

## **LONDON NOTICE No. 2994**

ISSUE DATE: 1 February 2008  
EFFECTIVE DATE: 25 March 2008

### **THREE MONTH STERLING (SHORT STERLING) INTEREST RATE FUTURES CONTRACT – REDUCTION IN MINIMUM PRICE MOVEMENT**

### **THREE MONTH EURO SWISS FRANC (EUROSWISS) INTEREST RATE FUTURES CONTRACT – REVIEW OF CHANGES TO THE MINIMUM PRICE MOVEMENT**

#### **Executive Summary**

This Notice informs Members that, following a market consultation concerning the minimum price movement of the Short Sterling Futures Contract and the Euroswiss Futures Contract, the Exchange has determined to reduce the minimum price movement of Short Sterling Futures Contract in all delivery months and to maintain the existing minimum price movement for the Euroswiss Futures Contract.

1. London Circular No. 07/24, issued on 2 October 2007, informed Members that in response to strong customer demand and to reflect the development of the Short Sterling market, the Exchange had resolved to reduce the minimum price movement (“tick size”) for the Three Month Sterling Interest Rate Futures Contract (“Short Sterling Futures”) from 1 basis point to 0.5 basis points and invited Members to comment on the delivery months for which it would be appropriate to implement the change. Members were also invited to comment on a potential change to the tick size of the Three Month Euro Swiss Franc Interest Rate Futures Contract (“Euroswiss Futures”).
2. This Notice informs Members that, following an extensive consultation, the Exchange has determined to reduce the tick size of Short Sterling Futures from 1 basis point to 0.5 basis points **across all delivery months** with effect from Tuesday 25 March 2008. This change is being implemented following a strong indication of support from a significant proportion of Members. The issue that was particularly highlighted is the need to reflect commercial developments in the underlying cash and OTC markets and to allow customers greater precision in pricing. The Exchange has also resolved that the tick size of Euroswiss Futures will remain unchanged at present.
3. The necessary amendments to the Contract Details of Exchange Contract No. 801 are contained in the Attachment to this Notice and an updated copy of Exchange Contract No. 801 will be made available on the Liffe website ([www.nyseeuronext.com/londonhandbook](http://www.nyseeuronext.com/londonhandbook)) in due course.

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. Members should note that following the reduction in the tick size of Short Sterling Futures, Daily Settlement Prices (“DSPs”) will be generated in 0.5 basis point increments for all Short Sterling Futures delivery months. For the avoidance of doubt, the degree of precision with which the Exchange Delivery Settlement Price (“EDSP”) is established (i.e., in multiples of 0.1 basis points) shall remain unchanged.
5. Members are advised that, since the reduced tick size is to be applied in all delivery months, the requirement for variable tick size functionality, as outlined in London Circular No. 07/24, will not be applicable. There will be no changes to the LIFFE CONNECT<sup>®</sup> API or Trading Host and the interaction of implied and outright prices, spreads and other LIFFE CONNECT<sup>®</sup> recognised strategies will remain unchanged. Nonetheless, Short Sterling Futures will be made available in the Liffe Test Environments, with a 0.5 basis point tick size, from Monday 3 March 2008, for those customers who wish to do any testing.

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

Interest Rate Derivatives

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## (B) CONTRACT DETAILS SPECIFIED BY THE BOARD FOR SHORT TERM INTEREST RATE CONTRACTS

(Additions are shown underlined and deletions ~~struckthrough~~)**Table I: Section (a)**

Contract	Three Month Eurodollar	Three Month Sterling	Three Month Euro Swiss Franc
<b>Known as Exchange Contract No.</b>	15	16	33
<b>Currency specified by the Board</b>	Dollar \$	Sterling £	Swiss Franc SFr
<b>Period specified by the Board</b>	Three Months	Three Months	Three Months
<b>Unit of trading</b>	\$ 1 million	£ 500,000	SFr 1 million
<b>Delivery months</b>	All calendar months	All calendar months	Mar, Jun, Sep, Dec
<b>No. of delivery months available for trading<sup>1</sup></b>	20 Quarterly 4 Serial	21 Quarterly 2 Serial	8 Quarterly
<b>Basis Point value<sup>2</sup></b>	\$25.00 per lot	£12.50 per lot	SFr25.00 per lot
<b>Minimum price movement (Value)</b>	Half Basis Point (\$12.50)	<del>One Basis Point (£12.50)</del> <u>Half Basis Point (£6.25)</u>	One Basis Point (SFr25.00)
<b>Minimum EDSP Price Increment</b>	0.001%	0.001%	0.001%
<b>Quotation</b>	100.00 minus rate of interest	100.00 minus rate of interest	100.00 minus rate of interest
<b>Last Trading Day</b>	Two business days prior to the third Wednesday of the delivery month	Third Wednesday of the delivery month. <sup>3</sup>	Two business days prior to the third Wednesday of the delivery month
<b>Interest rate basis</b>	Actual days/360	Actual days/365	Actual days/360

- 1 The delivery months available for trading will be the relevant number of nearest quarterly delivery months and the relevant number of nearest serial delivery months. A new delivery month is available for trading the business day after the Last Trading Day of a delivery month.
- 2 A one Basis Point change in price has a value equal to the Basis Point value. In respect of contracts for a three month period, this is equal to the change in gross interest on the unit of trading for one quarter of a year resulting from a 0.01% change in the interest rate i.e. Basis Point value =  $\frac{0.01}{100} \times \frac{3}{12} \times$  Unit of trading. In respect of contracts for a one month period, this is equal to the change in gross interest on the unit of trading for 30 days resulting from a 0.01% change in the interest rate i.e. Basis Point value =  $\frac{0.01}{100} \times \frac{30}{360} \times$  Unit of trading.
- 3 If such a day is not a business day, "Last Trading Day" shall mean the business day next following such day.