

## LONDON NOTICE NO. 3694

Issue Date:

20 February 2013

Effective Date:

1 March 2013

### EQUITY INDEX CONTRACTS (EXCHANGE CONTRACT NO. 301)

#### INTRODUCTION OF THE MSCI EUROPE NET TOTAL RETURN INDEX FUTURES CONTRACT ON THE EURONEXT TRADING PLATFORM AND AMENDMENTS TO THE CONTRACT SPECIFICATIONS

##### Executive Summary

This Notice informs Members that the MSCI Europe Net Total Return Index Contract, which is currently available via Bclear only, will also be made available for trading on the Euronext Trading Platform on and from 1 March 2013, and be subject to certain contract specifications on and from that date.

### 1. Introduction

- 1.1 This Notice informs Members that the MSCI Europe Net Total Return (NTR) Index Contract (exchange code MPE) ("the Contract"), currently available for reporting to the Exchange via Bclear, will be offered for trading on the Euronext Trading Platform<sup>1</sup> on and from 1 March 2013.
- 1.2 In addition, certain amendments will be made to the existing contract specifications, effective on and from 1 March 2013.
- 1.3 This Notice provides Members with the following information:
  - (a) background;
  - (b) changes to the existing Contract specifications and Contract Terms;
  - (c) trading licences, Bclear access and Bclear reporting rights;
  - (d) Block Trade minimum volume threshold;
  - (e) Bclear minimum volume requirements;
  - (f) business days, trading hours and reporting hours;
  - (g) fees;
  - (h) market making arrangements;
  - (i) statement in relation to the Contract; and

<sup>1</sup> As the last NYSE Liffe products are due to be migrated from LIFFE CONNECT® to the Universal Trading Platform (UTP) in time for Market Open on 25 February 2013, we will use this term until full regulatory approval for changes to the Rules and Trading Procedures has been received.

- (j) regulatory position in the United States.

## **2. Background**

- 2.1 Since introducing the Contract on Bclear on 11 October 2011 (London Notice No. [3509](#), issued on 7 October 2011 refers), the Contract has proved to be one of the most successful of the MSCI Futures franchise. As a result, the Exchange has determined to make certain MSCI Futures contracts available on the Euronext Trading Platform, starting with the MSCI Europe NTR Index Futures Contract, denominated in euro, on and from 1 March 2013.
- 2.2 As with other contracts available on both the Euronext Trading Platform and Bclear, the Contract will be fully fungible across the two platforms.

## **3. Changes to the existing Contract Specifications and Contract Terms**

- 3.1 The following amendments will be made to the Contract on and from 1 March 2013:
  - (a) a reduction in the number of delivery months available for trading at any one time such that five quarterly delivery months will always be available. From 1 March 2013, the following delivery months will be available: March 13, June 13, September 13, December 13 and March 14;
  - (b) the Trading Tick Size/Value will be increased from 0.001 to 0.05, for a tick value of €5.00;
  - (c) the standard Euronext Trading Platform Daily Settlement Price (“DSP”) process will be used to establish the DSP at 16:30 hours (London time). For the avoidance of doubt, the same DSP will be used to settle the Contract in Bclear;
  - (d) the Contract will be available for trading on the Euronext Trading Platform from 01:00 to 21:00 hours (London time), and trading on the Last Trading Day extended to 16:30 hours (London time); and
  - (e) the minimum volume requirement for Block Trades and the minimum reporting volume in Bclear will be set at 100 lots.
- 3.2 The contract specification amendments are set out in Attachment 1 to this Notice.
- 3.3 Exchange Contract No. 301 will be amended in order to reflect the changes to this Contract and the amendments to the List of Contract Details for this Contract are set out in Attachment 2 to this Notice. An updated version of Exchange Contract No. 301 will be made available on the NYSE Euronext website ([www.nyx.com/liffe](http://www.nyx.com/liffe)) in due course.

## **4. Trading licences, Bclear Access and Bclear Reporting Rights**

- 4.1 Members wishing to execute trades in this Contract must hold a valid London market Futures trading subscription.
- 4.2 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. 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.

- 4.3 To submit trades in the Contract via Bclear, Members will need a Futures subscription (FUT).
- 4.4 To claim trades only in the Contract, Members will need to have the appropriate entitlement set up in the membership database and access to the Universal Clearing Platform ("UCP").
- 4.5 To clear trades in the Contract, Members will require the relevant clearing status (GCM or ICM) and access to UCP.

## **5. Block Trade minimum volume threshold**

- 5.1 The Contract will be included in the Exchange's Block Trade Facility. The minimum volume threshold will be 100 lots. Members are reminded that the minimum volume threshold applies to each leg of a strategy trade.
- 5.2 An updated list of Block Trade minimum volume thresholds will be made available on the NYSE Euronext website ([www.nyx.com/liffe](http://www.nyx.com/liffe)) in due course.

## **6. Bclear minimum volume requirements**

- 6.1 The minimum volume requirement for the Contract reported via Bclear will be 100 lots.

## **7. Business days, trading hours and Last Trading Day**

- 7.1 The Contract will be available for trading Monday to Friday during 2013 except for non-trading days as set out in Attachment 3 to this Notice.
- 7.2 Detailed session times for the trading of the Contract on the Euronext Trading Platform are as follows (all times are London times):

Session Start	Pre-Open	Open	Settlement	Pre-Close	Close	Session Close
00:30	00:45	01:00	16:30	20:58	21:00	22:00

- 7.3 Members will note that the Euronext Trading Platform trading hours extend the availability of the Contract outside normal business hours for a European Index Future. As a consequence, Members may expect liquidity during the extended trading hours to be at a lower level than may be the case during the more standard London trading hours for the Contract.
- 7.4 Orders identified as "Good 'Til Cancelled" will be active from the commencement of trading at 01:00 hours, unless amended. Members should consider the impact of likely liquidity conditions on such orders where they are maintained in the market during the extended trading hours and make any amendments to the characteristics of those orders as they deem appropriate.

