

LONDON NOTICE No. 2692

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SHORT TERM INTEREST RATE ("STIR") FUTURES CONTRACTS

LIQUIDITY PROVIDER SCHEMES

Executive Summary

This Notice consolidates existing information concerning the liquidity provider schemes in Short Term Interest Rate ("STIR") Futures Contracts and re-emphasises various qualifying and administrative aspects of the schemes, for the benefit of members and their clients.

1. Current Liquidity Provider Schemes

- 1.1 The Exchange currently operates four liquidity provider schemes in its STIR Futures Contracts:
 - (a) Individual Liquidity Provider ("ILP") Scheme;
 - (b) Euribor Futures Contract STIR Liquidity Provider ("SLP") Scheme;
 - (c) Short Sterling Futures Contract SLP Scheme; and
 - (d) Eurodollar Futures Contract SLP Programme.
- 1.2 The ILP Scheme is a refined version of the STIR Tapered Pricing transaction fee structure, whereby registered individuals can benefit from lower Exchange transaction fees in the Euribor, Short Sterling and Euroswiss Futures Contracts by trading longer dated futures contracts (that is, "back" delivery months beyond the first year), as detailed in Attachment 1 to this Notice.
- 1.3 The Euribor and Short Sterling SLP Schemes are volume discount schemes, whereby Exchange approved participants (individuals and members) can benefit from lower Exchange transaction fees by trading proprietary business above defined volume threshold levels as detailed in Attachments 2 to 4 of this Notice.
- 1.4 The Eurodollar SLP Programme is a fee discount programme, whereby Exchange registered participants (individuals and members) can benefit from discounted Exchange transaction fees and LCH.Clearnet clearing fees.

Web site: www.euronext.com/derivatives

The Euronext Derivatives Markets ("Euronext.liffe") include 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.

- 1.5 The lower transaction fees referred to in paragraphs 1.2 to 1.4 above are only available in respect of “Qualifying Business” transacted by the liquidity providers recognised by the Exchange as ILPs and/or SLPs.

2. Qualifying Business

- 2.1 For all four liquidity provider schemes, “Qualifying Business” is business which satisfies the following criteria:

- (a) executed in the relevant STIR Futures Contract(s) to which the scheme applies;
- (b) assigned to a person registered by the Exchange as an ILP and/or SLP; and
- (c) proprietary business of the ILP and/or SLP and not client business.

3. Individual Liquidity Provider (“ILP”) Scheme

- 3.1 In general terms, an ILP is an individual who, through his trading activity (involving behaviour such as price improvement and the facilitation of order flow), supports and enhances the liquidity of LIFFE’s STIR “back month” Contracts, that is, delivery months beyond the first year. A typical example of such behaviour is the frequent submission of orders into the LIFFE CONNECT® central order book to attract and satisfy customer order flow. Specifically, the Exchange defines an ILP as:

- (a) an individual whose principal activities include trading futures on a discretionary basis for his own account, or for the proprietary account of an employer in which he has an interest; and
- (b) whose trading activity contributes to price discovery and satisfies the futures order flow of other market participants (whether as a formal market-maker or otherwise).

- 3.2 It is worth noting that there is no volume threshold requirement in relation to the ILP Scheme. Individuals can simply register with the Exchange to benefit from “back” month tapered Exchange transaction fees.

4. STIR Liquidity Provider (“SLP”) Schemes

- 4.1 In general terms, an SLP is an individual or a member who, through his trading activity (involving behaviour such as price improvement and the facilitation of order flow), supports and enhances the liquidity of LIFFE’s STIR Futures Contracts. A typical example of such behaviour is the frequent submission of orders into the LIFFE CONNECT® central order book to attract and satisfy customer order flow. Specifically, the Exchange defines an SLP as:

- (a) an individual whose principal activities include trading futures on a discretionary basis for his own account, or for the proprietary account of an employer in which he has an interest, or a member whose principal activities include trading futures on a discretionary basis for its proprietary account;
- (b) whose trading activity contributes to price discovery and satisfies the futures order flow of other market participants (whether as a formal market-maker or otherwise); and

