally in advance and in all cases by no later than close of business on the last business day of the month in which the change occurred. If this is not done, then only volumes transacted during the calendar month in which the notification of changes was received by the Exchange will be eligible for the benefits specified in paragraph 3.

7. Billing Arrangements

- 7.1 Exchange trading fees will be billed (as they are currently) to Clearing Members at the beginning of the following calendar month. This initial bill will be calculated on the basis of standard fees as published on the NYSE Euronext website (currently 22p per lot, per side for STIR Options, and 25p per lot per side for STIR Futures). The Exchange will then calculate the rebates on Qualifying

Business for approved NMPs and make rebates to Clearing Members during the following calendar month. For example, rebates for Qualifying Business transacted in March 2013 will be calculated in April 2013 for payment to Clearing Members at the beginning of May 2013.

- 7.2 In the event that any business which may give rise to a benefit under the terms of the STIR Options NMP Programme may also qualify as business undertaken by the NMP giving rise to a benefit under any other Exchange liquidity provision, market making or other similar Programme or arrangement (“Other Arrangements”) (regardless of whether such Programme or arrangement is an “incentive scheme” within the FSA’s guidance), the Exchange will in its absolute discretion take one or more of the following actions:
- (a) withhold the credit any further rebates otherwise due under the Other Arrangements;
 - (b) withhold the credit any further rebates otherwise due under the Programme;
 - (c) re-charge some or all of the rebates made under the Programme or the Other Arrangements; and
 - (d) terminate the Agreement by notice to the parties with immediate effect.
- 7.3 The Exchange reserves the right in its absolute discretion to terminate the STIR Options NMP Programme by Notice.

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

Fixed Income Derivatives

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