

## **LONDON NOTICE No. 2919**

ISSUE DATE: 13 July 2007

EFFECTIVE DATE: 23 July 2007

### **OPTION CONTRACT ON FTSE 100 INDEX EUROPEAN STYLE EXERCISE (EXCHANGE CONTRACT NO. 129E)**

### **INTRODUCTION OF A REVISED SERIES POLICY FOR THE FTSE 100 INDEX OPTION CONTRACT**

#### **Executive Summary**

This Notice informs members of the introduction of a revised series policy for the FTSE 100 Index Option Contracts (ESX).

1. This Notice informs members that the Exchange will introduce a revised series policy for the FTSE 100 Index Option Contracts on and from Monday 23 July 2007. This will entail changes to the minimum number of exercise prices listed per expiry month and the applicable series intervals. The number of expiry months listed will not change as a result of the introduction of the revised policy.
2. As a result of the new series policy it will be possible to have multiple series intervals applicable per expiry month for the FTSE 100 Index Option contracts. The around the money series will have smaller series intervals in comparison to the deeper in- and out-of-the-money series. In this way the Exchange will create more diversity between the series available for trading.
3. Under the new series policy the expiry months of the FTSE 100 Index Option Contracts will be split up in different groups depending on the remaining lifetime of the expiry month:

<b>FTSE 100 Index options</b>		
<b>Cycle</b>	<b>Expiry months</b>	<b>Remaining Lifetime (months)</b>
Front Month	Every month	1
Short term	Every month	2, 3, 4
First year quarterly	March, June, September, December	6, 9, 12
Second year quarterly	March, June, September, December	15, 18, 21, 24

Web site: [www.euronext.com/derivatives](http://www.euronext.com/derivatives)

The **Euronext Derivatives Markets ("Liffe")** 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.

4. The exercise price of each series is fixed in accordance with the following scheme:

FTSE 100 Index Interval Scheme			
Interval Scales			
Scale A	Scale B	Scale C	Scale D
25	50	100	200

5. The series listed will always be multiples of the intervals mentioned above e.g. the 6500 series (not a multiple of 200) will not be listed according to Scale D. However if the need to have this series listed is valid the series can be requested and become available intra day. Series can be requested by calling the Liffe Market Services department on +44 (0)20 7379 2001. The Exchange reserves the right to decide whether or not to grant a request for a series.
6. The revised series policy will introduce a minimum number of series per expiry month depending on the remaining lifetime of the expiry month. The minimum number of in-the-money (ITM), at-the-money (ATM<sup>1</sup>) and out-of-the-money (OTM) series to be introduced initially will be as follows:

**≤ 1 month to expiry**

For expiry months with a remaining lifetime of up to and including 1 month:

At least 21 series

- 5 series around the money - Interval Scale A: 1<sup>st</sup> ITM+2<sup>nd</sup> ITM+ATM+1<sup>st</sup> OTM+2<sup>nd</sup> OTM
- 16 series - Interval Scale B: 3<sup>rd</sup> ITM until 10<sup>th</sup> ITM+  
3<sup>rd</sup> OTM until 10<sup>th</sup> OTM

**> 1 to ≤ 4 months to expiry**

For expiry months with a remaining lifetime exceeding 1 month and up to and including 4 months:

At least 21 series

- 15 series around the money - Interval Scale B: 1<sup>st</sup> ITM until 7<sup>th</sup> ITM+ATM+  
1<sup>st</sup> OTM until 7<sup>th</sup> OTM
- 6 series - Interval Scale C: 8<sup>th</sup> ITM+9<sup>th</sup> ITM+10<sup>th</sup> ITM+  
8<sup>th</sup> OTM+9<sup>th</sup> OTM+10<sup>th</sup> OTM

**> 4 to ≤ 12 months to expiry**

For expiry months with a remaining lifetime exceeding 4 months and up to and including 12 months:

At least 21 series

- 15 series around the money - Interval Scale C: 1<sup>st</sup> ITM until 7<sup>th</sup> ITM+ATM+  
1<sup>st</sup> OTM until 7<sup>th</sup> OTM
- 6 series - Interval Scale D: 8<sup>th</sup> ITM+9<sup>th</sup> ITM+10<sup>th</sup> ITM+  
8<sup>th</sup> OTM+9<sup>th</sup> OTM+10<sup>th</sup> OTM

**> 12 to ≤ 24 months to expiry**

For expiry months with a remaining lifetime exceeding 12 months and up to and including 24 months:

At least 21 series

- 7 series around the money - Interval Scale C: 1<sup>st</sup> ITM+2<sup>nd</sup> ITM+3<sup>rd</sup> ITM +ATM+  
1<sup>st</sup> OTM+2<sup>nd</sup> OTM+3<sup>rd</sup> OTM

<sup>1</sup> The option series whose price differs the least from the price of the underlying index is considered to be the at-the-money series. There will be no at-the-money series in a situation where the market price of the underlying security is exactly halfway between two series.

