

LONDON NOTICE No. 3389

ISSUE DATE: 27 January 2011

EFFECTIVE DATE: 27 January 2011

SHORT AND MEDIUM GILT FUTURES CONTRACTS (EXCHANGE CONTRACTS NO. 100 AND NO. 99)

CHANGE IN THE NOTIONAL COUPON SIZE: DECEMBER 2011 AND SUBSEQUENT DELIVERY MONTHS

Executive Summary

This Notice informs Members that the Notional Coupon in the Short and Medium Gilt Futures Contracts will be lowered to 3% and 4% respectively, effective for the December 2011 delivery month onwards. Furthermore, the Exchange will modify the listing schedule for Short and Medium Gilt Futures such that the nearest two quarterly delivery months will be available for trading, rather than the nearest three quarterly delivery months as has previously been the case.

1. Introduction

1.1 London Notice No. 3

Web site: www.nyx.com/liffe

The **Euronext Derivatives Markets** 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.

- 3.3 Currently, the third quarterly delivery month, September 2011, is listed. This delivery month will remain listed and will not be affected by the changes to the listing schedule.
- 3.4 The December 2011 delivery month will become available for trading, according to the new listing schedule, on 29 June 2011.
- 4. Re-instating the suspended contracts**
- 4.1 London Notice No. 3379 informed Members that the June 2011 and September 2011 delivery months for the Contracts would be suspended for the duration of the consultation. **On 1 February 2011, the June 2011 and September 2011 delivery months will once more be available for trading with their original 6% Notional Coupon.**
- 5. Contract Specifications**
- 5.1 Attachment 1 to this Notice shows the amendments to Exchange Contract No. 99 and No. 100 (under generic Exchange Contract No. 144) that will take effect immediately.
- 5.2 Attachment 2 to this Notice shows the amendments to Exchange Contract No. 99 and No. 100 (under generic Exchange Contract No. 144) that will become effective from the listing of the December 2011 delivery month onwards.
- 5.3 Updated versions of the full legal Contract Specifications, including other minor amendments to reflect NYSE Liffe Clearing arrangements, will be made available on the NYSE Euronext website (www.nyx.com/liffe) in due course.

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

Fixed Income Derivatives

+44 (0)20 7379 2222

bonds@liffe.com

**Amendments to Exchange Contract No. 144
(effective close of business on 27 January 2011)**

(Additions shown underlined/deletions ~~struck through~~)

(A) CONTRACT TERMS

1.02 In these terms and the Administrative Procedures:

“Notional Coupon” means the annual interest rate, expressed as a percentage, in respect of a £100,000 nominal value notional gilt.

4. Price Factor

4.01 The List of Deliverable Gilts published by the Board in respect of a delivery month of an Exchange Contract specified by the Board in the Contract Details under term 3.01 will specify a price factor (the “Price Factor”) for each Deliverable Gilt calculated in accordance with:

- (a) in the case of a Deliverable Gilt which is fully paid, the formula set out in term 4.02; and
- (b) in the case of a Deliverable Gilt which is not fully paid, the formula published from time to time by Notice.

4.02 (a) For each Deliverable Gilt which is fully paid the Price Factor will be calculated in accordance with the formula:

$$\frac{P(x)}{100}$$

where $P(\underline{6x})$ equals the price per £100 nominal of such Deliverable Gilt at which it has a gross redemption yield of $\underline{6x}$ per annum, calculated as at the first day of the delivery month, minus the undiscounted amount of accrued interest on such Deliverable Gilt on that day, using the formulae set out in paragraphs (b) and (c) of this term.

