

LONDON NOTICE No. 3490

ISSUE DATE: 26 August 2011

EFFECTIVE DATE: 30 August 2011

EQUITY INDEX CONTRACTS (EXCHANGE CONTRACT NO. 301)

INTRODUCTION OF INDEX FUTURES CONTRACTS BASED ON THE MSCI KOKUSAI GROSS TOTAL RETURN INDEX

Executive Summary

This Notice informs Members of the introduction within Bclear of futures contracts based on the MSCI KOKUSAI Gross Total Return Index.

1. Introduction

- 1.1 This Notice informs Members that futures contracts based on MSCI KOKUSAI index, calculated on a “Gross Total Return” basis (“the Bclear MSCI KOKUSAI Gross Total Return Index Contract”), will be made available via Bclear on and from 30 August 2011.
- 1.2 This Notice provides Members with the following information with respect to the introduction of the Bclear MSCI KOKUSAI Gross Total Return Index Contract:
 - (a) background to MSCI Gross Total Return Indices;
 - (b) summary Contract Specifications and Contract Terms;
 - (c) minimum volume requirements;
 - (d) access and reporting rights;
 - (e) reporting days, reporting hours and Last Trading Days;
 - (f) fees;
 - (g) statement in relation to EDSP Price Formation; and
 - (h) the regulatory position in the United States.
- 1.3 This Notice also draws Members’ attention to certain changes to the terms of the generic Equity Index Contract Specification (Exchange Contract No. 301).

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.

2. MSCI Gross Total Return Indices

- 2.1 The MSCI Gross Total Return Indices reinvest as much as possible of a company's dividend distributions. The reinvested amount is equal to the total dividend amount distributed to persons residing in the country of the dividend-paying company without including any tax credits.
- 2.2 Detailed information in respect of MSCI's Index methodology can be found on the MSCI Barra website at www.mscibarra.com.

3. Contract Details and changes to Contract Terms

- 3.1 On and from 30 August 2011, the Bclear MSCI KOKUSAI Gross Total Return Index Contract shall be made available through Bclear under the terms of Exchange Contract No. 301. The summary Contract Specification is set out below:

Contract	Bclear MSCI KOKUSAI Gross Total Return Index
Unit of Trading	\$10 x index level
Delivery Months	The first six quarterly months from the March/June/September/December cycle; plus up to three of the nearest serial months such that the nearest four calendar months are available for trading; plus the half yearly months on the June/December cycle up to a maximum of two years
Quotation	\$US per Index point
Trading Tick Size	0.001
Trading Tick Value	\$0.01
EDSP Tick Size	0.001
Last Trading Day	Third Friday of the delivery month
Contract Standard	Cash settlement based on the Exchange Delivery Settlement Price
EDSP	Closing Index Value of the Index on the Last Trading Day of the delivery month
Settlement Day	Second Business day after the Last Trading Day
Reporting Hours	08:00 - 17:00 hours (London time)
Time reporting ceases on Last Trading Day	16:00 hours (London time)
NYSE Liffe market	London
Platform	Bclear only
Clearing	NYSE Liffe Clearing

- 3.2 The first delivery month to be made available shall be the September 2011 delivery month.
- 3.3 Exchange Contract No. 301 will be amended in order to reflect the inclusion of contracts based on Gross Total Return Indices and the addition to the table of Contract Details which is set out in Attachment 1 to this Notice. An updated version of Exchange Contract No. 301 including other, minor, amendments will be made available on the NYSE Euronext website (www.nyx.com/liffe) in due course.

4. Minimum Volume Requirement

- 4.1 There is no minimum volume requirement in respect of the Bclear MSCI KOKUSAI Gross Total Return Index Contract.

5. Access and Reporting Rights

- 5.1 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 3401 (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.
- 5.2 To submit Bclear MSCI KOKUSAI Gross Total Return Index Contract trades via Bclear, Members will need a Futures Subscription (FUT).
- 5.3 To claim trades only, Members will need to have the appropriate entitlement set up in the membership database.
- 5.4 To clear trades in the Bclear MSCI KOKUSAI Gross Total Return Index Contract, Members will require the relevant clearing status (GCM or ICM) and access to the Financials Universal Clearing Platform ("Financials UCP").