- 14 series - Interval Scale D:

4<sup>th</sup> ITM until 10<sup>th</sup> ITM+  
4<sup>th</sup> OTM until 10<sup>th</sup> OTM

7. The following tables provide a summary of the exercise prices per expiry month at time of listing:

Time to maturity	1 month	2,3,4 months	6,9,12 months	15,18,21,24 months
	<div> <div>X IX VIII VII VI V IV III</div> <div>Scale B</div> </div> <div> <div>II I ATM</div> <div>Scale A</div> </div> <div> <div>I II III IV V VI VII VIII IX X</div> <div>Scale B</div> </div>	<div> <div>X IX VIII</div> <div>Scale C</div> </div> <div> <div>VII VI V IV III II I ATM</div> <div>Scale B</div> </div> <div> <div>I II III IV V VI VII VIII IX X</div> <div>Scale C</div> </div>	<div> <div>X IX VIII</div> <div>Scale D</div> </div> <div> <div>VII VI V IV III II I ATM</div> <div>Scale C</div> </div> <div> <div>I II III IV V VI VII VIII IX X</div> <div>Scale D</div> </div>	<div> <div>X IX VIII VII VI V IV</div> <div>Scale D</div> </div> <div> <div>III II I ATM</div> <div>Scale C</div> </div> <div> <div>I II III IV V VI VII VIII IX X</div> <div>Scale D</div> </div>

8. A price established on a trading day (T) will be the reference used to determine the introduction of additional series on the next trading day (T+1) to have at least the minimum number of in- and out-of-the-money series listed.
9. The necessary amendments to the Trading Procedures are set out in the Attachment to this Notice and will appear on the Euronext website ([www.euronext.com](http://www.euronext.com)) in due course.

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

Equity Product Management

+44 (0) 20 7379 2200

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

## EURONEXT.LIFFE TRADING PROCEDURES

### PART TWO – NON-HARMONISED AND MARKET-SPECIFIC PROVISIONS

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

#### SECTION 2 – TRADING PROCEDURES IN RELATION TO LIFFE

##### Lo.3 Introduction of a new series

- Lo.3.1
- (a) In relation to FTSE 100 Index Option Contract (European style) the series introduction policy is set out in Annexe One. . The Exchange may apply an alternative scale of exercise price intervals if appropriate. Such alternative scales are notified by means of a Notice.
  - (b) When any other Index Option Contract is listed, or a new expiry month introduced, a minimum of nine exercise prices, always including both a put and a call series in respect of each exercise price, will be made available for trading.
  - (c) When a new Financial Option Contract is listed or a new expiry month is introduced, a series of exercise prices (always including both a put and a call series in respect of each exercise price) will be made available for trading on the basis set out in the contract specification.
  - (d) In relation to Individual Equity Options Contracts the series introduction policy is published by Notice. The Exchange may apply an alternative scale of exercise price intervals to specified Individual Equity Option Contracts if appropriate. Such alternative scales are notified by means of a Notice.
  - (e) When a new Commodity Options Contract is listed or a new expiry month introduced, a minimum of nine exercise prices, always including both a put and a call series in respect of each exercise price, will be made available for trading on the basis set out in the contract specification.
- Lo.3.2
- (a) **[Deleted]**
    - (i)
  - (b) For Index Option Contracts, with the exception of FTSE 100 Index Options, the exercise prices to be introduced shall be:
    - (i) the exercise price closest to the market price of the underlying equity index (i.e. the at-the-money exercise price); and
    - (ii) the next four exercise prices above, and the next four exercise prices below, the at-the-money exercise price.
  - (c) **[Deleted]**
- Lo.3.3
- (a) For Index Option Contracts, the exercise price of each series is fixed as follows:

Index Option Contracts (other than FTSE 100 Index Options)	25, 50 or 100 point intervals, at 25, 50 and/or 100 point levels
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- (b) For Financial Option Contracts the exercise prices of each series is fixed as follows:

Short Term Interest Rate (STIR) Options (including Mid-Curve)	12.5 basis point intervals in the first four quarterly expiry months and all relevant serial months and 25 basis point intervals for all other months
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Bond Options	50 basis point intervals
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Euro Swapnote® Options	
2 year	10 basis point intervals
5 year	25 basis point intervals
10 year	50 basis point intervals

If the Exchange considers that a new exercise price in respect of a Financial Options Contract is unrepresentative of the current market conditions, he may rule that such new exercise price will not be listed on the business day in question.

- (c) **[Deleted]**

- (d) For Commodity Option Contracts, the exercise price of each series is fixed as follows:

Cocoa	£25 per tonne intervals
Robusta Coffee	\$25 per tonne intervals up to \$1,000; \$50 per tonne intervals above \$1,000.
White Sugar	\$10 per tonne intervals
Wheat	£1 per tonne intervals

Lo.3.4 The Exchange may permit the introduction of additional series for the commencement of trading in new Index Option Contracts. On occasions other than the commencement of trading in a new Index Option Contract, new series will be introduced on a particular business day for an Index Option Contract where the index value of the underlying index at any time during the previous business day:

- (a) exceeded the second highest exercise price of any existing series; or

(b) fell below the second lowest exercise price of any existing series.

Lo.3.5 If the Exchange considers that a new series should not be introduced, the Exchange may rule that a new series shall not be listed on the business day in question.

Lo.3.6 The Exchange, taking account of such factors as appear to be relevant (for example, a period of high volatility in one or more expiry months of the Index Option Contract in question), may determine that new series in excess of the number which would be indicated by the criteria contained in section Lo.3.4 shall be listed on the next business day.

### **Addition to Annexe One to the Trading Procedures**

1. FTSE 100 Index Option Contracts will be split up in different groups depending on the remaining lifetime of the expiry month:

<b>FTSE 100 Index options</b>		
<b>Cycle</b>	<b>Expiry months</b>	<b>Remaining Lifetime (months)</b>
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<b>Scale A</b>	<b>Scale B</b>	<b>Scale C</b>	<b>Scale D</b>
<b>25</b>	<b>50</b>	<b>100</b>	<b>200</b>

3. The series listed will always be multiples of the intervals mentioned above e.g. the 6500 series (not a multiple of 200) will not be listed according to Scale D. However if the need to have this series listed is valid the series can be requested and become available intra day. Series can be requested by calling the Liffe Market Services department on +44 (0)20 7379 2001. The Exchange reserves the right to decide whether or not to grant a request for a series.
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