- (b) $P(\underline{6x})$ shall be calculated in accordance with the following formula:

$$P(6) = \frac{1}{1.03^s} \left[d_1 + \frac{d_2}{1.03} + \frac{c}{0.06} \left(\frac{1}{1.03} - \frac{1}{1.03^n} \right) + \frac{100}{1.03^n} \right] - AI$$

$$P(x) = \frac{1}{\left(1 + \frac{x}{2}\right)^{\frac{r}{s}}} \left[d_1 + \frac{d_2}{\left(1 + \frac{x}{2}\right)} + \frac{c}{x} \left(\frac{1}{\left(1 + \frac{x}{2}\right)} - \frac{1}{\left(1 + \frac{x}{2}\right)^n} \right) + \frac{100}{\left(1 + \frac{x}{2}\right)^n} \right] - AI$$

where: d_1 = Cash flow (which could be zero) due on the following quasi-coupon date, per £100 nominal of the gilt. d_1 will be zero if the first day of the delivery month occurs in the ex-dividend period or if the gilt has a long first coupon period and the first day of the delivery month occurs in the first full coupon period. d_1 will be less than $c/2$ if the first day of the delivery month falls in a short first coupon period. d_1 will be greater than $c/2$ if the first day of the delivery month falls in a long first coupon period and the first day of the delivery month occurs in the second full coupon period;

d_2 = Cash flow due on the next but one quasi-coupon date, per £100 nominal of the gilt. d_2 will be greater than $c/2$ if the first day of the delivery month falls in a long first coupon period and in the first full coupon period. In all other cases, $d_2 = c/2$;

x = Notional Coupon as specified in Section (B):
Contract Details Specified by the Board, e.g. $x = 0.06$
for a 6% Notional Coupon;

c = Annual coupon per £100 nominal of the gilt;

r = Number of calendar days from and including the first day of the delivery month up to but excluding the next quasi-coupon date;

s = Number of calendar days in the full coupon period in which the first day of the delivery month occurs;

n = Number of full coupon periods between the following quasi-coupon date and the redemption date;

AI = Accrued interest per £100 nominal of the gilt calculated using the formula set out in (c);

(c) The accrued interest (AI) in the formula set out in paragraph (b) will be calculated in accordance with the following formulae:

(i) If the first day of the delivery month occurs in a standard coupon period, and:

the first day of the delivery month occurs on or before the ex-dividend date:

$$AI = \frac{t}{s} \times \frac{c}{2}$$

the first day of the delivery month occurs after the ex-dividend date:

$$AI = \left(\frac{t}{s} - 1 \right) \times \frac{c}{2}$$

where: AI = Accrued Interest per £100 nominal of the gilt;

c = Annual coupon per £100 nominal of the gilt;

t = Number of calendar days from and including the last coupon date up to but excluding the first day of the delivery month;

s = Number of calendar days in the full coupon period in which the first day of the delivery month occurs;

(ii) If the first day of the delivery month occurs in a short first coupon period, and:

the first day of the delivery month occurs on or before the ex-dividend date:

$$AI = \frac{t^*}{s} \times \frac{c}{2}$$

the first day of the delivery month occurs after the ex-dividend date:

$$AI = \left(\frac{t^* - r}{s} \right) \times \frac{c}{2}$$

where: t^* = Number of calendar days from and including the issue date up to but excluding the first day of the delivery month;

r = Number of calendar days from and including the issue date up to but excluding the next quasi-coupon date;

and c and s have the same meanings as in (i) above.

- (iii) If the first day of the delivery month occurs in a long first coupon period, and:

the first day of the delivery month occurs during the first full coupon period:

$$AI = \frac{u}{s_1} \times \frac{c}{2}$$

the first day of the delivery month occurs during the second full coupon period and on or before the ex-dividend date:

$$AI = \left(\frac{r_1}{s_1} + \frac{r_2}{s_2} \right) \times \frac{c}{2}$$

the first day of the delivery month occurs during the second full coupon period and after the ex-dividend date:

$$AI = \left(\frac{r_2}{s_2} - 1 \right) \times \frac{c}{2}$$

where: u = Number of calendar days from and including the issue date up to but excluding the first day of the delivery month;

s_1 = Number of calendar days in the full coupon period in which the issue date occurs;

s_2 = Number of calendar days in the next full coupon period after the full coupon period in which the issue date occurs;

r_1 = Number of calendar days from and including the issue date up to but excluding the next quasi-coupon date;

r_2 = Number of calendar days from and including the quasi-coupon date after the issue date up to but excluding the first day of the delivery month which falls in the next full coupon period after the full coupon period in which the issue date occurs;

and c has the same meaning as in (i) above.

