

LONDON NOTICE No. 3498

ISSUE DATE: 2 September 2011
EFFECTIVE DATE: 26 September 2011

JAPANESE GOVERNMENT BOND CONTRACT

CLARIFICATION OF CIRCUIT BREAKERS AND DAILY PRICE LIMIT ARRANGEMENTS

CONFIRMATION OF U.S. REGULATORY POSITION

Executive Summary

This Notice clarifies the circuit breaker and daily price limit arrangements and confirms the U.S. Regulatory position for the launch of the revised Japanese Government Bond (“JGB”) Contract.

1. Introduction

- 1.1 London Notice No. 3483, issued on 12 August 2011, informed Members of the launch of a revised JGB Contract (the “Contract”) on NYSE Liffe in partnership with the Tokyo Stock Exchange on and from 26 September 2011.
- 1.2 This Notice clarifies one element of the Circuit Breaker and Daily Price Limit arrangements and confirms the U.S. Regulatory Position.

2. Circuit Breakers and Daily Price Limits

- 2.1 The following information in respect of Circuit Breakers and Daily Price Limits supersedes and replaces section 7 of London Notice No. 3483.
- 2.2 The Contract will be subject to Circuit Breakers and Daily Price Limits, which will be similar to those in place for 10-year JGB Futures on the TSE, although their implementation will differ in certain respects.
- 2.3 On the TSE, a Circuit Breaker and a Daily Price Limit operate at pre-defined spreads from a reference price, which is the most recent TSE Daily Settlement Price. On LIFFE, a Circuit Breaker and a Daily Price Limit will also operate at the same predefined spreads used by the TSE. In addition, this Notice confirms that a second Circuit Breaker for both TSE and LIFFE will be introduced on and from 21 November 2011. As noted in London Notice No. 3483, the reference price on LIFFE will be different from that of the TSE and will be:

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.

- (a) the opening trade price on LIFFE, or, in the absence of an opening trade;
- (b) the mid-point of an established two-way LIFFE market during the first 10 minutes of trading, or, in the absence of either of these; and
- (c) the most recent price of the TSE 10-year JGB Futures Contract.

2.4 The reference price will be published each day via a LIFFE CONNECT[®] text message. The Circuit Breaker/Daily Price Limit spread levels are set out in the table below.

	Spread from Reference Price
Daily Price Limit	±3.00 points (3 million yen per contract)
Circuit Breaker	±2.00 points (2 million yen per contract)
Circuit Breaker (additional from 21 November 2011)	±1.00 points (1 million yen per contract)

2.5 In the event of a breach of either of LIFFE's Circuit Breakers, the Contract will be closed for 15 minutes. Any trades that may have occurred following the trade that breached the Circuit Breaker may be invalidated. NYSE Liffe Circuit Breakers will not be applied during the final 25 minutes of the Contract's trading day or for 25 minutes prior to Daily Settlement.

2.6 If a trade occurs beyond the Daily Price Limit level, the Contract will be closed and that trade, and any subsequent trades prior to the closure, may be invalidated. The Contract will be placed back into Pre-Open as soon as is practicable and may be re-opened if prices entered into the Pre-Open session indicate that the market is likely to proceed without further breaches of the Daily Price Limit. For the avoidance of doubt, there will be no time limit on the length of the market closure in order to enforce the Daily Price Limit.

2.7 In the event that a Daily Price Limit closure is in place at the time at which the Daily Settlement Price or Closing Price is due to be calculated, the Exchange will determine the Daily Settlement Price or Closing Price, as the case may be, by taking into account:

- (a) trading activity in the LIFFE CONNECT[®] Central Order Book for the period of no less than two minutes prior to the Daily Price Limit closure; and
- (b) price levels and/or spread relationships in a related market,

with a view to ensuring that the Daily Settlement Price and/or Closing Price are a fair reflection of the market.

2.8 Wholesale Trades (including Block, Basis and Asset Allocation Trades) cannot be reported during a Circuit Breaker or Daily Price Limit closure. If a Wholesale Trade is organised just before the commencement of such a closure, it can only be submitted to the Exchange once trading resumes on LIFFE CONNECT[®]. In such circumstances, the Wholesale Trade reporting deadlines as set out in the NYSE Liffe Trading Procedures continue to apply, albeit the time during which the market is closed will not count towards the Wholesale Trade reporting time. Wholesale Trades should not be organised during a Circuit Breaker or Daily Price Limit closure.

2.9 Section Lo.15 of the NYSE Liffe Trading Procedures has been revised to reflect the implementation of Circuit Breakers and Daily Price Limits in the Contract. These revisions are detailed in Attachment 1.

3. U.S. Regulatory Position

- 3.1 Members are advised that the Contract will be available for trading from the United States on and from 26 September 2011, under the terms of LIFFE's existing Foreign Trading System No-Action Letter¹.

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

Fixed Income Derivatives

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bonds@liffe.com

¹ Members should refer to General Notices No. 1510 and No. 1549, issued on 19 October 1999 and 16 December 1999, respectively.

Amendments to the NYSE LIFFE Trading Procedures
(additions underlined, deletions ~~struck through~~)

Lo.15 Circuit Breakers and Daily Price Limits

- Lo.15.1 In addition to the LIFFE CONNECT[®] price limits set out in Trading Procedure 2.1, Circuit Breakers and Daily Price Limits operate in both the TOPIX Index Contract and the Japanese Government Bond (JGB) Contract.
- Lo.15.2 Circuit Breakers and Daily Price Limits are set for each Contract at a fixed range either side of a specified reference price and, in the event that such range is breached, trading in the ~~TOPIX Index~~ relevant Contract may be halted. Any trades executed following such a breach may be invalidated.
- Lo.15.3 The detailed operation of Circuit Breakers and Daily Price Limits shall be specified by means of a Notice.