

## **LONDON NOTICE No. 3439**

ISSUE DATE: 18 May 2011  
EFFECTIVE DATE: 1 June 2011

### **SHORT AND MEDIUM GILT FUTURES CONTRACTS**

### **LIQUIDITY PROVIDER PROGRAMMES**

#### **Executive Summary**

This Notice informs Members of the extension of the Liquidity Provider Programmes for proprietary traders in the Short and Medium Gilt Futures Contracts, and invites Members and appropriate clients of Members to apply.

#### **1. Introduction**

- 1.1 London Notice No. 3364, issued on 29 November 2010, informed Members of the extension of the Liquidity Provider (“LP”) Programmes in the Short and Medium Gilt Futures Contracts (the “Contracts”) until the close of business on 31 May 2011.
- 1.2 This Notice informs Members of the extension of the LP Programmes with effect from 1 June 2011, and invites Members and appropriate clients of Members to apply. The Programmes will remain in place until the close of business on 31 August 2011.
- 1.3 Members are reminded that London Notice No. 3389, issued on 27 January 2011, informed Members that the Notional Coupon in the Short and Medium Gilt Futures Contracts will be lowered to 3% and 4% respectively, effective for the December 2011 delivery month onwards. The December 2011 delivery month will become available for trading on 29 June 2011.

#### **2. Overview of the Liquidity Provider Programmes**

- 2.1 Subject to the terms and conditions summarised in this Notice, the LP Programmes offer Exchange trading fee rebates in respect of “Qualifying Business” in the Contracts.
- 2.2 Participants can register with the Exchange and, if accepted, will benefit from a reduction in Exchange trading fees in relation to “Qualifying Business”, based on the fee schedules below. The thresholds are based on monthly volumes, per side per lot, per registered TRS Account Reference.

Web site: [www.nyx.com/liffe](http://www.nyx.com/liffe)

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### Short Gilt Futures LP Programme

Volume	Fee	Rebate
Lots 1 – 500	£0.20	£0.00
Lots 501 – 2,000	£0.16	£0.04
Lots 2,001 – 4,000	£0.14	£0.06
Lots 4,001 – 8,000	£0.08	£0.12
Lots >8,000	£0.02	£0.18

### Medium Gilt Futures LP Programme

Volume	Fee	Rebate
Lots 1 – 400	£0.20	£0.00
Lots 401 – 1,500	£0.16	£0.04
Lots 1,501 - 3,000	£0.14	£0.06
Lots 3,001 – 6,000	£0.08	£0.12
Lots >6,000	£0.02	£0.18

### 3. Qualifying Business

3.1 “Qualifying Business” is business which satisfies the following criteria:

- (a) trades executed in the Short and/or Medium Gilt Futures Contracts;
- (b) assigned to an exclusive TRS Account Reference of a participant registered by the Exchange as a Liquidity Provider in the Short and/or Medium Gilt Futures LP Programme; and
- (c) proprietary business of the LP and not client business.

### 4. Summary of other Terms and Conditions

4.1 In general terms, an LP in the Contracts 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 the 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 LP 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.

## **5. Application Process**

- 5.1 The application form for the Short and Medium Gilt Futures LP Programmes is available from Account Managers and on the NYSE Euronext website ([www.nyx.com/lpprogrammes](http://www.nyx.com/lpprogrammes)). Those wishing to apply for LP status should complete the form and submit it to their Account Manager. The Exchange's decision as to whether applications should be approved for LP status shall be final and binding.
- 5.2 Programme Terms and Conditions are attached to the application form. The Exchange advises every applicant to ensure that they have read and understood those Terms and Conditions, as the Terms and Conditions and applicable Notices govern participation in the Programmes.
- 5.3 Ultimately, it is the responsibility of the applicant to ensure that all information included on the application form is complete and correct. Incorrect information will affect and possibly lengthen the application process and could affect the payment of Exchange trading fee rebates.
- 5.4 For the avoidance of doubt, an individual holding LP status in one contract (e.g. the Short Gilt Futures Contract) must apply separately for LP status in a different contract (e.g. the Medium Gilt Futures Contract).
- 5.5 Applicants must submit their application form five business days prior to the last business day of the month to be registered for the entire calendar month. Applications received after five business days prior to the last business day of the month shall be registered for the following calendar month.
- 5.6 Where an application for participation in the LP Programmes is registered by the Exchange in a particular calendar month, only volume assigned to the LP during that calendar month and thereafter will be Qualifying Business.

## **6. Identification of Qualifying Business**

- 6.1 Once a participant has been registered as an LP, their Qualifying Business will be identified through a single unique entry into the User Specified field (a LIFFE CONNECT<sup>®</sup> field that translates into a single Account Reference in the Trade Registration System ("TRS")) used exclusively by the LP and solely for their activity in that capacity.
- 6.2 Applicants should be aware that after a LIFFE CONNECT<sup>®</sup> trade enters TRS, the Account Reference field can be amended through TRS post trade processing any time up until 21:30 hours (London time) on the same business day. As such, applicants should ensure that they submit in their application the final Account Reference based on market assigned trades for the Exchange to identify Qualifying Business accurately.
- 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 trading fee rebates would be awarded.
- 6.4 The Exchange stresses that any underpayment of trading fee rebates resulting from inaccurate application/registration details will not be corrected retrospectively by the Exchange.
- 6.5 If a registered LP decides to make changes to the trading and/or clearing arrangements which were detailed in the 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 LP to provide the Exchange with formal notification of such

amendments in a timely manner, ideally in advance and in all cases by no later than close of business on the last business day of the month in which the change occurred. If this is not done, then only volumes transacted during the calendar month in which the notification of changes was received by the Exchange will be eligible for the benefits specified in paragraph 2.2.

## **7. Existing Registered LPs on the Short and Medium Gilt Futures LP Programmes**

- 7.1 Any participant who is currently registered with the Exchange as a LP in the Short or Medium Gilt Futures LP Programmes will be deemed to continue in the Programme(s), unless the Exchange is formally notified otherwise.

## **8. Other information**

- 8.1 Exchange trading fees will be billed (as they are currently) to Clearing Members at the beginning of the following calendar month. This initial bill will be calculated on the basis of 20p per lot, per side for all delivery months. The Exchange will then calculate the rebates on Qualifying Business for approved LPs and make rebates to Clearing Members during the following calendar month. For example, rebates for Qualifying Business transacted in June 2011 will be calculated in July 2011 for payment to Clearing Members at the beginning of August 2011.
- 8.2 In the event that any business which may give rise to a benefit under the terms of one of the LP Programmes may also qualify as business undertaken by the LP giving rise to a benefit under any other Exchange liquidity provision, market making or other similar Programme or arrangement (“other arrangements”) (regardless of whether such Programme or arrangement is an “incentive scheme” within the FSA’s guidance), the Exchange will in its absolute discretion take one or more of the following actions:
- (a) withhold the credit of any further rebates otherwise due under the other arrangements;
  - (b) withhold the credit of any further rebates otherwise due under the LP Programmes;
  - (c) re-charge some or all of the rebated trading fees made under the other arrangements or the LP Programmes; and
  - (d) terminate the LP Agreement by notice to the parties with immediate effect.
- 8.3 The Exchange reserves the right in its absolute discretion to terminate the LP Programmes by Notice.

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

Fixed Income Derivatives

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