

LONDON NOTICE No. 2825

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SHORT TERM INTEREST RATE ("STIR") FUTURES CONTRACTS

LIQUIDITY PROVIDER SCHEMES FOR MEMBERS

Executive Summary

This Notice describes revised arrangements in relation to the Short Term Interest Rate ("STIR") Liquidity Provider ("SLP") Schemes available to members.

Information in relation to STIR Liquidity Provider Schemes available to individuals is provided in London Notice No. 2824, which is also being issued today.

1. Introduction

- 1.1 At present, there are three separate SLP Schemes offered to members: the Euribor Futures Contract SLP Scheme, the Short Sterling Futures Contract SLP Scheme and the Eurodollar Futures Contract SLP Programme. **The Euribor Futures Contract and the Short Sterling Futures Contract SLP Schemes will be combined on and from 2 January 2007 in a revised Scheme, to be known as the Member SLP Scheme.** The structure of the Member SLP Scheme is explained in section 2 of this Notice. The Eurodollar Futures SLP Programme will continue to operate on the same basis as at present, as described in section 3 of this Notice.
- 1.2 Information in relation to STIR Liquidity Provider Schemes that are available for individuals is provided in London Notice No. 2824, which is being issued today.
- 1.3 London Notices No. 2824 and 2825 supersede London Notice No. 2692, issued on 13 October 2005. This Notice supersedes London Notice No. 2692 on 13 December 2006 in relation to the Eurodollar Futures Contract and on 2 January 2007 in relation to the Euribor and Short Sterling Futures Contracts.

2. Structure of the Member SLP Scheme

- 2.1 The new Member SLP Scheme combines the existing Euribor Futures Contract and Short Sterling Futures Contract SLP Schemes. In addition, the Euroswiss Futures Contract will be included in the new Scheme. The combined volumes of Qualifying Business traded in these three contracts by approved SLPs will be used to calculate the eligible amount of rebate for the member, using the volume threshold schedule contained in the Attachment to this Notice.

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.

- 2.2 Members who are already participating in the existing Euribor Futures Contract and Short Sterling Futures Contract SLP schemes **will need to apply for the Member SLP Scheme**, as explained in Section 6.

3. Eurodollar Futures Contract SLP Programme

- 3.1 The Eurodollar Futures Contract SLP Programme is a fee discount programme, whereby Exchange registered participants can benefit from discounted Exchange transaction fees and LCH.Clearnet clearing fees.
- 3.2 Members can register with the Exchange as Eurodollar Futures Contract SLPs to benefit from reduced Exchange transaction and clearing fees of 18 U.S. cents per lot, per side in the Eurodollar Futures Contract in respect of Qualifying Business.
- 3.3 Members already participating in the Eurodollar Futures Contract SLP Programme will not need to re-apply for this Programme.

4. SLPs

- 4.1 In general terms, an SLP supports and enhances the liquidity of LIFFE's STIR Futures Contracts through his trading activity (involving behaviour such as price improvement and the facilitation of order flow). 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, in relation to both the Member SLP Scheme and the Eurodollar Futures Contract SLP Programme the Exchange defines an SLP as:
- (a) 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; 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 date.
- 4.2 The volume threshold requirement for the Member SLP Scheme is 20,000 lots of combined proprietary business in the Scheme eligible contracts in any one calendar month. There is no volume threshold requirement in relation to the Eurodollar Futures Contract SLP Programme.

5. Qualifying Business

- 5.1 In relation to both the Member SLP Scheme and the Eurodollar Futures Contract SLP Programme, "Qualifying Business" is business which satisfies the following criteria:
- (a) executed in the Euribor Futures Contract, Short Sterling Futures Contract and Euroswiss Futures Contract for the Member SLP Scheme and executed in Eurodollar Futures Contract for the Eurodollar Futures Contract SLP Programme;
 - (b) assigned to a member registered by the Exchange as an SLP; and
 - (c) proprietary business of the member registered as an SLP and not client business.

6. Application Process

- 6.1 Member SLP Scheme and Eurodollar Futures Contract SLP Programme application forms will be available from the Euronext website at www.euronext.com/memberlpcheme in due course and from Account Managers. Those wishing to apply for SLP status for either Scheme should complete the relevant application form(s) and submit it/them to their Account Manager. The Exchange's decision as to whether applications should be approved for SLP status shall be final and binding.
- 6.2 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.
- 6.3 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 7.3 and 7.4 below).
- 6.4 With the exception of January 2007, where an application for 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 SLP status is approved by the Exchange during February 2007, the March 2007 volume will be the first monthly volume considered as Qualifying Business. For the month of January 2007 only, members may apply for SLP status at any time during that month for volume assigned to that applicant during the whole of January 2007 to be counted as Qualifying Business.
- 6.5 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.

7. Identification of Qualifying Business

- 7.1 Once a member has been registered as an SLP in either Scheme, 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.
- 7.2 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.
- 7.3 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.

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

8. Billing Arrangements

- 8.1 In relation to the Member SLP Scheme, 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 the standard transaction fee per lot, per side for all delivery months. The Exchange will then calculate the volume discount on Qualifying Business for approved SLPs and make rebates to clearing members during the following calendar month. For example, rebates for Qualifying Business transacted in January 2007 will be calculated in February 2007 for payment to clearing members at the beginning of March 2007.
- 8.2 In respect of the Eurodollar Futures Contract SLP Programme, clearing members are billed net of SLP fee discounts at the beginning of the following calendar month. For example, discounts for Qualifying Business transacted in January 2007 will be calculated and deducted from the headline fees charged to clearing members at the beginning of February 2007.

9. Change of SLP Details

- 9.1 If a member registered as an SLP in either Scheme 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 member 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.

10. Member SLP Calculator

- 10.1 Members are advised that a calculator has been designed to indicate the financial benefits available through the Member SLP Scheme. This calculator, in Microsoft Excel format, will be available shortly through the following Exchange web page: www.euronext.com/memberlpscheme.

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

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Euribor, Short Sterling and Euroswiss Futures Contracts – Net transaction fees for a **Member** registered as a **Member STIR Liquidity Provider**.

ALL DELIVERY MONTHS	
Monthly Volume (lots)	Fee per lot, per side
0 - 20,000	25p
20,001 – 150,000	22p
150,001 – 500,000	20p
500,001 - 1,000,000	18p
1,000,001 – 1,500,000	17p
1,500,001 – 2,000,000	16p
2,000,001 >	15p