(B) CONTRACT DETAILS SPECIFIED BY THE BOARD FOR GILT CONTRACTS

Table I:

Contract	Long Gilt	Medium Gilt	Short Gilt
Known as Exchange Contract No.	7	99	100
Maturity Range of Deliverable Gilts¹	8 years and 9 months to 13 years	4 years to 6 years	1 year and 6 months to 3 years and 3 months
Unit of Trading	£100,000 nominal value notional Gilt with 6% coupon	£100,000 nominal value notional Gilt with 6% coupon	£100,000 nominal value notional Gilt with 6% coupon
Notional Coupon	<u>6%</u>	<u>6%</u>	<u>6%</u>
Delivery Months	Mar, Jun, Sep, Dec	Mar, Jun, Sep, Dec	Mar, Jun, Sep, Dec
No. of delivery months available for trading	3 Quarterly	<u>2</u> 3 Quarterly	<u>2</u> 3 Quarterly
Quotation	Per £100 nominal	Per £100 nominal	Per £100 nominal
Minimum price movement (value)	0.01 (£10)	0.01 (£10)	0.01 (£10)
First Notice Day	Two business days prior to the first day of the delivery month	Two business days prior to the first day of the delivery month	Two business days prior to the first day of the delivery month
Last Notice Day	First business day after the Last Trading Day	First business day after the Last Trading Day	First business day after the Last Trading Day
Last Trading Day	Two business days prior to the last business day of the delivery month	Two business days prior to the last business day of the delivery month	Two business days prior to the last business day of the delivery month
Delivery Day	Any business day in delivery month (at seller's choice)	Any business day in delivery month (at seller's choice)	Any business day in delivery month (at seller's choice)

¹ Deliverable gilts include only gilt issues which provide for the redemption of the entire gilt issue in a single instalment within the maturity ranges stated above, from the first day of the relevant delivery month.

Amendments to Exchange Contract No. 144
(effective for all Delivery Months listed on or after 29 June 2011)

(Additions shown underlined/deletions ~~struckthrough~~)

(B) CONTRACT DETAILS SPECIFIED BY THE BOARD FOR GILT CONTRACTS

Table I:

Contract	Long Gilt	Medium Gilt	Short Gilt
Known as Exchange Contract No.	7	99	100
Maturity Range of Deliverable Gilts²	8 years and 9 months to 13 years	4 years to 6 years	1 year and 6 months to 3 years and 3 months
Unit of Trading	£100,000 nominal value notional Gilt with 6% coupon	£100,000 nominal value notional Gilt with 6% coupon	£100,000 nominal value notional Gilt with 6% coupon
<u>Notional Coupon</u>	<u>6%</u>	<u>4%</u>	<u>3%</u>
Delivery Months	Mar, Jun, Sep, Dec	Mar, Jun, Sep, Dec	Mar, Jun, Sep, Dec
No. of delivery months available for trading	3 Quarterly	2 Quarterly	2 Quarterly
Quotation	Per £100 nominal	Per £100 nominal	Per £100 nominal
Minimum price movement (value)	0.01 (£10)	0.01 (£10)	0.01 (£10)
First Notice Day	Two business days prior to the first day of the delivery month	Two business days prior to the first day of the delivery month	Two business days prior to the first day of the delivery month
Last Notice Day	First business day after the Last Trading Day	First business day after the Last Trading Day	First business day after the Last Trading Day
Last Trading Day	Two business days prior to the last business day of the delivery month	Two business days prior to the last business day of the delivery month	Two business days prior to the last business day of the delivery month
Delivery Day	Any business day in delivery month (at seller's choice)	Any business day in delivery month (at seller's choice)	Any business day in delivery month (at seller's choice)

² Deliverable gilts include only gilt issues which provide for the redemption of the entire gilt issue in a single instalment within the maturity ranges stated above, from the first day of the relevant delivery month.