6. Reporting Days, Reporting Hours and Last Trading Days

- 6.1 Transactions in respect of the Bclear MSCI KOKUSAI Gross Total Return Index Contract will be capable of being reported via Bclear on any market day.
- 6.2 A list of market days for 2011 on which transactions in the Bclear MSCI KOKUSAI Gross Total Return Index Contract will **not** be capable of being reported via Bclear forms Attachment 2 to this Notice.
- 6.3 Members may report Bclear MSCI KOKUSAI Gross Total Return Index Contract transactions to the Exchange via Bclear between 08:00 and 17:00 hours (London time), except on the Last Trading Day when transactions may be reported to the Exchange via Bclear between 08:00 and 16:00 hours (London time).
- 6.4 The reporting arrangements explained in Section 12 of Book II of the Rules and section 6 of this Notice will, of necessity, determine the days and hours during which the relevant transactions may be undertaken.
- 6.5 The Last Trading Day for the Bclear MSCI KOKUSAI Gross Total Return Index Contract shall normally be the third Friday of the delivery month. However, Members should refer to Term 4 in Exchange Contract No. 301 on the NYSE Euronext website (www.nyx.com/liffe) and the definition of "business day" in Term 1 which have the following effect in respect of the Last Trading Day: for the Bclear MSCI KOKUSAI Gross Total Return Index Contract, the Last Trading Day will not ordinarily be moved unless all of the relevant stock exchanges are closed for business, subject to Term 4.03.

7. Fees

- 7.1 Transaction fees will be charged on a per lot, per side basis. These will be set at £0.47 per lot, per side for published trades and £0.57 per lot, per side for non-published trades.

- 7.2 NYSE Liffe Clearing fees will also be charged on a per lot, per side basis. These will be set at £0.03 per lot, per side.

8. Statement in relation to EDSP Price Formation

- 8.1 The Exchange draws the following statement to the attention of potential users of the Bclear MSCI KOKUSAI Gross Total Return Index Contract. 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 the Index figure which will, in turn, be used to determine the final EDSP. A consequence of this concentrated activity might be that the Index figure used to calculate the final EDSP differs from the Index level(s) implicit (since the Index is not calculated on a real time basis) from the prices of relevant stocks during the immediately preceding 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.

Potential users should also be aware that, in respect of Equity Index Contracts based on Indices for which there is more than one relevant stock exchange, a “market day” will ordinarily be capable of being designated as a “business day”, and therefore a “Last Trading Day”, unless all relevant stock exchanges are closed for business.

Where the Last Trading Day occurs on a day where one or more of the relevant stock exchanges is closed for business, the EDSP will necessarily be derived from an Index figure containing some constituent stock prices which were determined on the most recent previous day on which each such stock exchange was open for business. In such circumstances, potential users should be aware that, as a consequence, the constituent stock prices contributing to the Index figure used to calculate the EDSP will not all have been determined on the same day. Potential users should be aware that, in such circumstances, although some constituent stocks will not be available for trading on the Last Trading Day of the Contract, the prices of those constituent stocks as included in the Index calculation may, as a result of movements in foreign exchange rates, still be subject to change which would be reflected in the EDSP in accordance with the relevant Index compilation and calculation procedures.”

9. U.S. Regulatory Position

- 9.1 Members should note that U.S. Persons are not currently permitted to engage in transactions in the Bclear MSCI KOKUSAI Gross Total Return Index Contract.

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

Equity Product Management +44 (0)20 7379 2200 equities@nyx.com

EXCHANGE CONTRACT NO. 301

Index	MSCI KOKUSAI GROSS TOTAL RETURN
Known as Exchange Contract No.	223
Currency specified by the Board	US\$
Contract size	Valued at US\$10 per Index Point
Value of Value Point	US\$1 per lot
Minimum Price Fluctuation	0.01 of a Value Point
Delivery months	January, February, March, April, May, June, July, August, September, October, November, December
No. of delivery months available for trading	The first six quarterly months from the March/June/September/December cycle; plus up to three of the nearest serial months such that the nearest four calendar months are available for trading; plus the half yearly months on the June/December cycle up to a maximum of two years.
Quotation	Index Points (e.g. 1000.0)
Last Trading Day	Third Friday of the delivery month
EDSP: rounding convention	Rounded to the nearest 0.001 or, where such average is an exact uneven multiple of 0.0005, to the nearest higher 0.001

Availability of Bclear in 2011

Index	Dates unavailable for reporting via Bclear in 2011
Bclear MSCI KOKUSAI Gross Total Return Index Contract	26 December 2011