

LONDON NOTICE No. 3573

Equivalent Notices are being issued to Members of all NYSE Liffe markets.

ISSUE DATE: 1 March 2012

EFFECTIVE DATE: 9 March 2012

REVISIONS TO THE NYSE LIFFE TRADING PROCEDURES

Executive Summary

This Notice describes amendments to the NYSE Liffe Trading Procedures, effective on and from 9 March 2012.

1. Introduction

- 1.1 This Notice describes certain amendments to Section 2.1 (Price Limits) of the harmonised Part One of the NYSE Liffe Trading Procedures (“Trading Procedures”) and to Section AB.5 (Prof Transactions) of the non-harmonised Part Two of the Trading Procedures, both of which are effective on and from 9 March 2012.
- 1.2 A summary of the revisions are set out in the remainder of this Notice and the revisions themselves are shown in the Attachment to this Notice.

2. Price Limits

- 2.1 This section provides further clarifications on the approach to price limits by way of minor amendments to Section 2.1 of Part One of the Trading Procedures. Members should note that these revisions do not represent any adjustment to the price limit arrangements; they simply set out existing arrangements more clearly and provide more consistency between the Trading Procedures and the Price Limits and Trade Invalidation Value Ranges document, in which the price limit value ranges are set out (www.nyx.com/price-limits).
- 2.2 Members will be aware that price limits operate to prevent manifest error in the submission of orders by creating a price “sleeve” around a given level for each Contract. This sleeve is made up of the limit bid (being the allowed spread greater than that level) and the limit offer (being the allowed spread lower than that level).

Futures Price Limits

- 2.3 For Futures Contracts, the given level is currently referred to in the Trading Procedures as the “base level”. This term has been revised to the “Price Limit Reference Price” or PLRP.

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.

- 2.4 At Trading Procedure 2.1.3(a), the simple amendment confirms more clearly the difference in approach to the determination of the Price Limit Reference Price between the most actively traded, or “blue” contract month and all other contract months.

Options Price Limits

- 2.5 Options Price Limits operate in broadly the same way as those for Futures Contracts. The amendments in Trading Procedure 2.1.6 and 2.1.10 aim to provide more consistent wording between the approach for price limits for Futures Contracts and that for Options Contracts.

General

- 2.6 The amendment to Trading Procedure 2.1.7 clarifies that Price Limits are not operational during the Pre-Open period for all contracts.

3. Prof Transactions

- 3.1 In September 2010, a number of elements of the Amsterdam and Brussels markets of NYSE Liffe were harmonised in order to increase trading opportunities for Members of those Markets.
- 3.2 As part of the harmonisation process, Trading Procedure A.7.14, which related to Prof Transactions on the Amsterdam Market, was removed as it was believed that this procedure was covered by Rule 8201/2 of the Harmonised Rule Book (Book I) which relates to Order Processing.
- 3.3 As Prof Transactions are not executed on the Regulated Markets, Trading Procedure A.7.14 should not have been removed. As a result, this Trading Procedure will be reinstated as new Trading Procedure AB.5.5A.
- 3.4 Members should note that Prof Transactions only relate to the Amsterdam and Brussels markets.

4. Further information

- 4.1 The updated Trading Procedures 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:

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NYSE Liffe Trading Procedures

(new text underlined, deleted text ~~struck through~~)

PART ONE - SECTION 2 – THE OPERATION OF LIFFE CONNECT®

2.1 Price limits

2.1.1 Throughout each LIFFE CONNECT® trading session and during the Pre-Open period, price limits for Futures Contracts will be calculated from ~~a base level~~ the Price Limit Reference Price ("PLRP"): the limit bid being the allowed spread greater than the ~~base level~~ PLRP and the limit offer being the allowed spread lower than the ~~base level~~ PLRP.

2.1.2 The ~~base level~~ PLRP is calculated using one of the following two methods:

- (a) Central Order Book price method;
- (b) theoretical fair value method.

2.1.3 In respect of the Central Order Book price method, the ~~base level~~ PLRP is:

- (a) for the most actively traded ("blue") contract month only:
 - (i) prior to the first trade, the mid point between the best bid and offer; or
 - (ii) the last traded price; or
 - (iii) a bid above or an offer below the last traded price;
- (b) for all other contract months, the fair value as derived from outright and implied spread relationships with the blue month.

2.1.4 In respect of the theoretical fair value method, the ~~base level~~ PLRP is the price of the underlying plus the cost of carry for each contract month, as calculated by the Relevant Euronext Market Undertaking. The theoretical fair value method may be used for futures contracts where there is limited central market activity.

2.1.5 [Deleted].

2.1.6 For Options Contracts, the Relevant Euronext Market Undertaking will calculate a theoretical fair value price (the PLRP) for each series. The

theoretical fair value price will generate a spread value range which is then employed by the Trading Host as the price limit for the option series concerned. The spread range is calculated either by reference to the fair value price or the applicable option delta value.

- 2.1.7 Subject to Trading Procedure 2.1.9, attempts to trade or, during the Pre-Open period where applicable, to enter orders, outside the prevailing price limits in the relevant contract/expiry month will be rejected by the Trading Host. The Trading Host will send a message to the Member via the relevant ITM to inform him of the rejection.
- 2.1.8 The permitted spreads for price limits for each contract/expiry month will be determined from time to time by the Relevant Euronext Market Undertaking. Such spreads may be adjusted to reflect market conditions with the objective of preventing the execution of any orders submitted to the Trading Host with manifest pricing errors and/or at unrepresentative price levels.
- 2.1.9 In response to volatile market conditions, Market Services may, at its discretion, remove the restriction on the entry of orders outside the prevailing price limits.
- 2.1.10 Price limit value ranges and the ~~base-level~~PLRP calculation method (Futures Contract) and spread value range reference method (Options Contracts) are published on the NYSE Euronext website.

PART TWO – SECTION 6 – TRADING PROCEDURES IN RELATION TO THE AMSTERDAM AND BRUSSELS MARKETS

AB.5 Prof Transactions

AB5.5A In respect of multiple clients, members are permitted under certain circumstances to execute a batch order relating to asset management activities as a Prof Transaction. The aforementioned is allowed under the following circumstance:

- (a) the client agreement between the Member and the non-professional investor must permit participation in Prof Transactions; and
- (b) the non-professional investor must be fully aware of the non-standard features of trading on unregulated markets and of Prof Transactions; and
- (c) asset management agreements must have been signed beforehand.