

LONDON NOTICE No. 3381

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OPTION CONTRACT ON EQUITY RELATED SECURITIES (INCLUDING COMPANY SHARES AND EXCHANGE TRADED FUND SHARES) (EXCHANGE CONTRACT NO. 201)**IMPLEMENTATION OF A REVISED SERIES INTRODUCTION POLICY FOR INDIVIDUAL EQUITY OPTION CONTRACTS THAT HAVE BEEN THE SUBJECT OF A CORPORATE ACTION****Executive Summary**

This Notice informs Members of the implementation of a revised series introduction policy in Individual Equity Option Contracts that have been the subject of a corporate action. Members should ensure that their clients are made aware of the contents of this Notice.

1. Introduction

- 1.1 This Notice informs Members of the implementation on 24 January 2011 of a revised series introduction policy for Individual Equity Option (“IEO”) Contracts that have been the subject of corporate actions. The aim of the revised policy is to have one contract size for all series within one maturity.

2. Background

- 2.1 NYSE Liffe’s Corporate Actions Policy determines that, with regard to IEO Contracts which have been the subject of a corporate action, existing series may be the subject of an adjusted (non-standard) contract size. In practice, subsequently no new series were introduced within the range of series which had been the subject of the adjusted contract size. As a consequence, Members reported a lack of series in the Near The Money area for affected contracts.
- 2.2 Since 3 December 2009, the Exchange has operated a slight revision to this approach, whereby a number of additional series for certain IEO Contracts with adjusted series were introduced with a standard contract size of 1,000 lots. Whilst this approach provides additional trading opportunities, it results in series with a standard lot size interspersed within, and immediately adjacent to, series in the adjusted (non-standard) range.

3. Revised Policy

- 3.1 In order to provide greater consistency, and following the necessary technical development work, the Exchange has determined to revise the series introduction policy for IEOs that have

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a non-standard contract size following a corporate action. Specifically, on and from 24 January 2011, new series introduced following a corporate action **will have the same contract size as the contract size that applies to the existing series with the same remaining lifetime.**

3.2 After implementation of this revised policy and once the transition period has ended, all series within a given expiry month will have the same contract size; within an IEO Contract, the contract sizes can only differ per expiry month. For example:

- (a) If all series of a specific expiry month do not have the standard contract size of 1,000 lots, e.g. the contract size has been revised to 1,502 lots following a corporate action, all new series which are introduced in future in that specific expiry month will also have a contract size of 1,502 lots; and
- (b) If all series of a given expiry month have the standard contract size of 1,000 lots, e.g. as a result of the introduction of a new expiry month, all newly introduced series in that expiry month will also have a contract size of 1,000 lots.

3.3 Members should note that strategy orders can only consist of series with the same contract size.

4. **Transition period**

4.1 For some time after implementation of the revised policy there will remain IEO Contracts with multiple contract sizes within one specific expiry month due to corporate actions that took place before the introduction of the new policy.

4.2 If a specific expiry month contains multiple contract sizes, e.g. following a corporate action adjustment which resulted in a revised contract size and additional series have been introduced with the standard contract size of 1,000 lots, all new series in that expiry month which are introduced in future will have a contract size of 1,000 lots.

4.3 If all series of a specific expiry month have the same contract size, all new series which are introduced in future in that specific expiry month will also have that contract size.

5. **Further information**

5.1 Members are advised that the contract size of each series is published via the LIFFE CONNECT[®] API and that series that are the subject of adjusted (non-standard) contract sizes are published on the NYSE Euronext website at www.nyx.com/liffe/corporateactions.

5.2 Members are reminded that, pursuant to London Notice No. 2942, issued on 25 September 2007, the Exchange will only invalidate trades which are deemed by the Exchange to have been executed at Aberrant prices. Any other errors made in the execution of a trade may only be addressed by way of the mutual consent cancellation facility, described in Trading Procedures 3.5.5 – 3.5.7 inclusive, which requires the consent of the counterparty concerned before such invalidation may be considered by the Exchange, or the Error Correction Facility, which is described in Trading Procedure 3.6.

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

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