

LONDON NOTICE No. 3574

ISSUE DATE: 5 March 2012
EFFECTIVE DATE: 5 March 2012

**OPTION CONTRACT ON EQUITY RELATED SECURITIES
(INCLUDING COMPANY SHARES AND EXCHANGE TRADED FUND SHARES)
(EXCHANGE CONTRACT NO. 201)**

NORTHERN ROCK PLC INDIVIDUAL EQUITY OPTIONS CONTRACTS

Executive Summary

This Notice updates Members on the Exchange's current position with regard to the remaining open interest in Northern Rock plc Individual Equity Options Contracts.

1. Introduction

- 1.1 This Notice informs Members of the Exchange's current position with regard to remaining open interest in Northern Rock plc Individual Equity Options Contracts.

2. Background

- 2.1 Corporate Action Notice No. [CA/2008/073/Lo](#), issued on 22 February 2008, advised Members of the suspension of trading in Individual Equity Options based on the shares of Northern Rock plc ("the Contract") (contract code NKR), as well as the suspension of option exercise, following the transfer of Northern Rock plc shares to the Treasury Solicitor as nominee of HM Treasury, pursuant to the Northern Rock plc Transfer Order 2008. Furthermore, the Northern Rock plc Compensation Scheme Order 2008 promulgated the basis on which any compensation payable by HM Treasury to Northern Rock shareholders would be determined ("the Compensation Scheme").
- 2.2 An Independent Valuer (<http://www.northernrockvaluer.org.uk/default.aspx>) was appointed in September 2008 to determine the amount of any compensation payable by HM Treasury to former shareholders of Northern Rock and to those whose rights to receive shares were extinguished when Northern Rock was transferred into temporary public ownership. Having applied the valuation assumptions that he was required by law to apply, the Independent Valuer determined that there was "no value in the shares (or right to receive shares) as at the valuation date and therefore that no compensation is payable to former shareholders (and to those whose rights to receive shares have been extinguished)".
- 2.3 Any affected party who was dissatisfied by the Independent Valuer's determination could refer the matter to the Upper Tribunal for appeal. On 6 October 2011, the Upper Tribunal delivered its ruling and concluded that the Independent Valuer was correct in his interpretation of the statutory provisions, that his application of them to the facts was reasonable and professional, and that the nil valuation should stand. On 28 October 2011, the

Web site: www.nyx.com/liffe

The **Euronext Derivatives Markets** 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.

Upper Tribunal granted the former shareholders who had brought claims in the Upper Tribunal permission to appeal its ruling on the correct interpretation of the Withdrawal Assumption. The Upper Tribunal refused permission to appeal in relation to any other issues. An application has been made to the Court of Appeal for permission to deal with other issues before the Court of Appeal, namely the extent of the Upper Tribunal's jurisdiction and related matters.

3. Corporate Action Processing

- 3.1 Corporate Action Notice No. [CA/2008/073/Lo](#) stated that the Effective Date for the corporate action adjustments would depend upon the timing of the outcome of the Compensation Scheme, such that the Effective Date shall be no sooner than a compensation amount has been finally determined following that process.
- 3.2 Since that process continues, with claims brought to the Upper Tribunal, NYSE Liffe's position with regard to the processing of the corporate action remains as stated in [CA/2008/073/Lo](#).
- 3.3 However, while the appeal process continues and the timing of its outcome uncertain, the Exchange recognises the desire of some Members and their clients to be able to realise Net Liquidating Value held at LCH.Clearnet Ltd. or to release monies held against initial margin liabilities by settling their rights and obligations under the contract terms, prior to the outcome of the Compensation Scheme. Therefore, since trading in the Contract otherwise remains suspended, NYSE Liffe has determined to permit Members to conduct position transfers via the Universal Clearing Platform ("UCP", formerly TRS/CPS), at a price that is mutually agreeable to both Members and, where relevant, their clients, for the purposes of allowing the closure/settlement of one, or both, Members' positions. This position transfer facility will be made available to Members with immediate effect, and until further notice.
- 3.4 In order to process such a position transfer in UCP, once a price has been bilaterally agreed, NYSE Liffe requires the submission of a Position Transfer Request form, a copy of which forms the Attachment to this Notice, which should be signed by a Compliance Officer from each member firm before submission to the Exchange. Upon completion and submission of this form to NYSE Liffe Clearing, Members may enter the position transfer(s) via the UCP menu option number 14 (Position Transfers) for processing by the Exchange. Position Transfer Request forms may be submitted to NYSE Liffe Clearing via email as a scanned document, or via fax, using the email address or fax numbers provided within the attachment to this Notice. Transfers submitted at a price greater than zero pence will give rise to 'premium' cash flows, via LCH.Clearnet Ltd cover account postings, on the morning of the following business day. The completion of a position transfer may subsequently be followed by the entry of a Settlement Instruction (i.e. close-out) by the receiving Member via the UCP menu option number 13 (Settlement Instructions). Positions held in the House (H) or Market Maker (M) position keeping accounts within UCP will be automatically settled (i.e. closed out) as part of the Exchange's clearing processing that evening.
- 3.5 All open interest remaining in the Contract on the Effective Date of the corporate action, i.e. at the point when a compensation amount has been finally determined following the completion of the legal process, will be settled by NYSE Liffe at their intrinsic value, with reference to the compensation amount. Positions in the Contract that are closed via the position transfer process described above prior to the Effective Date will not be included in this corporate action processing since they will already have been settled.

4. Additional Information

- 4.1 Members can find more information regarding the Compensation Scheme [here](#), or via the [Independent Valuer's website](#), or may contact NYSE Liffe using the contact details provided below.

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

NYSE Liffe Clearing +44 (0) 20 7379 2656 nyseliffeclearing@nyx.com

Quality of Derivative Markets +31 (0) 20 550 4296 Corporateactionsteam@nyx.com

NORTHERN ROCK OPTION POSITION TRANSFER REQUEST

NYSE LIFFE CLEARING:

Fax +44 (0)20 7929 3554 or
+44 (0)20 7379 2424

Tel +44 (0)20 7379 2656

Email nyseliffeclearing@nyx.com

DATE:

ORIGINATING MEMBER'S STAMP

RECEIVING MEMBER'S STAMP

CONFIRMATION STATEMENT:

In accordance with London Notice No. 3574, we confirm that prices of the below position transfers have been mutually agreed upon by both Member firms and their clients (where applicable).

ORIGINATOR'S SIGNATURE:.....

(COMPLIANCE OFFICER)

CONTACT NAME:

RECEIVING MEMBER'S SIGNATURE:

(COMPLIANCE OFFICER)

CONTACT NAME:

TELEPHONE NUMBER:

TELEPHONE NUMBER:

EMAIL ADDRESS:

EMAIL ADDRESS:.....

MEMBER MNEMONIC (ORIGINATOR)	ACCOUNT	BUY/ SELL	CONTRACT	CALL/ PUT	EXPIRY MONTH	STRIKE PRICE	VOLUME	TRANSFER PRICE (GB pence)		MEMBER MNEMONIC (RECEIVER)	ACCOUNT
			NKR								
			NKR								
			NKR								
			NKR								
			NKR								

PLEASE PROVIDE ANY ADDITIONAL INFORMATION RELEVANT TO THIS REQUEST