- 7.5 Members may report transactions in the Contract to the Exchange via Bclear between 08:00 and 17:00 hours (London time)<sup>2</sup>, except on the Last Trading Day when transactions may be reported to the Exchange via Bclear between 08:00 and 16:30 hours (London time).
- 7.6 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.
- 7.7 The Last Trading Day for the 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](http://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 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.

## **8. Fees**

- 8.1 Transaction fees will be charged on a per lot, per side basis:
- (a) on the Euronext Trading Platform, trading fees will be set at €0.20; and
  - (b) for transactions reported via Bclear, trading fees for published trades will be set at €0.25 and, for non-published trades, at €0.30.
- 8.2 NYSE Liffe Clearing fees will also be charged on a per lot, per side basis and will be set at €0.05.

## **9. Market Making Arrangements**

- 9.1 A Primary Market Maker Programme (“PMM Programme”) will be available for the Euronext Trading Platform Contract. For details of the PMM Programme, Members should refer to London Info-Flash No. LO13/11, also being issued today.

## **10. Statement in relation to the Contract**

- 10.1 The Exchange draws the following statement to the attention of potential users of the Contract. Members should ensure that their clients are made aware of the statement.

*“Statement in relation to the Contract*

*Potential users of the MSCI Europe Index Contract (“the Contract”) 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.*

*The MSCI Europe Index is a “broad based” security index with constituents listed on a number of European stock exchanges. The Contract may be available for trading while one or more (or all) of*

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<sup>2</sup> Extending to 17:30 hours (London Time) on and from Monday 4 March 2013.

*the underlying stock exchanges are closed. Potential users should consider for themselves the risks of trading in the Contract while any of the underlying stock exchanges are closed.*

*Price formation leading to the EDSP for the 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 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.”*

## **11. U.S. Regulatory Position**

- 11.1 Members should note that U.S. Persons are not currently permitted to engage in transactions in the Contract. The Exchange will advise Members should such permission be granted.

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

Equity Product Management

+44 (0)20 7379 2200

[equities@nyx.com](mailto:equities@nyx.com)

**Changes to the Contract specifications MSCI Europe Index Futures (EURO)**

The futures will be available on Bclear and the Euronext Trading Platform

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

Contract	MSCI Europe Index Futures (EURO)
Underlying Index	MSCI Europe Index (Net Total Return in euro)
Exchange Contract Code	MPE
Contract Size	Valued at €100 per Index Point
Delivery Months	The first <b>five quarterly months</b> from the March/June/September/December cycle
Quotation	EUR per index point
Trading Tick Size	<del>0.001</del> <u>0.05</u>
Trading Tick Value	<del>€0.01</del> <u>€ 5</u>
EDSP Tick Size	0.001
Last Trading Day	Third Friday of the delivery month
Contract Standard	Cash settlement based on the EDSP
Daily Settlement	<del>Fair value based on the Preliminary Index value</del> <u>Euronext Trading Platform Daily Settlement Price at 16:30 hours (London time)</u>
EDSP	Closing value of the Index on the Last Trading Day
EDSP Published	No later than 09:00 on the Business day following the Last Trading Day (London time)
Delivery Date	Second Business day after the Last Trading Day
Trading Hours	Bclear: 08:00 - 17:00 hours (London time) <sup>3</sup> <u>Euronext Trading Platform: 01:00 - 21:00 hours (London time)</u>
Time Trading Ceases on LTD	<del>16:00 hours (London Time)</del> <u>16:30 hours (London time)</u>
Trading Platform	Bclear <u>and Euronext Trading Platform</u>
Clearing	NYSE Liffe Clearing
Bloomberg Tickers	<b>Index:</b> MSDEE15N Index - <b>Futures:</b> MPIA Index <CT>
Reuters RICs	<b>Index:</b> .dMIEU00000NEU - <b>Futures:</b> 0#MPElf:

<sup>3</sup> Extending to 17:30 hours (London Time) on and from Monday 4 March 2013.

**Amendments to Exchange Contract No. 301**  
**Contract Details Specified by the Board for Equity Index Contracts ("Table 1")**

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

Index	MSCI Europe EUR
Known as Exchange Contract No.	225
Currency specified by the Board	euro €
Contract size	Valued at €100 per Index Point
Value of Value Point	€10 per lot
Minimum Price Fluctuation	<del>0.01</del> <u>0.5</u> of a Value Point
Delivery months	<del>January, February, March, April, May, June, July, August, September, October, November, December</del> <u>March, June, September, December</u>
No. of delivery months available for trading	<del>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.</del> <u>The first five quarterly months from the March/June/September/December cycle.</u>
Quotation	Index Points (e.g. 1,000.0)
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 MSCI Europe Net Total Return Index Contract in 2013**

Transactions in respect of the MSCI Europe Net Total Return Index Contract will be capable of being reported via Bclear or traded on the Euronext Trading Platform on any market day, except on the follow days:

<b>2013</b>	
Good Friday	Friday 29 March 2013
Easter Monday	Monday 1 April 2013
Christmas Day	Wednesday 25 December 2013
Boxing Day	Thursday 26 December 2013