- (c) who can demonstrate that they have met the appropriate volume threshold requirement in any calendar month during the six month period prior to the application date¹.
- 4.2 The volume threshold requirements for individual SLP applications differ between contracts, as follows:
 - (a) 20,000 lots of proprietary business in any one calendar month in the Euribor Futures Contract; and
 - (b) 12,500 lots of proprietary business in any one calendar month in the Short Sterling Futures Contract.
- 4.3 The volume threshold requirement for member SLP applications in the Euribor and the Short Sterling Futures Contracts is 150,000 lots of proprietary business in any one calendar month, in any one contract.
- 4.4 In relation to the Eurodollar SLP Programme, individuals and members can simply register with the Exchange as SLPs to benefit from reduced Exchange transaction and clearing fees of 28 U.S. cents (individuals) and 18 U.S. cents (members) respectively per lot, per side in the Eurodollar Futures Contract.

5. Application Process

- 5.1 ILP and SLP application forms are available from the Euronext website www.euronext.com/lpschemes or Account Managers. Those wishing to apply for ILP and/or SLP status should complete the forms and submit them to Julie Forrow in Interest Rate Product Management, Euronext.liffe, Cannon Bridge House, 1 Cousin Lane, London, EC4R 3XX. The Exchange's decision as to whether applications should be approved for ILP and/or SLP status shall be final and binding.
- 5.2 Scheme Terms and Conditions are attached to all application forms. The Exchange advises every applicant to ensure that they have read and understood these Terms and Conditions as the Terms and Conditions and applicable Notices govern participation in the Schemes.
- 5.3 Ultimately, it is the responsibility of the applicant to ensure that all information submitted in the application form is complete and correct. Incorrect information will affect and possibly lengthen the application process and could affect the payment of Exchange transaction fee rebates/discounts (please see paragraphs 6.4, 6.5 and section 8 below).
- 5.4 For the avoidance of doubt, those who already hold SLP status in one contract (e.g. Euribor Futures) must apply separately for SLP status in a different contract (e.g. Short Sterling Futures).
- 5.5 All individuals who are registered with the Exchange as SLPs will automatically qualify as ILPs and need not submit an ILP application form.
- 5.6 Where an application for ILP and/or SLP status is approved by the Exchange in a particular calendar month, only volume assigned to the applicant on and after the first trading day of the following calendar month will be Qualifying Business. For example, if ILP and/or SLP status is approved by the Exchange during October 2005, the November 2005 volume will be the first monthly volume considered as Qualifying Business.

¹ This criterion not apply to the Eurodollar Futures SLP Programme.

5.7 Applications submitted near to the end of a month may not be approved, for administrative reasons, until the next calendar month. Hence, Qualifying Business may not be deemed to have commenced until the calendar month following such approval.

5.8 Those who do not currently qualify as an ILP and/or SLP may apply to become an ILP and/or SLP at a future date, at which time Euribor and Short Sterling Futures SLP applicants will be required to demonstrate that they meet the appropriate volume criterion.

6. Identification of Qualifying Business

6.1 Once an individual has been registered as an ILP and/or SLP his Qualifying Business will be identified through a single unique entry into the User Specified field (a LIFFE CONNECT[®] field that translates into a single Account Reference in the Trade Registration System (“TRS”)) used exclusively by the ILP and/or SLP and solely for his activity in that capacity.

6.2 When an SLP is a member, its trading volume will be identified using its unique LIFFE member mnemonic and the following accounts:

(a) “House”; and/or

(b) “Non-Segregated”

N.B. The Exchange recognises that members may allocate their proprietary business to the House account and/or to the Non-Segregated account. It is the member’s responsibility to highlight, at the application stage, the account (“H” or “N”) to which the proprietary business is to be allocated and to provide the Exchange with the unique Account Reference(s) by which this business may be identified in TRS as non-customer business.

6.3 It is essential that submitted Account References are accurate as a simple error will result in Qualifying Business not being identified. For example, if Account Reference “ABC1” was submitted as “ABC”, no Qualifying Business would be identified and no transaction fee rebates/discounts would be awarded.

6.4 Applicants should be aware that after a LIFFE CONNECT[®] trade enters TRS, the Account Reference field can be amended through TRS post trade processing. For example, allocation can be made to a different Account Reference. As such, applicants should ensure that they submit in their application the final Account Reference of their trades for the Exchange to identify Qualifying Business accurately.

6.5 **The Exchange stresses that any underpayment of transaction fee rebates resulting from inaccurate application/registration details will not be corrected retrospectively by the Exchange.**

7. Billing Arrangements

7.1 In relation to the Euribor, Short Sterling and Euroswiss Futures Contracts, Exchange transaction fees will be billed (as they are currently) to clearing members at the beginning of the following calendar month. This initial bill is calculated on the basis of 25p per lot, per side for all delivery months. The Exchange will then calculate the volume discount on Qualifying Business for approved SLPs and the “back” month discount on Qualifying Business for registered ILPs and make rebates to clearing members during the following calendar month. For example, rebates for Qualifying Business transacted in October 2005 will be calculated in November 2005 for payment to clearing members at the beginning of December 2005.

- 7.2 Only in respect of the Eurodollar Futures Contract are clearing members billed net of SLP fee discounts at the beginning of the following calendar month. For example, discounts for Qualifying Business transacted in October 2005 will be calculated and deducted from the headline fees (39 U.S. cents per lot, per side) charged to clearing members at the beginning of November 2005.

8. Change of SLP/ILP Details

- 8.1 If a registered ILP and/or SLP decides to make changes to the trading and/or clearing arrangements which were detailed in its application, particularly those used by the Exchange to identify Qualifying Business (e.g. clearer, member and Account Reference details), it is the responsibility of the SLP/ILP to provide the Exchange with formal notification of such amendments in a timely manner, ideally in advance. Failure to do so could result in inaccurate registrations and no transaction fee discounts being received.
- 8.2 The Exchange advises any registered Euribor and Short Sterling Futures SLPs wishing to amend such details to do so, where possible, at the beginning of a calendar month. This will maximise an SLP's ability to receive volume discounts by avoiding Qualifying Business for the month concerned being "split" (e.g. where an individual SLP is registered at the Exchange under two different Account References or clearers, the previous one and the new one).

9. SLP/ILP Calculators

- 9.1 Members are reminded that calculators have been designed to indicate the financial benefits available through the ILP and SLP Schemes in the Euribor and Short Sterling Futures Contracts. These calculators, in Microsoft Excel format, are available through the following Exchange web page: www.euronext.com/lpschemes.

For further information in relation to this Notice, members should contact their Account Manager or:

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U.S. Office	+1 212 482 3000	us.office@liffe.com

Euribor, Short Sterling and Euroswiss Futures – Net Exchange transaction fees for an **individual trader** registered as an **Individual Liquidity Provider (“ILP”)**.

Delivery Months	Euribor Futures Transaction Fee (per lot per side)	Short Sterling Futures Transaction Fee (per lot per side)	Euroswiss Futures Transaction Fee (per lot per side)
Quarters 1 to 4 and serial months (white months)	25p	25p	25p
Quarters 5 & 6 (front red months)	20p	22p	22p
Quarters 7 & 8 (back red months)	15p	15p	15p
Quarters 9 to 12 (green months)	10p	10p	10p
Quarters 13 to 16 (blue months)	5p	5p	5p
Quarters 17 to 20 (gold months)	5p	5p	5p

Euribor Futures – Net Exchange transaction fees for an **individual trader** registered as a **STIR Liquidity Provider (“SLP”)**.

WHITE DELIVERY MONTHS		FRONT RED DELIVERY MONTHS		BACK RED DELIVERY MONTHS		GREEN DELIVERY MONTHS	
Quarters 1 to 4 including serial months		Quarters 5 & 6		Quarters 7 & 8		Quarters 9 to 12	
Monthly Volume	Fee per lot per side	Monthly Volume	Fee per lot per side	Monthly Volume	Fee per lot per side	Monthly Volume	Fee per lot per side
0-20,000	25p	0-3,000	20p	0-1,200	15p	0-400	10p
20,001-150,000	18p	3,001-22,500	15p	1,201-9,000	11p	401-3,000	7p
150,001 - 200,000	15p	22,501-45,000	12p	9,001-18,000	9p	3,001-6,000	6p
200,001 – 250,000	11p	45,001 – 67,000	9p	18,001-27,000	7p	6,001-9,000	5p
>250,000	7p	>67,000	6p	>27,000	5p	>9,000	4p

Note: The SLP Scheme volume discount for “blue” and “gold” delivery months (quarters 13 to 20) results in a net Exchange transaction fee of zero.

Euribor Futures - The fee structure above provides the following average transaction fees per lot for individual traders.

WHITE DELIVERY MONTHS		FRONT RED DELIVERY MONTHS		BACK RED DELIVERY MONTHS		GREEN DELIVERY MONTHS	
Monthly Volume	Average Fee	Monthly Volume	Average Fee	Monthly Volume	Average Fee	Monthly Volume	Average Fee
35,000	22p	3,750	19p	1,600	14p	600	9p
46,666	21p	5,000	18p	2,400	13p	1,200	8p
70,000	20p	7,500	17p	4,800	12p	4,200	7p
140,000	19p	15,000	16p	11,400	11p	9,600	6p
196,665	18p	27,500	15p	19,600	10p	19,200	5p
231,666	17p	41,250	14p	28,200	9p		
265,555	16p	54,375	13p	37,600	8p		
298,750	15p	69,750	12p				
341,428	14p	83,700	11p				
398,333	13p	104,625	10p				
478,000	12p						
597,500	11p						
796,666	10p						

Short Sterling Futures – Net Exchange transaction fees for an **individual trader** registered as a **STIR Liquidity Provider (“SLP”)**.

WHITE DELIVERY MONTHS		FRONT RED DELIVERY MONTHS		BACK RED DELIVERY MONTHS		GREEN DELIVERY MONTHS	
Quarters 1 to 4 including serial months		Quarters 5 & 6		Quarters 7 & 8		Quarters 9 to 12	
Monthly Volume	Fee per lot per side	Monthly Volume	Fee per lot per side	Monthly Volume	Fee per lot per side	Monthly Volume	Fee per lot per side
0-12,500	25p	0-1,500	22p	0-750	15p	0-250	10p
12,501-80,000	18p	1,501-22,500	15p	751-9,000	11p	251-3,000	7p
80,001-200,000	15p	22,501-45,000	12p	9,001-18,000	9p	3,001-6,000	6p
200,001–250,000	11p	45,001 – 67,000	9p	18,001-27,000	7p	6,001-9,000	5p
>250,000	7p	>67,000	6p	>27,000	5p	>9,000	4p

Note: The SLP Scheme volume discount for “blue” and “gold” delivery months (quarters 13 to 20) results in a net Exchange transaction fee of zero.

Sterling Futures - The fee structure above provides the following average transaction fees per lot for individual traders.

WHITE DELIVERY MONTHS		FRONT RED DELIVERY MONTHS		BACK RED DELIVERY MONTHS		GREEN DELIVERY MONTHS	
Monthly Volume	Average Fee	Monthly Volume	Average Fee	Monthly Volume	Average Fee	Monthly Volume	Average Fee
14,583	24p	1,750	21p	1,000	14p	375	9p
17,500	23p	2,100	20p	1,500	13p	750	8p
21,875	22p	2,625	19p	3,000	12p	3,750	7p
29,166	21p	3,500	18p	10,500	11p	9,375	6p
43,750	20p	5,250	17p	19,000	10p	18,750	5p
81,875	19p	10,500	16p	27,750	9p		
109,166	18p	26,000	15p	37,000	8p		
163,750	17p	39,000	14p				
225,500	16p						
265,937	15p						

Euribor and Short Sterling Futures – Net transaction fees for a **member** registered as a **STIR Liquidity Provider (“SLP”)**.

ALL DELIVERY MONTHS	
Quarters 1 to 20 including serial months	
Monthly Volume	Fee per lot per side
0-150,000	25p
150,001-600,000	20p
>600,000	18p

This fee structure provides the following average transaction fees per lot for **members**.

ALL DELIVERY MONTHS	
Monthly Volume	Average Fee
187,477	24p
249,959	23p
374,907	22p
649,892	21p
974,757	20p